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Taking a Journey to the Green New Deal

Abstract

In January 2020, a three-day conference was held in Adelaide, South Australia, which was attended by more than 400 existing and potential new activists, with those existing activists drawn from both major progressive political parties, many trade unions, and a wide variety of more or less radical campaigning organizations. The conference was unusual, in that it took place entirely within one hall, and was deliberately structured to take people on a journey. The objective was to empower, educate and enthuse attendees with a vision of what is possible, in Australia and elsewhere, if the political and institutional hurdles can be overcome in time to build a future which is both ecologically sustainable and just.

Along the way, a series of bridges were built, between modern monetary theorists and ecological economists; between ecological activists, first nations speakers and union leaders representing mining communities; between members of competing political parties; and between people with disparate views on what a just green transition ought to involve, and the appropriate role for the fiscal authority in planning and facilitating such a transition.

This paper is a reflection on the journey, which among other things involved a description of how neoliberalism functions in Australia; a rejection of the New Keynesian macroeconomics which supports it; the acceptance of the core precepts of ecological economics; the advocacy for a just federal job guarantee; and the use of modern monetary theory as the appropriate lens to use when discussing the pay for question regarding the real resource investments needed to deliver a Green New Deal.

The *Green New Deal* needs protection. It is under threat. And not just from one end of the political spectrum. Politicians from almost all parties wishing to pay lip service to climate change, while at the same time seeking to neutralise campaigns seeking to combine ecological sustainability and social justice, are closing in on the label and would like to reduce it to a sterile piece of electoral marketing, and make it almost meaningless. This must be resisted. The first use of the term can be contested, but its broad meaning and its historical reference should not be. The ‘Green’ in the Green New Deal requires those advocating for it to address in an uncompromising way the prescriptions of leading climate scientists and ecologists for a genuinely risk averse response to potential climate breakdown and other threats to our natural

environment. The ‘New’ in the Green New Deal, with its reference to Roosevelt’s New Deal and to the post-1945 social and economic compact in the USA and so many other countries requires them to make a commitment to social justice and economic efficiency echoing the thirty years of increasing equality and social justice which followed the war.

The precise components of such a Green New Deal will differ from country to country, because the starting points and the historical and institutional circumstances of countries differ, but the broad objectives and the vision of a future of genuinely sustainable shared prosperity should be much the same everywhere. Advocacy for such a programme in each country must be based on a widely based campaign and a democratic mandate. This requires millions of people to take an intellectual journey, in many cases challenging preconceptions about what is possible and what is essential, so that the forces driving a Green New Deal like the one offered by the Sanders campaign in the USA become irresistible. The journey must encompass where we are now, a vision of what we want to create, and a broad map of how to get there.

In the spirit of the short movie *A message from the future with Alexandria Ocasio-Cortez*¹, I would like to imagine a future Australian government white paper from about 2030 reading something like the following.

‘Despite the need for investments in renewable energy and energy efficiency, restoring and protecting ecosystems and planting trees, green infrastructure of many types, support for the elderly and disabled, and many forms of care for communities and the environment, before the Green New Deal not all those available for work were able to find employment or to feel a sense of security in their future. During the thirty-eight years between 1982 and 2020 more than one-tenth of the men and women desiring work were either unemployed or underemployed. In the worst period, the underutilisation rate was close to twice that figure, consigning many to unproductive idleness. By contrast, during the war against climate change and social injustice no financial or other obstacles have been allowed to prevent the need for extra investments in a Green New Deal being satisfied to the limit of our resources.’

The above is an amended quotation from the white paper ‘Full Employment in Australia’, published in 1945², with amendments in italics. To bring this future out of our imaginations and into reality is no easy matter. It requires a shift not only in our sense of what is achievable, but of community and our place in the natural environment. I was reminded of this by the best book I read in 2019 - Tyson Yunkaporta’s *Sand Talk – How Indigenous Thinking Can Save the World*. It is a work full of wisdom and insight, giving me a new and even deeper respect than I had before for the world views of First Nations people in Australia, and indigenous cultures around the world.

These words, spoken by Tyson’s colleague at Deakin University, Kelly Menzel, discussing gender and sustainability, particularly struck a chord. ‘The boundaries of public discussion need to be widened with information, compassion and honesty. Collectively, we need to break free from the bondage of patriarchy, white privilege and the misogynistic structures that control us. This isn’t just desirable, it is necessary, if we want to be sustainable (pp 226-227).’ Sustainability is about so much more than closing down coal mines and investing in renewables.

