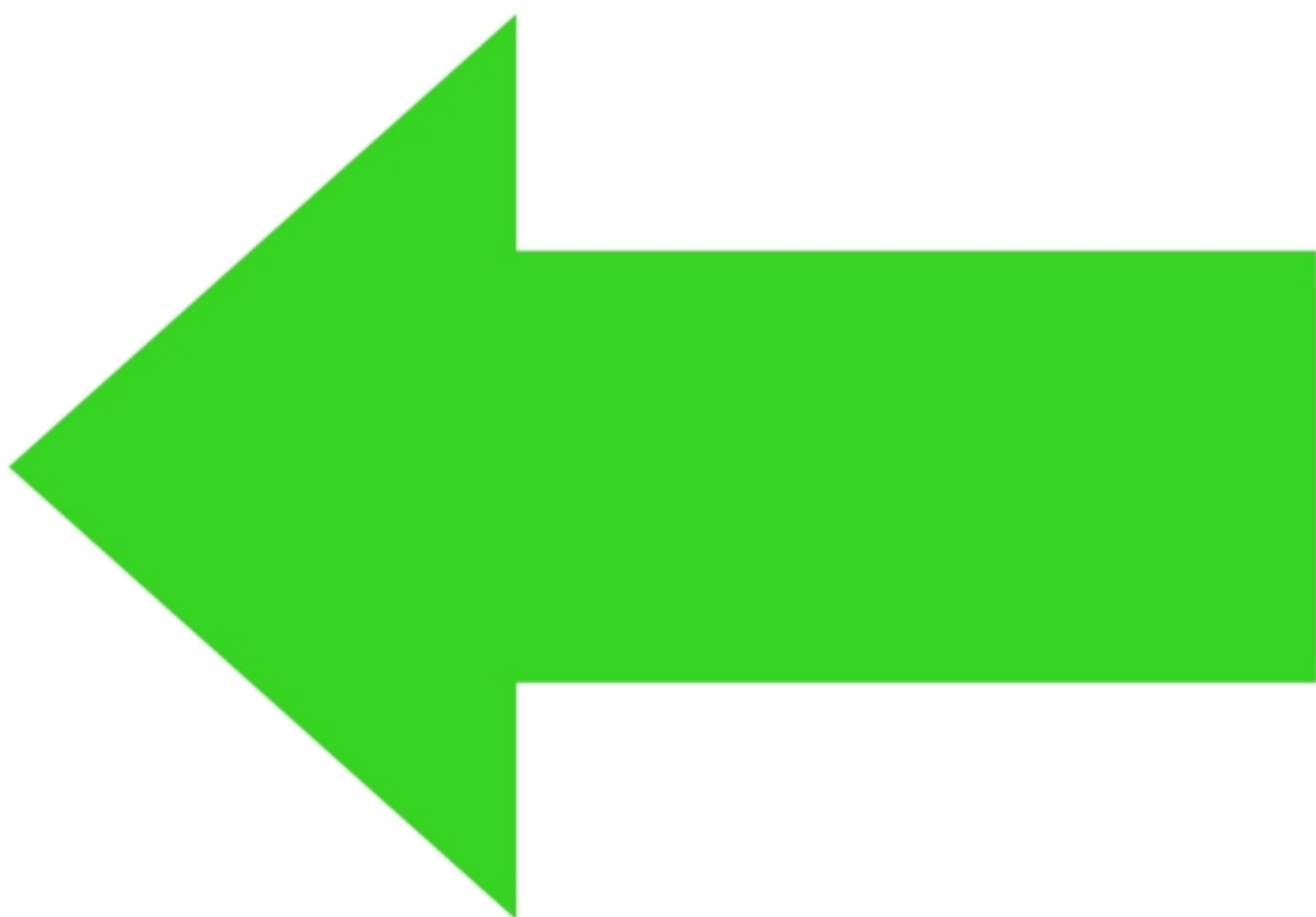


**THE CASE
FOR THE
GREEN
NEW DEAL**



ANN PETTIFOR

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Preface

We can afford what we can do. This is the theme of the book in your hands. There are limits to what we can do – notably ecological limits, but thanks to the public good that is the monetary system, we can, within human and ecological limits, afford what we can do.

For humanity to survive on a liveable planet there is an urgency to what we must, and can, do. We are facing extinction. The earth's complex life support systems of atmosphere, oceans, land surface and life forms are at the point of breakdown, according to the world's top scientists. As George Monbiot has warned, 'Only one of the many life support systems on which we depend – soils, aquifers, rainfall, ice, the pattern of winds and currents, pollinators, biological abundance and diversity – need fail for everything to slide.'¹

The UN's Intergovernmental Panel on Climate Change (IPCC) issued a clear and trenchant call for action in 2018. We need to cut annual global emissions by half in the next twelve years and hit net zero carbon by the middle of the century. According to Jason Hickel in *Foreign Policy* magazine,

It would be difficult to overstate how dramatic this trajectory is. It requires nothing less than a total and rapid reversal of our present direction as a civilization. The challenge is staggering in its scale, and the stakes are even more so. As the co-chair of an IPCC working group put it, 'The next few years are probably the most important in our history.' After decades of delay, this is our last chance to get it right.²

For the UK and US, as well as other OECD countries, averting climate breakdown means cutting CO₂ emissions by 80 per cent by 2030 and reaching a zero carbon economy by 2040. This will allow OECD emission cuts to be equitably shared with non-OECD countries' emission cuts (as in the 1992 UN Convention on Climate Change's 'common but differentiated responsibilities' (CBDR), in which OECD nations have to cut first and hardest).

To protect earth's life support systems and to achieve such a radical transformation we must escape from capitalism's globalised, carbon-belching financial system – designed and engineered to issue trillions of dollars of

unregulated credit to fund supposedly limitless consumption, and in turn to furiously fuel toxic emissions. It is an economic system that over a relatively short period of human history has wrecked earth's natural systems. And thanks to capitalism's dependence on a system enriched by imperialism, racism and sexism, it has bound all human societies to a form of slavery.³ And yet, some have made historically unprecedented capital gains from this system. They are the '1%'.

