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and the planet mattered



Triple crunch

Joined-up solutions to financial chaos,
oil decline and climate change
to transform the economy

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'Such essays cannot await the permanence of the book. They do not belong in the learned journal. They resist packaging in periodicals.'

Ivan Illich, *Energy and Equity*

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These essays follow a special debate, hosted by **nef** and *The Guardian* in London on 19 September 2008

Foreword

Larry Elliott

The global economy is facing a 'triple crunch'. It is a combination of a credit-fuelled financial crisis, accelerating climate change and an encroaching peak in oil production. These three overlapping events threaten to develop into a perfect storm, with potential consequences not seen since the Great Depression.

The triple crunch has its origins firmly rooted in the current model of globalisation. Financial deregulation has 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.

This approach hit the buffers of insolvency and unrepayable debts on what we think of as 'debtation day', 9 August 2007, when the banks suddenly fully understood the scale of debts on the balance sheets of other banks, and stopped lending to each other.

In the same year, natural disasters struck body blows to entire national economies, and rising prices began to alert the world to the potential scarcity of oil. At both ends of the climatic spectrum, Australia saw a prolonged drought decimate its domestic grain production, and Mexico saw floods wipe out the agricultural production of an entire large state. In the oil markets, growing numbers of whistleblowers pointed to the probability of an early peak in production, and a possible subsequent collapse of production. The International Energy Agency (IEA) says an oil crunch is likely in 2012.

As this pamphlet goes to press the global financial system is in meltdown, the consequences of which are, as yet, unknown. The system may well save itself this time. But unless fundamental changes are made to the global economy the resurrection will only be temporary. And the consequences of the next crisis will be beyond our control. We are at a unique historical moment. Grasp it, and we could rebuild a more stable, equitable system able to withstand the coming crises.

Finance ministers and central bank governors moved quickly in the end to tackle the threat of global financial meltdown. The same urgency should apply to tackling the other two threats we are facing – energy depletion and climate change. There is talk of having a Bretton Woods II to map out the architecture of a post-bubble world. We support that, but Bretton Woods II should not be about trying to put the financial liberalisation genie back into the bottle: it should be about a comprehensive strategy for the ‘triple crunch’.

This pamphlet builds on the proposals set out in the Green New Deal to begin to add to the range of progressive solutions to the challenges we collectively face. It shows how the opportunities presented by the ‘triple crunch’ could be used to transform the economy to deliver stability, social progress and true environmental sustainability.

London, October 2008



Tackling the ‘triple crunch’ with a Green New Deal

Andrew Simms

It’s four in the morning. You’re lying awake in the worry hour. You know that, even if there was nothing to fret about, your brain would come up with something. But this time, the anxieties are thundering past, like delayed trains chasing the clock.

Can I trust the bank to look after my money? Clickety clack. How much has my house fallen in value? Clickety clack. Will high fuel prices mean I can’t keep my car on the road? Can I afford to buy enough food for the family? Clickety clack. Will I lose my job, and why is everyone making me paranoid about climate change when there’s nothing I can do about it? Clickety, clickety clack. . . and then back to the beginning.

The credit crunch, fuel and food price rises, the looming reality of runaway climate change and critical resource depletion, how did we get into this mess? In the face of so many simultaneous crises, we all have legitimate questions for the governments who allowed us to sleepwalk into this situation. These are no longer abstract, distant issues of financial and environmental policy. They are beginning to affect everyone.

A general sense of having our livelihoods and well-being neglected by the people elected to govern us, can easily tip over into an understandable sense of outrage and betrayal. Down these highly charged tracks lies the possibility for both progressive and poisonous political trains of thought to emerge.

For that reason, we must be quick to spell out how people’s genuine concerns and fears can become a force for change that is necessary in economic and environmental terms, and socially progressive. But, how can we make sure that the junction box switches the emotional tracks to progress, rather than poisonous reaction? We talk about the issues straight-on, using the language with which people experience them.

First, if you’re sitting there feeling angry and worried, good, you should be. Things are too out-of-control.