I had the opportunity to organise a conference in Adelaide, South Australia, to take place in January 2020³. The main title was the *Sustainable Prosperity Conference* with the subtitle of *Modern Money and a Green New Deal*. It was scheduled to last for three days, and after reading *Sand Talk* I asked Tyson and Kelly to share a conversation with us early on the first day⁴.

Modern Monetary Theory (MMT) is of course simply a technically correct description of fully fiat monetary systems. It is the right tool to use for macroeconomic analysis regardless of your values and of your objectives. Any Green New Deal, Green Transition or Just Transition⁵ should be informed by MMT, most obviously on the question of resourcing the investments necessary to make such a transition, maintaining full employment and managing inflation risk.

But the boundaries of public discussion of what constitutes a sustainable future must be widened, as Kelly said, and widened with honesty and compassion. William Mitchell reminded

us at the conference of these words of Brian Kohler, the Canadian trade unionist. ‘The real choice is not jobs or environment. It is both or neither’⁶. We need to go further. The real choice is not social justice or racial justice or justice for women or ecological justice – it is all or none. The climate crisis, and the broader ecological crisis, have been created alongside growing inequality, the continuing disenfranchisement of marginalised groups – a series of overlapping minorities who in many places between them make up a great majority - the perpetuation of patriarchy, xenophobia and racism, and a persistent tolerance of and even deference towards exploitation, extraction and concentrated wealth and power. To engage a wide community in a battle to protect the natural environment, we must address injustice in all its forms.

This means engaging, actively listening and deeply consulting widely, with information, compassion and honesty. In Australia, First Nations people have good reason to fear that a climate emergency may serve as another bogus justification for those who have stolen so much of their inheritance to withhold it from them, or to steal yet more. The unemployed, underemployed or insecurely employed have reasons for scepticism that their needs and struggles might be overlooked, in a program to limit the stock of greenhouse gases in the atmosphere. Communities built around fossil fuel industries have every reason to fear neglect and failure, as those industries are scheduled for closure – especially in countries like Australia, where successive governments have many times failed to support communities affected by previous periods of economic restructuring.

So we need to reach out, leave nobody behind or neglected, offer alternatives negotiated with local communities, respect and encourage local autonomy and empowerment, and provide an effective and just safety net where and when it is needed. In doing so, we need to extend our sense of community beyond people like us, people who live near us or with whom we are used to identify, nationally and internationally. In *How to Pay for the War*, as Stephanie Kelton explained in Adelaide, Keynes advanced a mechanism for the management of real resources in war-time Britain to meet the existential threat the country was facing, while at the same time planning for ‘an advance towards economic equality greater than any which we have made in recent time’. Our challenge is equally existential, even if it does not require quite such an extensive restructuring of economic activity as was required in war-time Britain. It should include an advance towards economic inclusiveness and social justice greater than we have

ever made or has ever been made in essentially market economies. It has to be transformational socially, politically and economically, if it is to be genuinely sustainable. The real choice is jobs, the environment and social justice. All three or none at all. Based on a realistic assessment of where we are now, and a positive and inclusive vision of what we want to create, sustain and develop.

We can learn much about extending our sense of community from indigenous peoples, not only in a geographical and cross-cultural sense but over time. Tyson Yunkaporta writes, 'In (our) kinship system every three generations there is a reset in which your grandparents' parents are classified as your children, an eternal circle of renewal (pp 44-45)...In a lifeworld where your great-grandchildren become your parents, you have a vested interest in making sure you're co-creating a stable system for them to operate in and also ensuring a bit of intergenerational equity (p 60).' An enduring connection to the natural environment, as its custodial species which is part of and dependent on that environment, goes naturally with a connection to past and future generations. There is no room for such connections in neoclassical economics, in spite of its overlapping generations models. The well-being of future generations is 'rationally' discounted away. There is no sense of community or connection with our environment or humanity in a model based on an individualistic calculating machine. Environmental concerns are classified as externalities or exceptional market failures, never to be central to the analysis – at most an analytical inconvenience. This is why an ecological approach to economic issues is not consistent with neoclassical economics, and is instead located within heterodox schools of thought. All economics should be ecological, of course, just as all macroeconomics should be based on modern monetary theory, with its Post-Keynesian roots.

