

My View on ... The Green New Deal

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The Richard J Murphy YouTube Channel

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The Green New Deal

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This post is part of an ongoing series in which I set out my views on significant issues in economics, political economy, politics, taxation, and accounting. It should be read in that context. It provides an overview of a position that I have developed over many years of writing and analysis, rather than a comprehensive treatment of the subject. If you would like to explore these ideas in more detail, the reading list at the end of this post provides a good place to start.

The whole View On series [is available here.](#)

Introduction

I was one of the co-founders of the Green New Deal, a fact that places me at the centre of a political and economic project that predates the more familiar American version by well over a decade.

The original UK Green New Deal Group began its work in 2007 and 2008, and the Group's first report was published in July 2008, several months before the collapse of Lehman Brothers brought the global financial system to its knees. That timing was not a coincidence. My colleagues in the Group and I had

identified, even before the crash arrived, that three crises were converging at once:

**a coming financial collapse driven by reckless banking,
an accelerating breakdown of the climate, and
a deepening insecurity in energy supply**

The Green New Deal was our attempt to answer all three at the same time.

In what follows I want to explain where the Green New Deal came from and why it was never merely an environmental policy, set out the scale of investment it requires and the mechanisms through which that investment can be funded, and then turn to why our mainstream politics has so consistently failed to act on any of it.

A programme born from crisis

This founding context matters enormously for understanding how I have always thought about the project.

From the outset, the Green New Deal was not an environmental policy with a few economic additions bolted on. It was a programme for the comprehensive restructuring of a failing economic model, one whose internal logic was producing inequality, environmental ruin and financial instability at the same time.

As I have written consistently over the years, you cannot address any one of those failures in isolation, because they share common roots in the same system of financialised, extractive capitalism. The crash that followed within months of our first report was, in that sense, a confirmation of the analysis rather than a surprise to it.

Not an environmental policy alone

One of the most persistent misunderstandings about the Green New Deal, and one I have worked to correct for many years, is the assumption that it is primarily or exclusively about decarbonisation. It is not. Rapid transition away from fossil fuels was central to the programme, but the original UK Green New Deal was always equally concerned with reforming finance, redirecting savings, rebuilding public infrastructure and creating secure, well-paid employment. These components were present from the beginning and are inseparable from the environmental agenda.

In my view climate breakdown is bound up directly with financial instability,

rising inequality, poor housing, weak public infrastructure, insecure employment, regional decline and the dominance of extractive capitalism over productive investment. These are not separate problems that happen to coexist. They are expressions of the same underlying dysfunction, and any serious policy programme has to address them together. Later versions of the Green New Deal, particularly some of those that emerged in the United States, often diluted this integrated vision into little more than a brand for climate spending. I have always regarded that as a retreat from the original ambition and a real weakening of the intellectual case.

Public investment at scale

The Green New Deal, as I have developed it across more than fifteen years of writing and advocacy, requires large-scale public investment. My estimates, consistent across a wide body of work, place the required annual expenditure for the United Kingdom at a minimum of fifty billion pounds, with the full programme potentially running considerably higher. The New Economics Foundation and the Green New Deal Group's own research identified that decarbonising buildings, rebuilding transport systems and constructing low-carbon infrastructure could require up to one hundred and seventeen billion pounds a year through to 2030.

I have always been impatient with the objection that such sums are unaffordable, because that objection misunderstands the nature of government finance entirely. A government that issues its own currency, such as ours, is not constrained in the way that a household or a firm is constrained. It creates the money it spends at the point of spending, and taxation does not fund that spending. Taxation exists to control inflation and to shape the distribution of income and wealth, not to gather the money the government then uses. The real question is therefore never whether the money can be found, but whether the real resources, the labour, the materials and the expertise, are available to be put to work. When those resources are underused, as they so often are under the current system, public investment of this kind is not merely affordable, it is the rational economic response. The genuine constraint is political will, not financial arithmetic. It follows that fiscal rules and arbitrary borrowing targets should not be the primary determinants of whether climate action happens. The idea that a notional ceiling on government debt should dictate the pace and scale of our investment in economic survival is, in my assessment, a category error of the first order.