As the *Economist* noted back in 2012, the wealthiest 1 per cent of Americans not only get more of the pie; they are increasingly creatures of finance. Steve Kaplan and Joshua Rauh of Northwestern University reported that investment bankers, corporate lawyers, hedge-fund and private-equity managers have displaced corporate executives at the top of the income ladder. In 2009 the richest twenty-five hedge-fund investors earned more than \$25 billion, roughly six times as much as all the chief executives of companies in the S&P 500 stock index combined.⁴ And yet the financial system on which these wealthy individuals have gorged is not itself a private asset. It is instead a great public asset, financed, guaranteed and sustained by millions of ordinary taxpayers in all the economies of the world. In other words, a great public good has been captured by the 1 per cent. It needs to be restored to collective ownership.

At the same time, environmentalists have treated the ecosystem for too long as almost independent of the dominant economic system based on deregulated, globalised

finance. Macroeconomics, monetary theory in particular, are deemed a subject for ‘experts’ – the ‘creatures of finance’ that control the globalised financial system. Much of what is done within that system is deliberately kept hidden from society’s gaze. Even so, many continue to avert their gaze from the activities of the finance sector, partly because the system appears too complex and remote, but also because we all benefit from it in some way. Millennials and pensioners alike enjoy the freedom that globalised finance provides for those who wish and can afford to travel widely among foreign lands and cultures. Many appreciate the ease with which bank accounts can be accessed in remote places, along with the ability to purchase and transport goods from anywhere on earth by making a bank transfer with just the click of a computer button.

I will argue that we can no longer afford to indulge such freedoms and powers, or to bend to the will of the gods of finance. There will be no chance of protecting earth’s life support systems if we do not simultaneously escape from the grip of the masters of the globalised financial system. A capitalist system that is blind to the most vital capital of all: that provided by nature, which finds itself exploited parasitically and used up at a reckless rate, as E. F Schumacher argued in his 1973 classic, *Small Is Beautiful*.⁵

By escaping from the inexorable control of the masters of the financial universe, we will find that we can afford to create a new, more balanced system of international economic and ecological justice. That we can also afford to

reforest large swathes of the earth and its coastal areas. We will discover that we can afford to urgently end the globalised economy's addiction to fossil fuels. That we can afford to transform our economy away from its fixation with 'growth'. That we can, within our own finite physical and intellectual limits, begin to restore our damaged ecosystems to health. That we can work together, collectively, to protect ourselves, our families and communities and the environments in which we survive, grow, develop and create.

In other words, we can – and to survive, we must – transform and even end within the next ten years the failed system of capitalism that now threatens to collapse earth's life support systems and with them, human civilisation. We must replace that economic system with one that respects boundaries and limits; one that nurtures 'soils, aquifers, rainfall, ice, the pattern of winds and currents, pollinators, biological abundance and diversity';⁶ one that delivers social and economic justice.

We Green New Dealers know we can achieve that in the ten years or so that the UN's scientists believe are left to us. One reason it is achievable is this important fact: just 10 per cent of the global population are responsible for around 50 per cent of total emissions. Tackling the consumption and aviation habits of just 10 per cent of the global population should help drive down 50 per cent of total emissions in a very short time. This understanding helps us grasp the rate and scope of what is possible if we

genuinely believe climate breakdown threatens human civilisation.⁷

Furthermore, we know we can do this because we have, in the past, undertaken huge transformations within less time than that suggested by the 2018 IPCC Report. Our confidence should stem not only from knowledge of past transformations, but also from a new understanding of money and monetary systems. I am determined to ensure that this knowledge is shared, in order to empower campaigners and environmentalists with economic evidence and arguments with which to confidently challenge purveyors of capitalist economic dogma, the climate deniers, defeatists and naysayers. Those who consider it utopian to believe society can end a deeply entrenched system of racialised capitalism. Those who are convinced that ‘there is no money’ for transformation, and that government spending is inflationary. Those who feel that capitalism’s hyper-globalisation is working just fine. That poverty, racial and gender inequality and injustice are not a result of globalised capitalism, but rather of human weakness. That decent jobs for all is a pipe dream. That humanity has survived previous periods of climate breakdown – and will do so again. That humanity is essentially evil and driven by greed and self-interest. That there is no hope.

Not true. There is hope; and it rests not on a utopian vision of humanity, but on our knowledge of human genius, empathy, ingenuity, collaboration, integrity and courage. We know that it is possible to transform the globalised

financial system because we have done it before – and in the relatively recent past. That too will be a theme of this book.

To transform the current economic and financial system we must ignore defeatists on both the left and right of the political spectrum, and arm ourselves with sound knowledge. Such knowledge can empower millions of people, and be a motor for action.

Above all, it will serve to correct widespread and deliberate misinformation about the workings of the great public good that is the monetary system. Falsehoods peddled by the followers of Hayek and Ayn Rand; by mainstream economists, cryptocurrency fanatics and other monetary ‘reformers’, and all those who either passively or actively defend a financialised capitalist economy that deliberately depletes the earth’s finite and precious resources.

In a fine speech in 1962, President John Kennedy boldly announced,

We choose to go to the moon in this decade and do the other things, not because they are easy, but because they are hard, because that goal will serve to organise and measure the best of our energies and skills, because that challenge is one that we are willing to accept, one we are unwilling to postpone, and one which we intend to win, and the others, too.

‘We choose to go to the moon.’ In 1962 there were serious doubts as to whether the world’s scientists and engineers

possessed the intellectual and physical resources, and astronauts the courage, to build and steer a spacecraft that might reach the moon. But there were absolutely no doubts, or questions, about the ability to finance a ‘moonshot’. In the event, scientists from around the world collaborated on the project, one of the most ambitious international team efforts ever. Just seven years after Kennedy’s speech, in 1969, Neil Armstrong stepped out of his spacecraft and onto the moon.

We can choose to survive. But in order to survive, everything must change. Everything. Radical action, based on sound understanding of the financial system and moral courage, can transform the present and guarantee a future.

Sometimes we just simply have to find a way. The moment we decide to fulfil something, we can do anything. And I’m sure that the moment we start behaving as if we were in an emergency, we can avoid climate and ecological catastrophe. Humans are very adaptable: we can still fix this. But the opportunity to do so will not last for long. We must start today. We have no more excuses.⁸

INTRODUCTION

What Is the Green New Deal?