Tyson's writing brings to mind a passage from a famous essay by Kenneth E. Boulding from more than 50 years ago, which is one of the foundations stones of ecological economics, *The Economics of the Coming Spaceship Earth*. 'Why should we not maximize the welfare of this generation at the cost of posterity? "Après nous, le deluge" has been the motto of not insignificant numbers of human societies. The only answer to this, as far as I can see, is to point out that the welfare of the individual depends on the extent to which he can identify himself with others, and that the most satisfactory individual identity is that which identifies not only with a community in space but also with a community extending over time from the past into

the future. If this kind of identity is recognized as desirable, then posterity has a voice, even if it does not have a vote; and in a sense, if its voice can influence votes, it has votes too. This whole problem is linked up with the much larger one of the determinants of the morale, legitimacy, and "nerve" of a society, and there is a great deal of historical evidence to suggest that a society which loses its identity with posterity and which loses its positive image of the future loses also its capacity to deal with present problems, and soon falls apart (p10).'

To identify with a broadly defined and inclusive community in space is complementary to identifying with a community extending over time from the past to the future. First Nations peoples who have been custodians of ecosystems over many generations and have a tradition of embracing, helping and sharing with others are models of that most satisfactory individual identity of which Boulding was writing. To achieve genuine sustainability, we need science, engineering and competent economic analysis brought to bear on that end, but we also need a philosophy of living rooted in indigenous thinking. At a global level we are all indigenous. Peace and justice are a requirement of sustainability and are essential in a transition to a sustainable global economy. To get there, almost the whole world needs to make what can seem like an implausibly long journey, but what is the alternative?

The Adelaide conference itself was intended to be a journey, albeit shorter and far less extensive – in parts educational, entertaining, empowering and, we hoped, for some people, inspirational. A philosophy of sustainability, inclusivity and justice was supposed to be a continuing thread across the three days. Drawing on *Sand Talk*, we asked people to be flexible, open-minded, courteous, to think new thoughts, make new connections, to avoid jumping too quickly to conclusions, and to reach out to people with different pre-conceptions to themselves, or who they might normally think of as political adversaries. We hoped to take the journey together to a place where we might shift the national conversation a little, or at least encourage attendees to build on what they might already be doing, perhaps in new directions, and with new allies and more information.

One of the connections we wanted to strengthen was between ecological economics and modern monetary theory. We heard in a recorded interview from the great ecological economist

Herman Daly⁷, on the first day of the conference, talking of the need for all economic analysis to reflect the location of the economy within society, and the fact that human society is a subset of a finite natural environment, which it affects for good or ill, but depends upon for its own health and survival. Daly discussed the shift which has happened between an economy growing into an ecosphere with the capacity to absorb the impact of additional extractive and pollutive activities, and the economy of recent times, when those activities have been on such a scale and so rapacious that their ecological footprint far exceeds the assimilative capacity of our finite ecosphere.

Daly stressed three precepts of sustainable development, developed while working at the World Bank.

- Limit the use of renewable resources to the rate at which those resources can be replenished by the natural environment.
- Limit the use of non-renewable resources to the rate at which they can be replaced by renewable substitutes.
- Limit the emission of waste to the rate at which it can be safely assimilated by the natural environment.

Our levels of material throughput and waste generation, including but not limited to our emission of greenhouse gases into the atmosphere, breach these precepts at the moment, in ways that threaten the well-being, and perhaps even the survival, of future generations. A sense of community with them surely promotes a sense of urgency for a transition towards sustainability.

Daly has been one of the main advocates of a transition to what he describes as a steady-state economy. However, he accepts that a steady state which respects these three precepts does not necessarily imply an end to the growth of inflation-adjusted gross domestic product. While

sceptical of continued GDP growth, Daly accepted that an absolute decoupling of GDP from rising carbon emissions and other forms of depletion of our natural capital is at least a technical possibility. In that sense, he is effectively an agnostic where GDP growth is concerned, expressing himself similarly to his fellow ecological economist, the author of *Doughnut Economics*, Kate Raworth. Gross domestic product is widely understood to be an inadequate measure of social well-being and indeed it was never intended to be a measure of economic welfare. In principle, it is not a pure measure of material throughput either, or even of the scale of economic activity. For example, a constant scale of economic activity combined with improvements in the quality of produced goods and services is consistent with GDP growth, given that qualitative improvements are supposed to be excluded from estimates of inflation and so show up as real GDP growth.

Daly made a distinction between growth and development. Growth in the volume of economic activity is unsustainable in a full world, where ecological constraints must be respected if welfare is not to deteriorate over time, eventually if not immediately. Development, on the other hand, which reflects improvements in the quality of economic outputs rather than their volume, can be sustained indefinitely. If GDP growth were to represent pure development and not volume growth, then even in a full world, increases in real GDP would be sustainable.