Reforming finance

One of the most distinctive and most often overlooked elements of the original Green New Deal is its insistence on financial reform. The 2008 report

argued explicitly that speculative banking had to be constrained, that the largest financial institutions had to be broken up, and that credit had to be redirected from unproductive asset speculation towards long-term, productive, green investment. This was a critique of financialised capitalism as much as it was a climate policy, and I have continued to develop that argument in my writing ever since.

The stock market and land speculation, in my view, function for the most part as Ponzi schemes that create no new productive capacity and deliver no additional social value. The vast quantities of capital cycling endlessly through the purchase of second-hand shares and second-hand property represent a colossal misallocation of our society's resources. Correcting that misallocation matters as much to the Green New Deal as building renewable energy infrastructure does, because the same savings that currently inflate the price of assets we already own could instead be building the assets we urgently need.

Redirecting savings and creating money

A substantial part of my own contribution to the Green New Deal has been the work on funding mechanisms, and I have argued consistently that the question of how to pay for the transition, so often posed as a rhetorical trap designed to suggest it cannot be done, has several clear answers.

The first, and the most innovative, is green quantitative easing. My Finance for the Future colleague Colin Hines and I were among the earliest proponents of directing the creation of money towards productive environmental investment rather than towards the inflation of asset prices. When central banks created hundreds of billions of pounds to rescue failed banks after the 2008 crisis, they demonstrated beyond argument that governments can create money at the scale required to meet a systemic crisis. I have argued, persistently, that the same capacity should now be directed towards averting climate collapse rather than towards subsidising the balance sheets of the financial sector.

The second mechanism involves reforming the tax reliefs given to savings. My analysis shows that around 80 per cent of UK financial wealth is held in tax-advantaged assets, principally pension funds and ISAs, all of which receive substantial public subsidy in the form of tax relief. My proposal is that the conditions attached to those reliefs should be changed so that a portion of new contributions must be directed into investments that fund the Green New Deal, meaning energy-efficient buildings, renewable infrastructure, social housing and the public goods that go alongside them. My 2023 analysis suggested that reform of pension tax relief alone could release around thirty-five billion pounds a year for investment of this kind, and ISA reform

along similar lines could unlock a much larger sum. This is not a new tax. It is about attaching conditions to a subsidy the state already pays, requiring that subsidised savings be redirected from current uses that largely relate to financial speculation towards work our society badly needs done.

Taken together with taxation used properly, as a tool of inflation and distribution management rather than as a source of funds, these mechanisms make up what Colin Hines and I have called QuEST, standing for quantitative easing, savings and taxation. The point of setting it out that way was to answer the funding question comprehensively, and to show that no single mechanism is essential, because a combination of them provides more than enough capacity to finance the transformation required.

Green bonds and a compact between the generations

An associated strand of my thinking concerns Green Recovery Bonds, an instrument that Colin Hines and I proposed and developed through several iterations. The idea is straightforward. Government should issue bonds specifically designated to fund Green New Deal investment, make them available through ISAs and pension schemes, offer rates of interest that are genuinely attractive to savers, and guarantee them through a mechanism analogous to the Financial Services Compensation Scheme that already protects deposits.

The argument for such bonds is partly financial and partly political. Financially, they provide a stable and democratic funding stream for the transition, drawing on the large pool of domestic savings rather than leaving us dependent on international capital markets. Politically, they frame the Green New Deal as a compact between the generations, in which older savers invest directly in the economic future of younger ones. I have long argued that well-designed green bonds would attract enormous popular support, and that the failure of successive governments to create one reflects a failure of political imagination rather than any technical obstacle.

Where mainstream politics has failed

I have been an unsparing critic of the inadequacy of mainstream political responses to the climate crisis, and Labour's record has drawn particular attention from me. The abandonment of the party's pledge to invest twenty-eight billion pounds a year in green capital investment, first watered down and then dropped altogether before it had even taken office, was a significant political failure. Treating climate investment as an optional extra to be trimmed in line with fiscal rules reflects a fundamental misunderstanding of what is at stake, and it is exactly the kind of thinking my work on funding was intended to dislodge.