With very few rules, the banks have played fast and loose with their lending, making some individuals very rich in the process. But often the money they lend us has been created out of thin air with nothing real to anchor it, by – in effect – an accounting trick. This has made the value of things like our homes very volatile – rising and falling – making it hard to plan our lives. . .

The answer is that we need many more checks and balances to curb such damaging instability, to protect the value of our assets and make it easier to plan our lives.

Next, our leaders and big businesses have been reckless in failing to plan for the end of the oil age – now as global demand goes up and supply can't match it, the price is on a long-term rising trend. The cost of warming our homes and travelling around will keep going up.

But, it's not too late. Massive efforts to increase renewable energy, conserve what's left (and what we can environmentally afford to burn), and find more fuel-efficient ways to get around and grow food – will give us security, meet our needs and, very possibly, give us a better quality of life.

Food seems expensive (although in reality we're spending less on it now than we did decades ago), but as long as farming stays heavily dependent on oil to grow and transport what we eat, it will remain so. Yet, if we grow not all, but more food locally and use less oil to do so, we can curb future food bill rises. We can also bring bills down by preparing more of our own food, and cutting down on costly packaging and pre-prepared food. As oil starts to run out, in the UK and all over the world there will have to be a shift away from large-scale, oil- and gas-guzzling farming, to smaller, lower-input or organic farms.

There's no easy dodge for the last issue, and just like when a doctor is nervous about giving a full prognosis, the patients, all of us, have a right to know the truth. Climate change is real and dangerous. The trigger for potentially irreversible, runaway effects is just around the corner, as little as 100 months from the beginning of August 2008, and counting.

But, unlike some big global political issues against which we all feel powerless, like cold wars and hot wars, where climate change is concerned we can all do something. Instead of feeling helpless, there is a new importance to our lives. Everything we do from now on really matters. We must lead by example – for example, by changing our energy supplier to a renewable one, using less and changing how we travel.

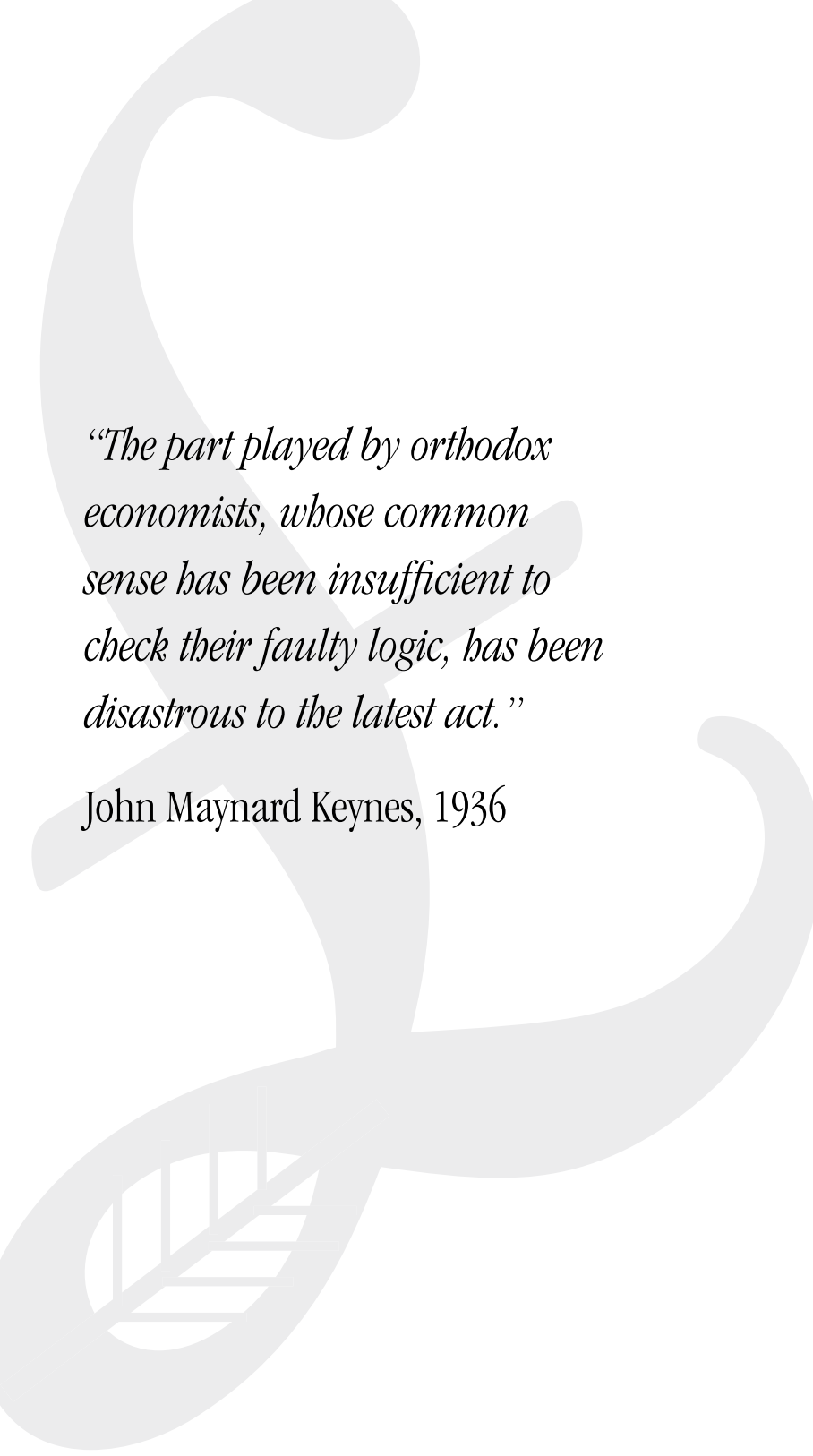
And, we mustn't let our governments off the hook. It's not tenable for the Prime Minister to say he's concerned about the impact of climate change on Britain and the world's poorest, and then allow new runways and coal-fired power stations. Instead of trying to derail clean energy targets in Europe, the Government should be implementing plans for dramatic decarbonisation of the electricity supply, reduced energy use in buildings, increasing renewables on the scale needed, and hugely expanding clean reliable, public transport.