He issued a challenge to economists who advocate for continued GDP growth. His challenge is for a commitment to quantitative limits on resource use and waste generation which ensure that natural capital is maintained and enhanced and the sustainability precepts are maintained, and to demonstrate that an absolute global decoupling of GDP from emissions and other ecological bads is not only a logical possibility but genuinely achievable.

Later in the conference, Robert Costanza⁸ built on Daly's contribution. He spoke about the dependence of human well-being on four forms of capital – human and built, social and natural. Our social capital, including our formal and informal institutions and relationships, is vital if we are to defend the natural capital in which it is embedded, helping to determine how our human and built capital alongside nature to meet current needs in ways which are more or less consistent with social justice and ecological sustainability. Other forms of capital cannot

substitute for natural capital. Production functions which omit natural capital, or which imply that different forms of capital are substitutable rather than complementary, are dangerously misleading.

Costanza is well known for his many contributions to the valuation of ecosystem services. He stresses the importance of dollar valuations for the contribution natural capital makes towards our survival and well-being, since what is not valued in financial terms tends to be treated as being of no value or free to exploit, given the way in which we organise economic activity. Given the non-excludable but finite nature of ecosystem services this is particularly important. It is not really a matter of whether to value them or not, but whether those valuations are made explicit or left implicit. All decisions about the maintenance or exploitation of natural capital are implicit valuations of their role in the provision of ecosystem services. Any reasonable attempt at an explicit financial valuation of natural capital yields a benefit to cost ratio of investments in conservation which is at least 100:1. This is the sort of ratio which applies elsewhere only very rarely - Costanza referred to the private benefits and costs of political lobbying by fossil fuel companies in Washington. The case for massive investments designed to defend the stock of natural capital, as economies and ways of producing, consuming and living are transformed fundamentally over the next few decades is clarified, when ecosystem services are given explicit values.

The purpose of economics as a discipline should be to explore how we manage those forms of capital to generate well-being for today's generation, while at a minimum doing nothing to endanger the well-being of those who are to come after us, and preferably building up that capital so that they will enjoy better lives than us. Mark Diesendorf⁹ explored the contribution which an energy transition away from fossil fuels and towards renewable energy and much higher energy efficiency could make towards this end, and the feasibility of making such a transition in time.

There is no doubting the urgency of such a transition. Using updated IPCC data, Diesendorf explained that to achieve a rise in global mean temperatures of no more than 1.5C above pre-industrial levels with 66% confidence, we would need to keep carbon dioxide concentration in

the atmosphere below the level we will hit in about 8 years, based on maintaining our current level of global annual emissions. The inclusion of other greenhouse gases reduces the time we have available further still¹⁰.

In the case of Australia, if emissions were to be grandfathered, so that the country was allocated a carbon budget based on its existing share of global emissions, that budget would be exhausted within 9 years, from the end of 2019. If carbon budgeting was on a per capita basis, the time would drop to 2 years. The bush fires of 2019/20 have reduced the available time further still. 1.5C is basically unachievable, barring the development of negative emissions technologies which at the moment are highly speculative.

Even with grandfathering, the only way Australia could operate within that carbon budget would be if planning for a rapid transition started immediately, with virtually 100% renewables by 2030. Those renewables would have to displace fossil fuels, not only from existing electricity generation, but from other forms of heating and almost all transportation. The good news is that the necessary technology already exists. Australia is a country with abundant renewable resources, and the potential to develop green hydrogen as a major export industry. The issues in carrying out such a transition, in Australia as in many places, are social, political and institutional. The bad news is that we may be not far away from a last chance to avoid changes in the global mean temperature with effects which are highly uncertain, but potentially extremely severe. The unprecedented bushfires of 2019/20, which came close to my home, are a harbinger of what is to come, even if we make the investments we need globally to limit climate change.

All the ecological economists at the conference, along with modern monetary theorists Stephanie Kelton¹¹ and William Mitchell¹², stressed that the challenge of building a just and sustainable economy quickly involves a structural transformation of the economy which is unprecedented outside wartime. There was no schism between the two groups based on a dogmatic argument about growth versus degrowth in GDP. Everyone accepted that Gross Domestic Product taken out of context is an irrelevance. If continued growth in real GDP can be made consistent with the sustainability precepts of ecological economics, due to absolute

decoupling, then growth in real GDP is not problematic. If equitable full employment and sustainable prosperity can be ensured without growth in GDP, then a decline in real GDP becomes irrelevant. It is not a measure of human well-being and is not even a pure measure of resource use and throughput. It is at best a means to an end.