Origins

‘A Green New Deal, with Justice for All. Practical. Possible. Inevitable.’

Those words formed the heading of a plain google doc that popped up on my screen in July 2018. They were to be the basis of a carefully crafted manifesto, tested with a range of Alexandria Ocasio-Cortez’s (AOC’s) friends and advisers as she prepared for the US mid-term Congressional elections. They helped her win a victory that was to electrify millions of young Americans and reinvigorate the youth wing of the Democratic Party.

Earlier that year members of the AOC campaign team had visited Britain to sound out a range of economists working with, and around, Jeremy Corbyn, and to prepare

for Ms Cortez's upcoming Primary campaign. I met with one, Zack Exley, in a coffee shop to discuss the thorny question of financing their ambitious plans. After that, apart from the odd email, I heard no more. Hardly surprising, as the New York Primary campaign was in full swing and, by all accounts, absorbed much energy. Plus, there was considerable doubt whether AOC could successfully challenge a powerful and well-funded sitting Democrat. In the event, she pulled off a stunning victory.

The day after that victory the think tank where I work, Policy Research in Macroeconomics (PRIME), was contacted again by her team. We agreed to convene a small, trusted group of British economists in my apartment to deepen and broaden the discussion of how to finance AOC's programme. We had a lot in common, including a shared commitment to the Green New Deal (GND).

Ten years earlier, a group of British environmentalists and economists had spent many evenings in that same apartment, sustained by comfort food and the odd glass of wine, while furiously arguing, strategising and drafting a plan for transforming the economy to protect the ecosystem – a plan we called the Green New Deal. Our meetings took place at the height of the 2008 Great Financial Crisis and these events, the fall of Lehman Brothers, the debates on quantitative easing (QE) and bailing out the banks, injected a grave sense of urgency into our deliberations.

While we were early adopters in 2008, we were not the first to call for a GND. That call had been made on

19 January 2007 by Thomas L. Friedman, a *New York Times* journalist in a column titled ‘A Warning from the Garden’.¹ ‘The right rallying call is for a “Green New Deal”,’ Friedman wrote. ‘The New Deal was not built on a magic bullet, but on a broad range of programs and industrial projects to revitalize America . . . If we are to turn the tide on climate change and end our oil addiction, we need more of everything: solar, wind, hydro, ethanol, biodiesel, clean coal and nuclear power – and conservation.’ The call was taken up first by President Obama, who included the Green New Deal in his platform.

Later, in the autumn of 2007, Colin Hines, a onetime British Greenpeace staffer and campaigner, took up Friedman’s challenge and convened a group to draft an ambitious plan for a Green New Deal that might both transform the economy and safeguard the planet. Besides myself, the group included Britain’s only Green MP, Caroline Lucas; the macroeconomist and senior trade union economist, Dr Geoff Tily;² the *Guardian*’s economics editor, Larry Elliott; the environmental campaigner and author, Andrew Simms; Jeremy Leggett, director of an international solar solutions company, Solarcentury; the tax and accounting expert, Richard Murphy; and two recent directors of Friends of the Earth, Charles Secrett and Tony Juniper.

Our report, published in July 2008, called for ‘joined-up policies to solve the triple crunch of the credit crisis, climate change and high oil prices’. It argued that

the global economy is facing . . . a combination of a credit-fuelled financial crisis, accelerating climate change and soaring energy prices underpinned by an encroaching peak in oil production. These three overlapping events threaten to develop into a perfect storm, the like of which has not been seen since the Great Depression. To help prevent this from happening we are proposing a Green New Deal.

July 2008 was a strange time, a hiatus between that bleak day in August 2007 – when inter-bank lending froze and liquidity in capital markets evaporated – and the collapse of Lehman Brothers in September 2008. Central bankers had rushed to provide liquidity to investment banks in August 2007 when their bankruptcy threatened global systemic failure. The publicly financed and taxpayer-guaranteed bailouts of that month appeared to work. Regulators and politicians were lulled into believing the crisis had been managed.

The American and British public appeared to accept this view. By July 2008, people were going about their daily lives reassured that the worst had been averted, unaware that a huge global investment bank was about to implode and blow up the global financial system. It was during this strange lull in the crisis – *a crisis that as I write, is still not over* – that we tried to gain political traction for the Green New Deal.

Initially, the United Nations Environment Programme (UNEP) took up the call because of the GND's 'enormous

economic, social and environmental benefits . . . ranging from new green jobs in clean tech and clean energy businesses up to ones in sustainable agriculture and conservation-based enterprises'.³ In 2009, Gordon Brown called for an international 'green new deal' to boost the environmental sector and help lift the global economy out of recession, while Green members of the European Parliament called for a European Green New Deal to tackle the continent's economic problems in a sustainable manner. Despite this support, both in Europe and the United States (where the Green Party took up the call) our efforts were soon eclipsed by the chaotic aftermath of the Lehman Brothers bankruptcy.

Ten years later, Alexandria Ocasio-Cortez and her team came up with their own, ambitious Green New Deal – a 'plan to solve three critical problems at once: the threat climate change poses to America's security, poverty and inequality, and the racial wealth gap'. Central to the US GND is the Job Guarantee, to give 'every unemployed American who wants one, a job building energy-efficient infrastructure'.

This is how a young woman of colour, the youngest person ever elected to the US Congress, ignited a political torch under a radical proposal for preventing the collapse of earth's life support systems. Her plan went viral on 13 November 2018, when young people blocked the corridors of US Congressional power with the warning that climate breakdown threatened their futures. The Sunrise Movement

corralled the newly elected Democrat into joining their sit-in outside the office of Nancy Pelosi, likely next Speaker of the House of Representatives. Together they demanded political backing for a Green New Deal.