If Britain leads by example, too, then the rest of the world, countries like India and China may just follow. They certainly won't, if we don't. The stakes couldn't be higher, but this is something that everyone can do.

The answer to many of these problems is investing in a massive environmental transformation programme amounting to a Green New Deal. It is a comprehensive programme designed to stabilise the economy, create jobs, tackle poverty and inequality, and help protect us from the vulnerable supply lines of the global food and energy markets

The rules of the game are made by policy-makers and they can be changed just the same. So far, the voting public has been horrendously let down. Now, we all have a chance to speak up and get on the train for positive change. If we do so, we'll probably even sleep better at night.





“The part played by orthodox economists, whose common sense has been insufficient to check their faulty logic, has been disastrous to the latest act.”

John Maynard Keynes, 1936

Banks in crisis: rip it up and start again

Ann Pettifor

Bankers have gone to great lengths to damage our confidence in the banking sector. And loss of confidence and trust on this scale can't be fixed by banning a few short-selling speculators or by nationalising a bank here, and an insurance company there. Nor is confidence restored when ministers meet up with bankers on the quiet, and grant them monopoly powers (as with Lloyds). Or when central bankers flood banks with new loans (liquidity) backed by taxpayers. We assume bankers will abuse their monopoly power, and taxpayer-backed loans will not be repaid. That makes us nervous.

Above all, we can have little confidence if interest rates remain so high. Banks are cracking under huge debts and liabilities (like the outstanding \$60 trillion-plus credit default insurance claims hidden away from regulators as 'swaps'). How can they honour claims and debts if interest rates remain so high?

Oh, and by the way, it is really difficult to retain confidence in the system if politicians assure us that interest rates are very low – contrary to what our own bank statements tell us. Or indeed that low interest rates caused the crisis. It is the deregulation of credit creation in the 1970s that is at the root of this crisis, and it was high, not low interest rates that made today's vast bubble of debt unpayable. Our politicians should catch up.