The appropriate view to take of Gross Domestic Product is Raworth's agnosticism. We should focus on the things that matter, and let GDP be whatever it needs to be. This is of course reminiscent of the logical conclusion made by modern monetary theory regarding the fiscal deficit and the national debt, which is that their values cannot be interpreted as good or bad, taken out of context of current economic conditions, including the rate of underemployment and the extent of inflationary pressures.

There is no necessary conflict between modern monetary theory and ecological economics, and indeed an MMT lens for macroeconomics and the role of the fiscal balance in economic management, is essential if a smooth and just transition is to be organised to an economy which embodies the requirements of social justice and the precepts of ecological sustainability.

The axioms of MMT are probably familiar to the reader. In a country with a high degree of monetary sovereignty, with a currency which is not held at a fixed exchange rate against any foreign currency or commodity, issued by a government which collects taxes denominated in that currency and which has no significant foreign currency denominated debt, the following things are necessarily true.

- There is no purely financial constraint on that government- it cannot run out of its own currency.
- There is a real constraint on government and non-government spending – the economy has at any point in time a limited productive capacity, defined by its stocks of human capital, built capital, social capital and natural capital, and spending beyond the productive capacity of the economy carries the risk of accelerating inflation.

- Sectoral financial balances sum to zero – a government surplus requires a deficit in the non-government sector of the economy, while a government deficit implies a surplus somewhere in the non-government sector.

If financial stability requires the non-government sector to be in surplus most of the time, the fiscal deficits will be the norm. The appropriate fiscal deficit should be whatever is currently necessary to achieve sustainable full employment and the other requirements of an inclusive and just green new deal. Given that monetary sovereign governments cannot be insolvent, then neither the current fiscal deficit flow nor the accumulated debt stock of such a government are appropriate variables to target.

Our ecological economists identified the need for an extensive and rapid transformation of our economies to ensure consistent with the precepts of ecological sustainability. This requires quantitative restrictions on the use of natural capital resources, and particularly on the net emission of carbon dioxide and other wastes. They explained that this is already technically possible, based on currently available technology, and that the barriers are primarily social and institutional. Our modern monetary theorists explained that the appropriate question is not how to pay for the necessary investments, since a monetary sovereign government is never financially constrained, but instead whether such a transformation can be resourced. Is there sufficient spare capacity in key industries? Do we possess sufficient labour with the required specialist skills? Do the necessary natural resources exist? Do we have the essential institutional capacity? Where such resources are not currently freely available, can they be freed up over time, as existing industries and activities are phased out or reduced in scale. Or can the necessary physical and human capital be developed, through public and/or private capital investments, by training workers in new skills, and by state-funded research?

If all this is technically possible, and there is clear evidence that this is the case, then it can be paid for. Both Mitchell and Kelton explained that deficit spending by federal governments will be an essential element in any green transition, and it is the management of inflation risk, rather than the need to match government investments with tax revenues, which is the critical

macroeconomic issue. This is where Kelton referred back to Keynes' *How to Pay for the War*, and the relative success in both Britain and the USA of limiting inflationary pressures in war-time, while running fiscal deficits much larger than are likely to be required as part of a Green New Deal. She also referred to the recent paper by Yeva Nersisyan and Randall Wray, which applied Keynes' approach to 'how to pay for the Green New Deal' in the USA.

Government investments carry inflation risk today, even though they will add to future productive capacity and help to ease those risks in the future. This risk only becomes significant when sufficient idle physical capital, skilled labour and institutional capacity do not exist to resource these investments. In this case, the freeing up of resources, as old pollutive activities are downsized, when this is possible, is one way of meeting this current risk. Another is the macroprudential regulation of private financial institutions. A third might be a period of compulsory private saving, and in its compulsory superannuation scheme Australia for example already has a form of compulsory private saving (albeit a highly inefficient and inequitable form), which could be employed for this task. Using additional taxes, or raising existing tax rates, in order to create room within the productive capacity of the economy for non-inflationary government investment, is not the only option and probably not the first option to examine but may also be necessary. Regressive taxes are inequitable, and so not recommended as a mechanism for restraining private spending, although they would achieve that end. More progressive taxes are desirable on equity grounds, but less effective as a mechanism to limit private spending and inflationary pressures, given that more wealthy groups have a lower marginal propensity to consume. They are best addressed as a separate issue, rather than tied to the necessary investments to build a sustainable economy.