The criticism extends well beyond that single broken promise. It takes in the government's subsequent retreat from nature-friendly farming support, the general inadequacy of official green investment, the diversion of money away from renewable energy and towards nuclear projects whose costs reliably run far beyond their budgets, and the broader pattern of treating the transition to net zero as a cost to be managed rather than as an economic opportunity to be seized.

In my analysis, the question of whether to act is not open. The only question left is whether we choose to manage the transition on our own terms now, or to absorb the far greater costs of failing to do so later. What we are watching instead is a political class that has convinced itself the money cannot be found, when the truth is that it has simply chosen not to look.

The objections that deserve an answer

There are objections to the case I have set out here that deserve to be taken seriously, because they come from people who have thought carefully about these questions rather than from those merely repeating a slogan.

The first, and the most persistent, is that a Green New Deal funded through money creation and redirected savings would be irresponsible, storing up inflation or debt that future generations would have to carry. I understand why this carries weight with anyone taught for decades to think of government finance in household terms, where money spent today has to be repaid, with interest, tomorrow. But a currency-issuing government is not a household, and it cannot run out of the money it issues in its own currency. The real risk is not insolvency but inflation, and inflation only arises if spending outruns the productive capacity of the economy.

On that measure, the case for caution is far weaker than critics assume, because this country carries substantial underused capacity in construction, in engineering and in the skilled trades that decades of underinvestment have left idle, with many who were engaged in these tasks having been forced into alternative employment. Directing spending towards those sectors is more likely to expand our productive base than to overheat it. Where genuine inflationary pressure does appear, taxation is available precisely to withdraw spending power and keep demand in balance. This is not recklessness. It is the considered use of tools a government already holds.

The second objection, heard most often from those closer to conventional economics, is that state-directed investment on this scale crowds out private capital and misallocates resources that markets would otherwise deploy more efficiently. This assumes that markets are currently allocating capital

efficiently, and the evidence points the other way. The overwhelming majority of the savings that flow through ISAs and pension funds are used to buy second-hand shares and second-hand property, assets that already exist, rather than to create anything new. That is not efficient allocation; it is subsidised speculation, and it does almost nothing to enlarge the productive economy. State direction, through a National Investment Bank and through the reform of subsidised savings, is not a substitute for private investment. It is what allows private investment to follow, by building the infrastructure and the confidence on which private capital depends before it will commit.

The third objection is more political than economic, and it holds that reforming pension and ISA tax relief in the way I propose amounts to compelling ordinary savers to fund government policy with their own retirement money whether they wish to or not. This is a fair concern, and I take it seriously, because trust in pension provision matters enormously to people who have little other security. But the proposal neither confiscates savings nor reduces the return available to savers. It attaches a condition to a public subsidy that already costs the Exchequer tens of billions of pounds a year, requiring that a portion of new contributions be invested in assets that support the transition rather than in the endless recycling of shares and property. Savers keep their capital and their expected returns. What changes is where new money is put to work, not whose money it is. Set against the alternative, which is a chaotic and far more expensive transition forced upon us by physical damage and emergency spending after the fact, redirecting a portion of subsidised savings towards prevention now seems to me a modest and proportionate request rather than an imposition.

Conclusions

The Green New Deal has never lacked an answer to the question of how it would be paid for. That answer has existed since 2008, refined and extended across more than fifteen years of work, and it rests on capacities any currency-issuing government already possesses. It can create money at scale when a crisis demands it. It can redirect savings that are presently doing little more than inflating the price of assets we already own. And it can use taxation for its proper purposes, managing inflation and shaping distribution, rather than pretending that tax is the purse from which spending must first be drawn. What has been missing is not money. It has been the political will to say so plainly.

I left the Green New Deal Group in early 2025, after what became an irreconcilable disagreement over the refusal of some of my former colleagues to acknowledge the significance of modern monetary theory to the funding proposals we had built together. I departed without regret, considering that my contribution to the original project had been substantial and that the time

had come to carry these ideas forward by other means. My most recent writing on the subject, including a glossary entry published in May 2026, reflects my sense that the Green New Deal as an active political programme has largely faded from public discussion, even as the analysis behind it has grown more urgent, not less, and that is to be regretted.