So how to fix this catastrophic mess and restore confidence?

First we have to think system-wide fixes, not quick fixes. We have to ignore the bleatings of the City, and subordinate all financiers to their proper role as servants of the economy, not masters.

Where do we start? We could begin where Roosevelt did in 1933, and declare a three-day bank holiday. The Fed, the FSA and the Bank of England could then take time and check the books of banks for well-hidden 'toxic waste' – undeclared liabilities. Only when regulators have a proper sense of the scale of the mess, can they take decisive and appropriate action. Right now they are sloshing buckets of our money about,

unsure as to the whereabouts of the financial ‘weapons of mass destruction’ banks have hidden away.

Next we must end ‘inflation targeting’ – just a cover for keeping interest rates high. Inflation is falling not rising, and there is a grave risk of deflation. Think the 1930s, or Japan since 1990. High interest rates are great for lenders/creditors, but a killer for debtors, and there are far more debtors in the economy than savers. And if we are to face the threat of climate change, we need cheap, but not easy, money to help finance a Green New Deal.

Third, the Bank of England should regain control over interest rates – all rates. The interbank lending rate (LIBOR) should no longer be set by a committee of private bankers meeting daily at the British Bankers Association. They must be set by a committee accountable to society, and, when setting rates, must consider the interests of all who make the economy work – labour and industry – not just finance.

These are the fixes needed to deal with systemic threats. We could expect them to restore and retain confidence for as long as they did after Keynes introduced system-wide fixes in the 1930s. That was a golden age of 40 years.



Banking on the Post Office: financial services to underpin vibrant local economies

Lindsay Mackie and Ruth Potts

As the financial crisis plays out, it becomes increasingly clear, just how vulnerable blind faith in the ‘invisible hand’ of the market has left our economy and communities. As all that we have been told is solid, melts, quite literally, into air, with potentially devastating real-life consequences, we need to connect stable finance with the communities it serves. And fast. There is an overlooked, and underused major national network located in the heart of communities across the UK, sitting, waiting for a major national role in a time of crisis.

Now is the time to strengthen the Post Office as a trusted national institution which can offer an established and viable home for savings, a local banking system that can provide untainted and impartial information and advice, and an environmentally sound network of community centres which can be strengthened and made ready for the future. Britain created the first postal savings bank in 1861, and by the early twentieth century many other nations had followed suit. The core idea is simple: use the one state institution that can be found in most neighbourhoods and rural areas – the post office – to encourage small savings and a habit of thrift.

The Post Office should be grown into a national banking system that delivers stable, accessible and dependable services to the public and businesses. It stands to be one of the best guarantees underpinning economic resilience, promoting financial inclusion and allowing people to invest and save with confidence and security. Even nationalised, as banks retract – as is inevitable – they will not be able to meet the need for a safe structure in which transactions can take place. Banks have physically withdrawn from large areas of Britain. Millions have been left without easy access to banking services and the Government’s much-lauded aim of reducing financial exclusion has been harder to achieve as a result.

A further consequence of the mass retreat from the high street is that banks have jettisoned the local knowledge and connections which made them a strong part of local business communities. Financially and economically, the post office network aids the dynamic small and medium businesses that, pound for pound, create more jobs than big business. With the impact of the financial crisis yet to play out in full, the support that post offices provide to these businesses will be critical.

Deposits made through the Post Office Bank could also play a vital role in re-connecting the banking system with the productive economy. Local Authority green bonds, green gilts and green family savings bonds, and publicly approved enterprises designed to deliver the mass transition to renewables could be among a range of options designed to leverage funds needed to deal with the effects of climate change and smooth the transition to a low-carbon economy. These types of investments would also stimulate local economic activity, and yield rich rewards through job creation, off-setting some of the negative impacts of a financial downturn.

As a trusted source of information and advice, and a vital part of social fabric, the Post Office's role as a shopfront for the state should be expanded providing direct, local access to a range of government services. Arms of local and national government should be encouraged to direct services through the network reconnecting people with the state.