At the time of writing, that political backing has not been forthcoming. Indeed, climate breakdown did not make it into the 2019 Democrat leadership's list of priorities for the new Congress. Speaker Pelosi was dismissive, despite claiming on her Congressional website that she had 'made the climate crisis her flagship issue'. Instead, she went on to disparage the Green New Deal as 'one of several or maybe many suggestions that we receive. The green dream, or whatever they call it, nobody knows what it is, but they're for it, right?'⁴

Yet a survey conducted by the Yale Program on Climate Communication in December 2018 found that the AOC's Green New Deal had 'strong bipartisan support'. Most Democrats and 64 per cent of Republicans backed the plan, without knowing it was promoted by a Democrat.⁵ Millennials (those aged between eighteen and thirty-seven) supported the Green New Deal by nearly a thirty-point margin, according to a poll conducted by the *Nation*.⁶ Evidence of its potential popularity did not prove sufficient to persuade the Democrat leadership, older American voters, mainstream Democrats or right-wing Republicans.

This worrying lack of support for a sound and rational programme for tackling climate breakdown and economic

injustice was the spur that drove me to write this book. For, as the environmental journalist David Roberts argues, while there is immense potential energy in the GND, ‘*converting that heat to power* – to real results on the ground – will involve a great deal of political and policy engineering, almost all of which lies ahead.’⁷ If we are to convert that heat to power, supporters of a Green New Deal must explain how policy can be engineered so that their visionary programme can be financed – without transferring the burden of higher taxes on to the working class (often defined in the US as the ‘middle class’).

At the heart of the scepticism around the GND lie these questions: how, realistically, can such a radical transformation be brought about within ten years or so? How can today’s governments and their allies in the private sector afford to finance such a transformation? What will happen to workers in fossil fuel industries?⁸ This book will attempt to address those questions.

But first things first.

What Is the Green New Deal?

The Green New Deal demands major system change: both economic and ecological system change. It demands structural (governmental and inter-governmental) changes, not just behavioural, community or technological change, in our approach to the financialised, globalised economy and ecosystem. In addition, and as in the 1930s, such change

must be driven by a radical structural transformation of the economy, particularly the financial sector.

The idea was developed in Britain in 2008 on the understanding that finance, the economy and the ecosystem are all tightly bound together. Protecting and restoring the ecosystem to balance cannot be undertaken effectively, we argued, without the transformation of the other sectors. Joined-up policies are needed. Financing the hugely costly overhaul of the economy away from its dependence on fossil fuels cannot be achieved without the subordination of the finance sector to the interests of society and the planet.

Environmental advocates tend to focus on individual ('change your lightbulbs') or community ('recycle, reuse, reduce, localise') action. We have been slow at understanding and promoting the need for radical systemic change across sectors and at a global and national level; that is, change that involves state action. And such structural change cannot just be undertaken at the level of international agreements on carbon budgets.

Its ambition is on a far grander scale than Roosevelt's 1930s New Deal (even if his administration also faced an ecological catastrophe: the Dust Bowl). The climate threats we face are of a magnitude beyond the imagination of New Dealers. However, we can learn from Roosevelt's administration. To tackle climate change we need simultaneously to tackle the root cause of growing toxic emissions: a self-regulating, globalised financial system that pours exponential

quantities of unregulated credit into the hands of speculators and consumers. This credit is used in turn to inflate the prices of existing assets, while failing to finance the creation of new tangible and intangible assets. Further, it is used to accelerate the extraction and consumption of the earth's finite assets. Only once we switch off the 'tap' of 'easy money' will it be possible to switch off the flow of oil and other fossil fuels.

These joined-up policies lie at the heart of the Green New Deal.

The demand for a Green New Deal is realistic in that it harks back to an era when the global economy was transformed almost overnight by the revolutionary Keynesian monetary policies of an American president. As Roosevelt began dismantling the globalised 'gold standard' on the night of his inauguration, on 4 March 1933, he freed up his administration to end austerity and unemployment, then running at 25 per cent, before deploying fiscal policy to create jobs and transform the domestic economy, but also to address the Dust Bowl crisis. He affirmed, as Keynes had done, that 'we can afford what we can do.' Because the financial system – as a system – exists to enable us to do what we can do, no more and no less. As then, now it must be returned to its role as the servant, not the master, of the economy and ecosystem.

The Green New Deal is, therefore, a plan. It is not an idea, nor a proposal, but a comprehensive *plan* for stemming the breakdown of earth's life support systems. It is comprehensive in that its drafters understand that the

earth, in all its diversity, needs a ‘new deal’, and so do the men, women and children who – in all their diversity – are the victims of ongoing global economic failure, and, now, of climate breakdown.

The GND recognises that in the future we must derive energy only from renewable sources. We also need to expand and support ecosystems that suck huge amounts of carbon dioxide out of the air and store that carbon in trees, soils and oceans. But societies also need to end their dependence on a globalised economic system that drives climate breakdown and encourages toxic emissions; an economic system that leads to ecological imbalances alongside economic, political and social inequality and injustice. Its name is globalised, financialised capitalism.

While there is widespread agreement on these essential elements of both the US and British Green New Deals, there are also differences.

The US Green New Deal (2018)

The US Green New Deal is ambitious. It is presented in impressive detail in the Resolution submitted to the US Congress by Rep. Alexandria Ocasio-Cortez, Democrat-N.Y., and Sen. Ed Markey, Democrat-Mass., on 5 February 2019.⁹ It is a comprehensive plan for achieving five major goals in the course of ‘a ten-year mobilisation’:

- to reach net-zero greenhouse gas emissions through a fair and just transition for all communities and workers;
- to create millions of good, high-wage jobs, and ensure prosperity and economic security for all people of the United States;
- to invest in the infrastructure and industry of the United States to sustainably meet the challenges of the twenty-first century;
- to secure clean air and water, climate and community resilience, healthy food, access to nature, and a sustainable environment for all;
- to promote justice and equity by stopping current, preventing future, and repairing the historic oppression of frontline and vulnerable communities.

The Resolution begins by acknowledging that ‘whereas the Federal Government-led mobilizations during World War II and the New Deal created the greatest middle class that the United States has ever seen . . . many members of frontline and vulnerable communities were excluded from many of the economic and societal benefits of those mobilizations.’

The Job Guarantee

The Resolution goes on to recognize ‘that a new national, social, industrial, and economic mobilization on a scale

not seen since World War II and the New Deal is a historic opportunity to (1) create millions of good, high-wage jobs in the United States; (2) to provide unprecedented levels of prosperity and economic security for all people of the United States; and (3) to counteract systemic injustices.’