Kate Raworth has summarised what a just and sustainable economy should look like in her visually arresting doughnut model, which is similar in content to the 17 goals specified in the United Nations 2030 Agenda for Sustainable Development¹³. Raworth defines 'the safe and just space for humanity' as meeting essential social foundations, while remaining below the ecological ceiling. Those social foundations include access to twelve basic rights, from food and water to gender equality, peace and justice and a political voice. The ecological ceiling refers to nine ecological limits, including climate change, biodiversity loss, and nitrogen and phosphorus loading. Social justice and ecological sustainability must be combined, if we are to

sit in that safe and just space. The ‘regenerative and distributed economy’ she describes is not the economy which currently exists. Her model is a tool to encourage campaigners and policy makers to concentrate on what matters to bring it about.

We know that a focus on GDP has been combined with the perpetuation of an extractive, pollutive and inequitable economy. We know GDP is not a good measure of the impact of economic activity on human well-being. We know sustainability precepts are not incorporated into GDP accounting, and indeed that the violation of sustainability precepts is encouraged by GDP growth being accepted generally as the key indicator of a successful economy. The more quickly we cut down our old growth forests, the more oil and gas we frack from under the ground, and the more quickly we emit dangerous greenhouse gases, the more GDP increases over time. The more we spend to protect ourselves from the economic bads we have already created in our extractive economy, the more the economy grows, based on the GDP statistic.

So gross domestic product makes no sense as an indicator to use as a measure of prosperity and development. And yet, it has the advantage of being simple, widely understood, easily comparable over time and internationally, and lending itself to standard definitions of recession and boasts by policy makers relating to extended periods of apparent economic success, during an expansion in GDP. It may be that to challenge the unsustainable and inequitable policies which have characterised capitalist economies over generations, we need to offer policy makers a better alternative single indicator of economic success to GDP. One such alternative was discussed at the conference by Philip Lawn – the Genuine Progress Indicator (GPI)¹⁴.

The GPI in its currently under-developed state is far from perfect, but it at least represents an attempt to identify and separate out the welfare benefits and costs of market and non-market economic activity. Alongside household and government consumption, it includes various items which contribute towards well-being which are excluded from GDP, such as the value of unpaid household labour and the value of the shadow economy. It deducts the social and ecological costs of economic activity, including the costs of unemployment, underemployment and overwork, the cost of non-renewable resource depletion, land degradation and deforestation, excessive water use, air pollution and carbon dioxide emissions. Lawn’s version

also includes the impact of changes in the distribution of income, and his approach is consistent with the evidence that the impact on subjective well-being of increases in consumption and income shows diminishing returns, consistent with the Easterlin paradox.

There are issues with data quality in many countries, especially where ecological data is concerned, but the answer to that is to gather better data. That comparable economic data is better than social data, and that comparative ecological data is poor is reflects of our global priorities up to this point. It can also be argued that the choice of items to include and their weightings is subjective, but that is always going to be the case with a summary statistic such as the GPI. The important thing is that a focus on such a statistic by policy-makers and the media would naturally encourage the investments and policy decisions necessary to deliver a successful green new deal, with adequate social foundations and a respect for sustainability precepts, locating the economy in a safe and just space for humanity. The maximisation of the GPI over time is much more likely than the narrow pursuit of GDP growth to lead to a combination of a high and equitable human development alongside environmental sustainability.

It will inevitably in most countries include a significant expansion in conventional public sector employment. A green transition in a short timeframe is not something which can be left to market forces or largely outsourced to the private sector. The infrastructural investments, industry policies and human resource planning necessary to make it happen need to be set in motion by federal governments – at least in terms of providing financial resources and a framework within which local communities can engage in creating their own sustainable futures.