The Government should halt immediately the closure programme targeting 2,500 local post offices and abandon plans to break up Royal Mail. Instead, it should build it up as both financially viable and as a cohesive social and economic institution. And, as an essential component, Royal Mail must be retained as a powerful national network and not cherry-picked by competitors and run down by a government and a regulator which have put too much faith in the deregulated market. Take it a step further, and a mutual model would give us all a stake in real assets, to counter-balance the massive stake in risk we have taken on by propping up the ailing banking system.

Never again should we have to realise that the economy of this country is dependent solely on the existence of commercial banks, without which the basic means of exchange would not exist. Not only does the moment demand it, but doing so will leave local communities and economies more resilient to future shocks.



Money: an effervescence of currencies can set us free

David Boyle

‘The money changers have fled from their high seats in the temple of our civilisation’, said Franklin Roosevelt in his famous inaugural speech in March 1933. ‘We may now restore that temple to the ancient truths.’

It was a critical moment in American financial history. Half the banks in the nation were shut. The unprecedented crisis of confidence in banking and bankers gave rise to his reassurance that ‘we have nothing to fear but fear itself.’

But his actions the following day provide some explanation why, however much we believe the political rhetoric about restoring the temple to what Roosevelt called ‘social values more noble than mere monetary profit’, it still tends to return like an addict to its old ways.

One of his first acts was to sign an executive order outlawing the 4000 or so local currencies that had grown up to provide for people’s needs.

These were a diverse mixture of projects ranging from the unique wooden currency in Tenino, Washington, to the flurry of innovative lending in the zones of agricultural depression in upstate New York.

Many of them were designed along the lines promoted as ‘stamp scrip’ by the economist Irving Fisher, requiring a stamp costing 1 per cent of the note to be fixed every month – a negative interest rate – to encourage spending. Like Keynes, Fisher had lost a packet in the Wall Street Crash. The problem was that even Roosevelt was able to be persuaded by the banks that the mere existence of DIY money was a threat to economic confidence. That is the basic problem: the banks always come before the needs of local economies.

Yet, the real problem is providing money to keep the lifeblood flowing through communities, linking up those who want things or services with those who can

provide them; even more, providing the credit to make the local productive economy work.

Then, as now, the speculative economy offered little or nothing to this business of real life. Worse, only 5 per cent or so of the \$3 trillion that now pours through the world's computers every day fuels the real economy – all the rest is speculation.

That is the issue that the economic commentators miss: the speculative economy has become the tail that wags the dog. Not only is it pointless for the vast range of economic activity, it actively corrodes it – seeking out profits on a scale way beyond anything the real economy can achieve.

The situation is even worse in the UK. At least in the USA, they have big, secure credit unions on the high streets. At least in Germany, they have the regional and agricultural banks.

We have destroyed our mutual sector, and face a prospect of what remains of high street banking carved up between four monopolistic giants, which have little understanding of what the real economy needs, pushing their miserable loans and investment schemes at unsuspecting punters.

So that is the task before our own politicians. Not just to prevent the speculative economy from dragging everything down with it, but to rebuild a lending infrastructure for local enterprise that we have lost in a generation of mergers and sell-outs.

How? By providing back-up infrastructure to massively expand our small network of credit unions and community banks; by launching a Post Office Bank like the ones in Italy and New Zealand; by investing in a new mutual lending infrastructure; and by backing experiments with local currencies like the ones Roosevelt shut down 75 years ago.

We need to get on with it. The alternative is what Keynes called 'a peregrination in the catacombs with a guttering candle'.



Employment: mobilising the carbon army

Tony Juniper

As the economic crisis deepens, the worsening state of the environment is predictably losing prominence in politics, the media and public debate. It always happens; the last time was 1993. When times are good, then green is good. When times get tough, out goes the green stuff.

This time, however, it is different. The science has moved on. Climate change is no longer a matter of speculation and no longer can it be seen as a long-term concern to be ignored while we deal with more pressing short-term economic shocks: although that is what could easily happen.

But instead of making the usual predictable trade-offs, a new approach could be taken, one that joins up the need to cope with the impacts of peak oil and climate change, as well as kick-starting the economy. A unique opportunity has presented itself to tame and control the financial system so as to put it at the service of our society, to set us on a more sustainable, secure and fairer trajectory.