A key assumption within the Resolution is that the state will provide and leverage ‘adequate capital . . . including through community grants, public banks, and other public financing . . . for communities, organizations, Federal, State, and local government agencies, and businesses working on the Green New Deal mobilization’. The formulation is deliberately vague.

Research and policy development for the US Green New Deal is undertaken by scholars at the nonprofit think tank, ‘New Consensus’. Demond Drummer and Rhiana Gunn-Wright are leading the policy work including the proposal for the creation of a ‘green bank’. In an interview, they explained that this public bank ‘would be used to invest in zero-carbon technologies under development in the public and private sector that need to be commercialized. The bank would be designed to offer financial enhancements and support to communities that haven’t had access to clean energy and transportation.’¹⁰ But that is just the beginning. ‘Right now we’re focused on what needs to be done and how all the pieces fit together,’ Drummer explained in the same interview. ‘Then we will focus on how to pay for it. To be clear: It’s a question of

how we will pay for it – not if we can afford to pay for it. America can afford what we decide to do.’

The UK Green New Deal (2008)

The British Green New Deal had a quite different orientation from the American version.¹¹ While the American GND is heavily focused on the domestic economy, the British version, written at the height of a globally contagious financial crisis, adopted a more internationalist perspective. We began by locating the breakdown of earth’s life support systems in the current model of financial globalisation, and argued that ‘a positive course of action can pull the world back from economic and environmental meltdown.’

We were ambitious, too. We wanted to combine stabilisation in the short term with longer-term restructuring of financial, taxation and energy systems of the global economy. We urged the UK to take action at the international level to help build the orderly, well-regulated and supportive policy and financial environment required to restore economic stability and nurture environmental sustainability.

‘Financial deregulation’ had in our view ‘facilitated the creation of almost limitless credit. With this credit boom have come irresponsible and often fraudulent patterns of lending, creating inflated bubbles in assets such as property, and *powering environmentally*

unsustainable consumption.' We were also clear that high, real rates of interest had driven the need for excessive rates of return on investment necessary to repay costly debt. Hence the compulsion to strip the forests, empty the seas and exploit labour in order to generate the returns needed to repay debts.

Our report therefore began with proposals for systemic change to the global economic model as an essential precondition for decelerating climate change. We understood that global transformation was necessary if we were to re-regulate the *domestic* financial system to ensure the creation of money at low rates of interest consistent with democratic aims, financial stability, social justice and environmental sustainability.

Fundamental to the British GND is the understanding that over the centuries advanced societies have developed monetary systems. The concept of money and a system of money evolved to enable us 'to do what we can do' (Keynes). Money is and always was a form of social technology, one that enables individuals, firms and governments to do business, to trade and exchange. To accomplish transactions smoothly and efficiently, both at home and across borders. A society's monetary system, like its sanitation system, we argued, is a great *public* good.

However, we also recognised that the history of monetary systems is one of struggle for control over the system, between those that would exercise *private* authority over it and those that prefer *public, accountable*

authority. In the 1960s and 70s, Western governments ceded effective control over the system to a private authority – ‘the market’. Or, to be more specific, private actors in financial markets. The latter are dominated by the capital bourses of Wall Street, the City of London and Frankfurt.

While a developed monetary system is a great public good, we Green New Dealers recognised that there are of course ecological, economic and political limitations to what society can ‘do’ within the framework of the monetary system. Nevertheless, provided they are managed by the visible hand of public authority, monetary systems could help finance the radical and costly transition from a fossil fuel-based economy to one based on renewable energy. Just as the monetary system helped finance transitions to war, or to recovery from financial crises.

Therefore the UK GND makes clear that one of the first tasks will be for society to regain *public authority* over the national and international monetary system. And next, to raise the finance to tackle climate change, not just in Britain but internationally. We called on the British government to support a transformation of the financial system that would:

- allow all nations far greater autonomy over domestic monetary policy (interest rates and money supply) and fiscal policy (government spending and taxation);

- set a formal international target for atmospheric greenhouse gas concentrations that keeps future temperature rises as far below 2°C as possible;
- deliver a fair and equitable international climate agreement to succeed the Kyoto Protocol in 2012;
- give poorer countries the opportunity to escape poverty without fuelling global warming by helping to finance massive investment in climate-change adaptation and renewable energy.

We drew our inspiration from Franklin D. Roosevelt's 'courageous programme' launched in the wake of the Great Crash of 1929. We called for a sustained programme to invest in and deploy energy conservation and renewable energies, coupled with effective demand management.

A Carbon Army to Make Every Building a Power Station

Like the US GND, we placed considerable emphasis on the creation and training of what we termed a 'carbon army' of workers to provide the human resources for a vast environmental reconstruction programme. The production and distribution of clean energy will demand the skills, professionalism and experience of many that currently work in an industry that must contract until it finally shuts down – the fossil fuel industry. We called for hundreds of thousands of these new high- and lower-skilled jobs to be created in the UK, regarding this as part of a wider shift

from an economy narrowly focused on financial services and shopping to one that might become an engine of environmental transformation. We supported the Trade Union Congress's demand for strong policies to support workers through *a just transition* – one that will make sure that workers do not pay the price for the economy's transformation away from dependence on carbon and other greenhouse gas emissions.

Focusing first on the specific needs of the UK, we called on the British government to introduce a decentralised, low-carbon energy system that included making 'every building a power station'. Energy efficiency was to be maximised, as was the use of renewables to generate electricity. At the time we envisaged a £50 billion-plus per year crash programme to be implemented as widely and rapidly as possible. 'A programme of investment and a call to action as urgent and far-reaching as the US New Deal in the 1930s and the mobilisation for war in 1939'.

We argued for realistic fossil fuel prices that included the cost to the environment, high enough to create the economic incentive to drive efficiency and bring alternative fuels to market. We advocated rapidly rising carbon taxes and revenue from carbon trading. We called for the establishment of an Oil Legacy Fund, paid for by a wind-fall tax on the profits of oil and gas companies. We wanted the focus to be on smart investments that would not only finance the development of new, efficient energy

infrastructure but also help reduce the demand for and the cost of energy, particularly among low-income groups, by improving home insulation.