The core of that analysis, and the part I am most concerned should survive, is the recognition that climate breakdown, financial instability, inequality and economic insecurity are not four separate problems but four faces of the same systemic failure. Any programme that addresses one of them while ignoring the others will fall short. At its best, the Green New Deal was a complete strategy for restructuring a broken economy, and that remains precisely the kind of thinking this moment requires. We can continue to pay the mounting price of hesitation, or we can accept that the resources exist, the mechanisms exist, and the only real obstacle left is a politics not yet willing to act on either. I know which of those I have spent my working life arguing for, and I do not intend to stop now.

Reading list

Post

Date

What it covers

[Making quantitative easing green](#)

6 December 2010

The earliest statement of green quantitative easing, proposing that newly created money be directed towards Green New Deal investment rather than conventional QE.

[Does the Green New Deal need modern monetary theory?](#)

18 February 2019

Sets out the relationship between the funding proposals and modern monetary theory, and the case for retaining green quantitative easing as an option.

[Funding the Green New Deal - Part Two](#)

31 August 2019

Argues for a National Investment Bank issuing bonds and for redirecting savings away from unproductive speculation towards the Green New Deal.

[Funding the UK Green New Deal](#)

16 September 2019

Details the pension and ISA reform proposals, including the contribution requirement and government-backed green bonds.

[People want zero carbon by 2030. It's what the Green New Deal requires](#)

7 November 2019

Reports polling evidence of strong public support for an ambitious 2030 decarbonisation target of the kind the Green New Deal implies.

[Funding the Green New Deal: How we could Save for the Planet](#)

6 December 2019

Reports the proposal for green bonds paying market rates of interest, funded through reformed pension and ISA tax relief.

Labour needs to drop the Green Industrial Revolution: we need a Green New Deal, and they're nothing like the same thing

30 December 2019

Distinguishes the Green New Deal from growth-focused industrial policy, arguing it is about using less carbon rather than pursuing growth.

QE and funding the Green New Deal

28 November 2020

Explains how reformed savings and, if needed, a further stage of quantitative easing could together supply the funding a Green New Deal requires.

The only real ESG investment is a Green New Deal

10 March 2021

Argues that conventional ESG products fail to deliver genuine environmental and social value compared with direct Green New Deal investment.

The QuEST for a Green New Deal

30 July 2021

Introduces the QuEST framework, quantitative easing, savings and taxation, as the comprehensive answer to how the transition can be funded.

We need a Green New Deal, more than ever

20 July 2022

Restates the urgency of the Green New Deal against worsening climate

impacts and continuing political inertia.

[We need green quantitative easing](#)

15 November 2022

Renews the call for climate quantitative easing and traces the idea back to the original 2010 proposal with Colin Hines.

[Reforming the conditions attached to pension tax relief could release £35 billion a year for investment in a UK Green New Deal](#)

30 November 2023

Sets out in detail the proposal to redirect a quarter of new pension contributions towards climate transition and social infrastructure.

[We must find a solution to funding the global Green New Deal](#)

14 December 2023

Extends the QuEST framework to international climate finance and the position of countries without their own reserve currencies.

[Clive Lewis on Labour's £28bn plan for a Green New Deal](#)

3 February 2024

Commentary on the case for Labour's green investment pledge and on the treatment of fiscal rules as political choices rather than fixed limits.

[How to pay for a Green New Deal](#)

5 March 2024

A concise costed breakdown of the tax and finance measures capable of funding a substantial share of annual Green New Deal investment.

[Starmer's new climate policy is unforgivable](#)

4 October 2024

Criticises the government's turn towards carbon capture and storage as a poor substitute for renewable investment and genuine leadership.

[Trump v the Green New Deal](#)

20 January 2025

Responds to the withdrawal of the United States from climate commitments and its implications for the global transition.

[Starmer and Reeves were going to be green: now they're just trashing the planet](#)

29 May 2025

A direct critique of the government's abandonment of its green investment commitments for the sake of fiscal caution.

[Glossary entry: Green New Deal](#)

2 May 2026

A reference account of the origins, components and evolution of the Green New Deal, including the reasons for leaving the Group in 2025.