Any adjustment costs from a Green New Deal need to be shared by all who are in a position to bear such costs, and not concentrated in a single community. In many cases, it will be possible to provide good paying jobs in the same geographical area, alongside training to ensure displaced workers are able to perform those new jobs. Such a transition involves detailed planning but is essential to the success of a Green New Deal. Those who cannot be re-employed this way should be compensated but retain the same right that everyone should have to a

guaranteed public sector job at an equitable base wage and with decent working conditions, caring for the community or the environment. The job guarantee can not only play the role of a counter-cyclical stabiliser, so often discussed by MMT economists, but also that of a safety net, to ensure displaced workers are not consigned to involuntary unemployment. The most progressive candidate for the Democratic nomination in the USA in 2020 guaranteed ‘five years of a worker’s current salary, housing assistance, job training, health care, pension support, and priority job placement for any displaced worker, as well as early retirement support for those who choose it or can no longer work.’ This is very different to attitudes which have in the past been too prevalent in parts of the environmental movement. It has been too common to dismiss concerns about job losses in coal mining communities, to make statements comparing such losses with the number of jobs in other sectors or other geographical locations for which displaced coal workers would for the most part be unsuited, or which would pay far lower wages, or in which they would not be interested, or which would decimate communities and potentially families.

It was because of the need to consult affected workers that we had a trade union panel at the conference, including representatives of the Electrical Trades Union of Australia (ETU), the Community and Public Sector Union (CPSU) and the Construction, Forestry, Maritime, Mining and Energy Union (CFMEU)¹⁵. The CFMEU is the main union representing coal miners in Australia. It was represented at our conference by Tony Maher, the National President of the union. It was important to have Tony there to build bridges and understanding between the ecological activists and other attendees at the conference, and the union. The CFMEU, more than any other union in Australia, is represented in the media as being unreasonable, self-serving, and even thuggish. What attendees saw in Mr Maher was something very different. A decent man doing his best to serve the interests of his members and their communities. On the other hand, as mentioned above, those members have good reason to be suspicious of and possibly hostile towards people calling for a rapid transition away from coal. They know what has happened to workers and communities during previous restructurings in Australia – to take a relatively recent example, following the closure of the Australian car industry. Promoting a dialogue and beginning to build understanding and perhaps even trust is an essential step towards a Green New Deal. People are not necessarily wedded to coal mining itself, but to the ability to provide a secure and good standard of living to their families, and a future for their children and their communities. As for Mr Maher, he said ‘a jobs guarantee,

which I heard about for the first time yesterday, sounds like a great addition to the social safety net.’ That he heard about it during a presentation given by Alex North, the national co-ordinator of the Australian Unemployed Workers Union (AUWU) was better still¹⁶. This is surely progress.

The biggest barrier which stands in the way of a Green New Deal is entrenched neoliberalism. That set of attitudes, buttressed by a series of economic myths which ought to have been abandoned long ago, but which are still largely taken for granted by most people in the media, those on the political right, and those who regard themselves as serious, responsible, centrist, establishment economists and politicians nominally on the centre-left. These people see individuals largely as isolated maximisers of their own self-interest, without a concern for the wider community; they believe markets are always the best places to price risks and allocate funding for productive investments; they imagine economies naturally move towards a full employment equilibrium, with a distribution of income based on personal productivity; they ignore or downplay the significance of monopoly power and rent seeking activities, except where that rent seeking happens within government or trade unions; they sometimes accept that an issue such as the emission of carbon dioxide into the atmosphere due to economic activity is a negative externality, but only to argue that a marginal carbon tax is enough to internalise the externality; and they believe that governments are for the most part incompetent or corrupt by nature, or at least that as a general rule virtually all of what were once the functions of the public sector are better performed in the private sector. Added to all that, they promote and employ the misleading metaphor of government as household in order to reinforce their arguments for privatisation and for a variety of policies designed to increase the concentration of wealth and power amongst themselves and those they serve.

The societies they have created are far from Pareto-efficient free market competitive equilibrium systems. Instead they are a collection of what Cameron Murray¹⁷, another speaker at the conference, and his co-author Paul Frijters have described as games of mates. Indeed, neoliberalism can be described as one huge game of mates. Privatisation and all that goes with it has been used, time after time, to provide ways for the well-connected to do favours for people like themselves, creating a series of opportunities for their mates to earn economic rent, siphoning up wealth from the rest of the community and maximising its concentration at the

top. In their book, *Game of Mates*, Frijters and Murray have described how this works in Australia, but it is similar in many countries, and has been taken to an extreme in the USA. In Australia, private-public partnerships in infrastructure development, privatised superannuation, the system of land rezoning, the treatment of and tax-breaks and subsidies given to fossil fuel companies, financial deregulation and the growth of mega-banking corporations, and even the corporatisation of public universities, have increasingly created ‘grey gifts’ which have allowed those on the inside of the game to reciprocate favours over time.