GNDs: How Do They Differ?

Both the US and UK GNDs are based on the understanding that because climate breakdown is a security threat to the nation as a whole, the state has a major role to play in the transformation – just as if the nation were facing the threat of war. The American Green New Deal is ‘a Federal Government-led mobilization’ working alongside, and integrating, the private sector within GND programmes. In drafting the GND the Justice Democrats drew heavily on the work of Professor Mariana Mazzucato, whose research has shown that contrary to myth, public organizations have played a critical role as ‘investor of first resort’ in the history of technological change and advance. From the iPhone to Google Search, the world’s most popular products were funded, she concludes, not by private companies but by the taxpayer.¹²

The British GND also has a major role for the state, not just in the transformation of the energy sector, but also the finance sector – and at international as well as domestic levels.

While the British GND is concerned to protect low-income individuals and families during the process of

transformation, the AOC GND is more ambitious. In the words of the veteran climate campaigner Bill McKibben, it seeks to ‘remake not just a broken planet, but a broken society’.¹³ It puts members of ‘frontline and vulnerable communities’ front and centre as beneficiaries of the Green New Deal. The drafters of the Resolution are acutely conscious of the 1930s New Deal’s ‘intimate partnership with those in the South who preached white supremacy’, and of the deliberate and racist exclusion of many black people from the economic gains of that era. Hence

it is the duty of the Federal Government to create a Green New Deal . . . to promote justice and equity by stopping current, preventing future, and repairing historic oppression of indigenous communities, communities of color, migrant communities, deindustrialized communities, depopulated rural communities, the poor, low-income workers, women, the elderly, the unhoused, people with disabilities, and youth (referred to in this resolution as ‘frontline and vulnerable communities’).¹⁴

The British Green New Deal, as noted above, has adopted a more internationalist perspective than the American versions of the programme, calling on OECD governments to help finance massive investment in climate-change adaptation and clean energy for low-income countries.

Finally, the British Green New Deal (in both the first and subsequent reports) provides something absent from the US version in that it expands on the question of how the GND could be financed, deploying both monetary and fiscal policy, but with an emphasis on monetary policy.

Chapter 1

System Change, Not Climate Change

We have been warned by climate scientists that to avoid the most dangerous impacts of climate breakdown and global heating, then humanity collectively has (starting from 1870) a ‘carbon budget’ of about 3,200 billion tonnes of carbon dioxide emissions to work with.¹ At the current rate of global emissions, this budget would be used up within ten to twelve years. Worse, in 2019 another group of scientists, the UN’s Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES), warned that nature is declining globally at rates unprecedented in human history. The rate of species extinction is accelerating, with grave and immediate impacts on people around the world.² The UN called for ‘a fundamental, system-wide reorganization across technological, economic and social factors, including paradigms, goals and values’.³

The Green New Deal (GND) is a blueprint for bringing about that urgent system-wide reorganization within a short time period.

The first question we should ask is, whose deal is this? Can the Green New Deal be a single global plan, implemented by a global authority, or can it be managed more locally?

As Herman Daly, pioneer of ecological economics and the architect of ‘steady state’ economics, has argued: the human economy is a subsystem sustained and contained by a delicately balanced *global* ecosphere, which in turn is fuelled by finite flows of solar energy.⁴ The earth’s life support systems do not recognise boundaries. So can the New Deal work on any lesser scale than the totality of the globe?

While the impacts of the current crisis are felt everywhere, the largest share of historical and current global emissions of greenhouse gases originated in rich countries. Meanwhile, per capita emissions in poor countries are still relatively low. Ecological justice therefore requires a major redistribution of wealth, from rich producers and emitters of toxic fossil-fuel emissions, to low-income countries.

Furthermore, as the Global Commons Institute (GCI) has argued, rich countries must reduce emissions until per capita emissions converge across the world. The proposal for ‘contraction and convergence’ has for some time now been advocated at the UN.⁵ It has failed to gain traction

because global institutions are weak, are largely unaccountable and lack political leadership. It is clear we cannot rely on global initiatives as the only hope.

There is an alternative approach: international cooperation based not on global institutions, but on the authority of nation states. For the Green New Deal to be transformational, its implementation must be at the level of democratic accountability. Policies agreed at an international level would be implemented and enforced by locally and nationally accountable institutions that reflect domestic conditions.

But even if we can create policy at the level of the state or of local government, does this mean that those active in the markets of the global financial system will support the policies of different nation states? Will the existing dollarized financial system – no longer tethered to the real economy – support and finance a Green New Deal at national level? We have to get real and accept that, with some exceptions, the sector would not help finance a massive climate stabilisation project on terms that are acceptable and sustainable.

As things stand, those that operate in globalised capital markets behave as ‘masters of the universe’. They remain aloof and unaccountable to the governments and communities for whom the transformation of systems is an urgent task. If we are to mobilise the financial resources needed for the massive changes required to conserve, restore and sustain life on earth, then the globalised financial system

must be subordinated to the needs of nations, and made servant to the task of transformation.

If the global sector is to be tamed, then a first challenge will be to tackle the hegemony of the currency that sustains globalised finance: the United States dollar.

Imperial Power and the US Dollar

The pre-eminence of the dollar came about as a result of the US strong-arming the rest of the world into adopting its currency as the world's 'money' at the 1944 Bretton Woods conference. Keynes had argued for a global currency, not tied to any one country, and managed in the interests of the international community. He was defeated at Bretton Woods, as the US imposed its will on a weakened Europe. Today that decision still allows the US to enjoy a 'free lunch' at the expense of the rest of the world. Its 'exorbitant privilege' is a reward for the insurance it provides the rest of the world, especially in times of crisis. As the Federal Reserve acts as global lender of last resort, the US made trillions of dollars available to European and Asian banks during the Great Financial Crisis of 2007–09. This 'insurance' is valuable at times of crisis, but it could just as easily have been provided by an independent, international central bank working with, and answerable to, all nations, not just the most powerful.