The work of the economist and political scientist, Mancur Olsen, the author of the *Logic of Collective Action*, was used in the 1970s and 80s to justify a smaller role for government in resource allocation. Governments, it was argued, naturally came to be captured by small interest groups. The free rider problem which arises in organising collective action to pursue group interests explains why smaller groups are often more effective than larger ones. These small interest groups are able to lobby for policy decisions which benefit group members, even though they are costly to the broader community. By reducing the role of government and increasing the role of private markets in resource allocation, you reduce the opportunity for interest groups to distort policy decisions in their direction and siphon off national wealth. While this may not have been the view of Olsen himself, who argued for a strong state which could resist pressures from lobbyists, it was a view broadly shared among the contributors to public choice theory who drew inspiration from his work, and the politicians they advised, like Margaret Thatcher and Ronald Reagan.

Murray and Frijters’s work emphasizes that what has happened is not a reduction in the role of government in influencing the distribution of income, but the creation of new and more egregious opportunities to favour mates, supported by the set of economic myths outlined above. This has contributed to a financialised and increasingly unequal society, beset by excessive household debt, underemployment and insecure employment, and financial instability, within which the introduction of policies designed to create a just and sustainable economy is far more difficult than it might have been before. They recommend taking ‘grey gifts’ off the table, wherever possible, in order to frustrate the game of mates, by eliminating the opportunity for policy makers to do favours for others today, in the hope of being recipients of such favours themselves in the future.

This is a part of the solution, and a natural consequence of a Green New Deal, but bringing it about requires an economic and social counter-revolution, reversing the shift towards neoliberalism and inequality which began in the 1970s. To achieve any of this, we need in country after country to keep building coalitions of individuals and groups who have not been part of the game of mates, but instead have been outsiders, left behind and neglected. This takes me back to Kelly Mendel. ‘The boundaries of public discussion need to be widened with information, compassion and honesty..... This isn’t just desirable, it is necessary, if we want to be sustainable.’ It takes me back to Tyson Yunkaporta’s *Sand Talk* and to Kenneth Boulding’s *Spaceship Earth*.

An essential part of the successful delivery of a Green New Deal which justifies its name, and a future where climate change is limited, basic rights are established and protected, and economic security is guaranteed for all, is something we can learn from indigenous people’s around the world. We are the custodian species on this planet. We are one community, stretching not only across cultures and geographically, but across the generations, back in time but also forward into the future. That feeling of community has commonly been fostered in countries under attack, during wartime. A peaceful war against climate change has the potential to do something similar.

We hoped our conference would be a journey for all who attended towards a commitment to building a community with a great purpose. It was certainly a journey for the organisers. Perhaps the growing sense of the threat of climate breakdown and ecological stress creates the opportunity for us to forge an inclusive and extensive community today. An approach driven by such a community, and informed by the macroeconomic lens of modern monetary theory, can be a beacon of hope, as we face the inevitable challenges which lie ahead in a future which remains to be created by the crucial decisions taken over the next decade.

Notes

- 1 <https://www.youtube.com/watch?v=d9uTH0iprVQ>
- 2 http://www.billmitchell.org/White_Paper_1945/index.html
- 3 One of the motivations for holding the conference was the visit of Professor Stephanie Kelton, who had accepted an invitation to be the 2020 Visiting Harcourt professor at the University of Adelaide.
- 4 <https://www.youtube.com/watch?v=ar2Ra5IAIc8>
- 5 In my view, arguments about the most appropriate term to use for a suite of policy proposals designed to achieve sustainable prosperity are pointless.
- 6 <http://www.sdearthtimes.com/et0597/et0597s4.html>
- 7 <https://www.youtube.com/watch?v=P5v2cvPcnts>
- 8 https://www.youtube.com/watch?v=yk0u2_sjbXM
- 9 <https://www.youtube.com/watch?v=MmSsw1y0Txg>
- 10 One of the most effective communicators among leading climate scientists is Kevin Anderson - <https://www.youtube.com/watch?v=7BZFvc-ZOa8>
- 11 <https://www.youtube.com/watch?v=YzuhwOW8PAE> and <https://www.youtube.com/watch?v=AaAlJXaWTEI>
- 12 <https://www.youtube.com/watch?v=8u1k0bv4K6o>
- 13 <https://sustainabledevelopment.un.org/?menu=1300>
- 14 <https://www.youtube.com/watch?v=lshjbBME9u0>
- 15 <https://www.youtube.com/watch?v=E7tDg8fIAwY>
- 16 <https://www.youtube.com/watch?v=sl3Q3d2Swjk>
- 17 <https://www.youtube.com/watch?v=lyRJZr5dwwY>

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