The 'exorbitant privilege' enjoyed by the United States is remarkable given that the country sustains ever-rising

external debt and deficits, because global demand for the dollar exceeds US production.⁶ In contrast to Britain's imperialist role as a *major exporter* of capital, the US is a major *capital importer*. It uses its power to attract financial resources, surpluses of capital from Asia and the oil-exporting countries.

A second great benefit the United States enjoys is the power to borrow in its own currency, over whose value it has some control. This means that the US avoids the exchange rate risks faced by other countries when they borrow and have to repay in a different currency. If the dollar were to depreciate, that would not matter to US authorities, as the nation does not own debt issued in euros, yen or sterling. When the dollar falls in value, the debts owed by the United States fall in value too. Thus the dollar as the world's reserve currency regularly affords the US cheap, low-risk finance with which to sustain its large trade deficit and its exorbitant consumption of the world's goods and services.

The hegemony of the dollar in global finance remains unchallenged despite the recent financial crisis, as the historian Adam Tooze has pointed out. In fact, the US dollar did not merely survive the 2008 crisis, but was reinforced by it.⁷ As a result of both the global financial crisis and the weakness of the Obama administration, Wall Street banks are bigger and more powerful than before the crisis. That outcome was not inevitable. It was largely due to a failure of progressive, global leadership

by the Obama administration. Unlike Roosevelt, Obama had no direct experience of Wall Street and its ability to inflict systemic economic failure on millions of innocent Americans and their families. Instead his advisers, such as Alan Greenspan, Larry Summers and Robert Rubin, were themselves architects of the globalised and deregulated financial system. Under the Clinton administration they had teamed up to defeat a plan by Brooksley Born, the chair of a federal agency, for stronger regulation of derivatives. In 1999 Summers and Rubin together pushed through the repeal of the Roosevelt administration's 1933 Glass–Steagall Act, which had prevented banks backed by taxpayer guarantees from being affiliated with investment banks that engaged in financial speculation.

The Obama administration's support for Wall Street has been compounded by the Trump administration, dedicated to upholding and weaponising Wall Street power. To fortify its imperial overreach, the US budgeted \$750 billion (3 to 4 per cent of US GDP) for defence in 2020, and stoked talk of further foreign invasions – what the US presidential candidate, Bernie Sanders, calls the 'forever wars'.

Fuelling Consumption, Inciting Corruption

Backed by a great imperial power, the US dollar works hand in hand with 'the invisible hand' of the market – or, less abstractly, with the invisible hands of powerful agents active in financial markets. It is a globalised system committed to

‘the constant expansion of production and driven by the constant impetus to capital accumulation’, to quote Simon Pirani of the Oxford Institute for Energy Studies.⁸ It is a system that, enabled by the dollar’s power to breach regulatory barriers, has deliberately been detached from democratic oversight at the level of nation states. Its purpose is to accumulate wealth for the tiny minority that operate in the finance sector. This is achieved through the production of, and speculation in, intangible financial assets, most notably credit.

Credit is the main driver of economic expansion (defined by economists as ‘growth’) and consumption. It has stimulated the extraction of fossil fuels through industrialisation, urbanisation, motorisation and the growth of mass material consumption and consumerism by the affluent classes, in both high- and low-income countries.⁹

Deregulated credit in a world of mobile capital does not just fuel consumption, it also incites corruption, of both the political and finance sectors. Drug dealers, traffickers and gangsters engaged in a global trade responsible for roughly 450,000 deaths as a result of drug use in 2015, which has made them amongst the wealthiest beneficiaries of today’s system of unregulated, globalised, mobile capital.¹⁰

Credit is presumed to ‘grow’ exponentially as private finance enhances capitalism’s ability to, first, create society’s new ‘wants’, what J. K. Galbraith called our ‘psychologically

grounded' desires: 'wants' that do not 'originate in the personality of the consumer', but are 'contrived by the process of production'.¹¹

In this way, the spigot of easy credit denominated in dollars fuels global economic expansion and the constant impetus to capital accumulation by the already-rich. Consumption gorges in turn on fossil-fuel extraction, accelerating the growth of greenhouse gas emissions (GHGs).

From the perspective of the ecosystem, perhaps the most damaging aspect of globalised, largely deregulated credit-creation is the finance sector's demand for high, real rates of return on a relatively effortless process: the creation of new money. If interest rates are higher than the capacity of the earth, or the economy, to renew itself, then interest rates become brutally extractive. People who are obliged by low or falling incomes to borrow are driven to work ever-longer hours to raise the money needed to repay the interest on their debt. Firms, too, cut costs and exploit labour more intensively in order to raise the finance needed to service their debts. Governments strip the forests, trawl the seas and exhaust the land to improve 'efficiency' and generate the returns needed to repay their obligations, including foreign debt service.

Bring Offshore Capital Onshore

It is my view – expanded in the next chapter – that to manage economic expansion, halt the impetus to capital accumulation and lower GHGs, it is essential to first manage the spigot of globalised credit creation. To that end, it will be necessary *to bring offshore capital back onshore*, and to subject the system to accountable management and regulation at the level of the state. Next, to manage the global crisis of earth systems breakdown we will need an international currency independent of the sovereign power of any single, imperial state. Finally, we will need to establish an international ‘clearing union’ for the settlement of credits and debits between nations as we go about sharing the burden of transformation.

Many will regard such proposals for radical global system change as utopian. And so they will be – until a global shock makes system change inevitable.

The plain fact is that societies have over time developed monetary systems that make the mobilisation of financial resources eminently possible for society’s urgent needs. Given the establishment of these systems, there need never be a shortage of money. But publicly backed monetary systems cannot be managed and deployed in the interests of society and the ecosystem as long as they remain ‘globalised’ – captured and moved offshore, beyond the reach of regulatory democracy. In what is effectively the financial stratosphere, monetary systems serve the

interests not of societies but of the global 1%. This has not happened by accident. As the result of a deliberate process, the financial system has been detached from the real economy of nation states and from governmental regulation. Following the logic of neoliberal economics, it has been ‘encased’ to protect the sector from democratic interference, as Quinn Slobodian shows in his book *The Globalists*. In other words, globalised, dollarized financial capitalism shifted offshore has undermined the power of democratic governments and local communities to develop economic policies to meet urgent needs.

We have been here before. Today’s globalised system harks back to the gold standard system of the 1930s when the private finance sector wrested control of publicly backed monetary systems away from democratic governments. At the time those that argued for ‘system change’ – the dismantling of the gold standard – were thought delusional. When the system did collapse, many economists were shaken to the core. Mistakenly, they had believed the gold standard was, like gold, immutable.

We Must Take Back Power

Given the vast power of dollarized globalisation over the world’s economies, can governments as rich as Germany’s or as poor as Mozambique’s mobilise the finance needed for the transition to a liveable planet? Could governments cooperate to mobilise the finance needed by the world’s

poorest countries? We know there are ample financial resources (savings) to pay for the transition. But do societies and their governments have the power to realise these resources?

The straightforward answer is no. That fact presents Green New Dealers with the first grand mission: nothing less than global financial system change. If we are to support the campaigning efforts of Extinction Rebellion and the school strikes movement; if we are to fulfil the goal of a fundamental, system-wide transformation of the economy to save the ecosystem, then we must combine and cooperate at an international level to bring about a revolution in the power relations of the globalised and dollarized economic system.

As I explain below, cooperation and coordination between a progressive British economist and an American president and his administration brought about such transformation in 1933 and again, less successfully, at Bretton Woods in 1944. We can do so once more – equipped with sound economic theory and political practice to mobilise our collectively paralysed societies. The purpose will be to transform the globalised financial system within which the domestic economic systems of nation states are situated and integrated, and to which they are subordinated.

Given these challenges, and given today's politics, the task of transforming the system may seem insurmountable. But, as David Roberts wrote in 2019: 'We are not in an era of normal politics. There is no precedent for the climate

crisis, its dangers or its opportunities. Above all, it calls for courage and fresh thinking.’¹²

Before we explore what must be done, we must first tell the correct story of how we got here. That is difficult because, as Rana Foroohar argues, ‘financialisation is the least studied and least explored reason behind our inability to create a shared prosperity.’¹³

So, how *did* the financial system globalise, and what can we learn from that?

2

Winning the Struggle with Finance

Thanks to globalisation, policy decisions in the US have been largely replaced by global market forces. National security aside, it hardly makes any difference who will be the next president. The world is governed by market forces.

Alan Greenspan, former chair of the Federal Reserve

Today our financial system is governed by private, not public, authority, a fact which lies at the heart of our current global malaise. In the West, we have recently seen yet another period of global debt inflation yoked to deflationary austerity policies. The current rise in indebtedness exceeds that which predated the global financial crisis of 2007–9, and it may well lead to another catastrophic debt deflation. The impotence of elected governments in the face of declining living standards has led to the rise of

plutocracies, intolerant ‘populism’, and racism, fuelled by extreme and entrenched levels of inequality both within and between countries. Some observers point to parallels with events in the 1930s and to the rise of German fascism. Is that fair? Can history help make sense of our present world? Yes, if we understand recent history as a contest between democratic societies and the private finance sector for control over banking systems and the economy. To grasp the nature of this struggle we could start with the political economist Karl Polanyi, who in 1940 explained that ‘in order to understand German fascism, we must revert to Ricardian England’.² Then as now, to understand today’s global insurgencies we should revert to Ricardian England.

David Ricardo (1772–1823) was a financial speculator as well as an economist with a marked interest in distribution and class conflicts. He was an advocate of free trade, the quantity theory of money, hard money, the law of comparative advantage and other principles of classical economics.³ His theories led Britain to establish a ‘gold standard’ in 1821 by which sterling was valued in relation to the gold or bullion stored in the vaults of the Bank of England. This system sought to ensure that Britain’s foreign financial assets (including debts) could be valued, fixed and repaid in terms of gold rather than in currencies whose value fluctuated. Britain was then the world’s largest trading nation, with London at the centre of world commodity markets. The City of London was the world’s dominant and

imperialist creditor and, like the US today, issued the world's reserve currency.

The international gold exchange standard, as the system was called, became the fantastic machinery of global financial self-regulation – designed to operate beyond the control of governments.⁴ Under the standard, governments were pressured by the private finance sector to uphold the 'rules of the game'. Cross-border movements of both capital and trade had to be deregulated, driven by the invisible hand of market forces, not managed in the interests of the domestic economy. Nations that built up imbalances or deficits were penalised by capital flight and outflows of gold that would deflate economic activity, lower prices, increase unemployment and encourage bankruptcies. The reverse would happen, too. Nations that earned more abroad would benefit from inflows of gold and the automatic inflation of the money supply.

The City of London's creditors favoured the system because loans to foreign governments and corporations were redeemed not in their domestic currencies but in the British empire's currency (sterling), whose value was fixed in relation to gold. Debt repayments were not to be eroded by inflation or devalued by volatile currencies. The system prioritised private financial interests over the interests of nation states, and limited the ability of governments to adopt policies that protected their economies. Pressure was applied on governments by international creditors to re-orient their economies towards revenue-raising exports.

The hard currency raised was used to repay international creditors. (The IMF insists on much the same today when it imposes ‘structural adjustment’ programmes on debtor nations and forces poor countries to prioritise foreign debt repayments.) Export sectors that generated revenues and earned ‘hard’ currency (sterling), took precedence in the economy over domestic economic activity.

The gold standard evolved into a system that obliged governments to turn to, and rely on, international capital markets – that is, private wealth – for finance. Governments and their central banks were ‘discouraged’ from adjusting exchange rates, interest rates and fiscal policy to favour the domestic economy. Instead these important economic levers were subject to the whim of actors in capital markets.

The system was based on distrust of the state by owners of private wealth. There was particular distrust of the ability of democratic governments to manage the economy, to tax or impose tariffs and to address domestic concerns. As Quinn Slobodian explains, ‘it is wrong to see neoliberals as critics of the state per se but correct to see them as perennial skeptics of the *nation*-state.’ In 1979, F. A. Hayek, the father of neoliberal economics, called for ‘a true international law which would limit the powers of national governments to harm each other.’ He described this as the ‘dethronement of politics’, writes Slobodian, ‘but it is just as obviously the dethronement of the nation. Just as proponents of militant democracy perceived a need to constrain democracy, proponents of militant globalism perceived a