This is not so much a technical policy-making challenge; it is first and foremost a test of the willingness of our political leaders to confront the ideological consensus of deregulated finance and small government that they have grown used to defending and promoting at every turn.

In the midst of the present crisis, however, there is a huge opportunity to do things differently, through governments taking control of the economy and by spending money, large amounts of it, to stimulate economic activity, cut our reliance on imported fossil fuels and slash climate-changing emissions. By spending now to build a low carbon economy, we could generate a new army of highly skilled, green-collar workers, building new power infrastructure, transport networks and super efficient buildings.

This new 'carbon army' could help reverse the job losses taking place across the economy, including in the financial sector, through massive public investment and incentives aimed at stimulating the emergence of a new zero carbon and zero waste

future. Hundreds of thousands of new jobs could come with this transition, as has been seen in Germany where leadership from the state has brought about rapid changes in the renewable energy sector in particular. We have to make this transition in any event: and if not now, then when?

Leaving the decarbonisation of the economy until after we have shored-up the old financial order won't work. Why should we expect the monster to behave differently once resuscitated? And, in any event, we don't have time to wait and see. We are already either at or very close to critical climatic tipping points. Continuing to load the atmosphere with carbon dioxide might give temporary relief for the old system, but will soon lead to impacts that will make the present crisis look like a minor inconvenience. We are set on a course towards disaster, and we need to change tack – fast.

It is unfortunate, however, that many politicians seem able to only deal with one issue at a time, because right now we need a joined-up programme that simultaneously hits at least three priorities at once: promoting economic recovery, avoiding the worst impacts of peak oil and cutting climate-changing emissions. It is not as if everyone now speaks with one voice in favour of the old order. Even some of the UK's largest companies have spoken out calling for a more joined-up programme for tackling climate change while boosting the economy. So let's do it, because this new political project could be one of the most important in history.



Pensions: a return to secure, productive and ethical investment

Colin Hines

Put the poor pension fund manager charged with putting savings in a range of investments to provide an adequate and secure income over time. Or the local authority finance managers, whose Icelandic losses have left them badly exposed.

Yet there could be another far more secure and socially and environmentally beneficial haven for pension funds and local authority investments – local authority bonds. These were once used to build the civic infrastructure and utilities of our cities and indeed they were a common source of public finance until the Thatcher Government began the era of constrained local financial independence and increasing centralised economic control.

There are no legal constraints on local authorities raising bonds, but it has not been encouraged by governments since the 1980s. This changed in 2004 however, when an important precedent was set whereby the Treasury authorised Transport for London (itself a local authority in legal terms) to issue £600 million of bonds as part of its borrowings to improve transport infrastructure. These were snapped up by big investors.

And, the rising unemployment and business collapses inevitable in the wake of the credit crunch, could be substantially reversed should even a small part of the at least £1,000 billion (£1 trillion) in private pension schemes, be invested into such bonds for public infrastructure. The proven economics of reducing energy use through efficiency, combined heat and power and renewables for buildings make it an excellent choice for funding by such local authority bonds. Part of such savings would fund the repayments due on such bonds. This form of infrastructural investment is also crucial to reducing fuel poverty and tackling climate change, since buildings are responsible for 40 per cent of the UK's carbon dioxide emissions. It could also provide a much more stable pension environment, thus encouraging

people to put more money into their pensions, and could help close the ‘savings gap’ in the pension market.

The lead could be taken by the country’s largest local authority – Birmingham – which has a proud history of the use of local authority bonds in developing the city in the last century. It is now the biggest landlord in Britain owning more than 80,000 houses and flats. Many of these are in need of repair and are energy inefficient. There is nothing to stop Birmingham City Council following the example of Transport for London and launching its own Bond. This could fund a ‘carbon army’ of local employees to crawl like ants over its entire housing stock making it energy tight, warmer and cheaper to heat. Renewables such as solar electricity and water heating and larger-scale, combined heat and power systems would all provide business opportunities in the area.

Now is the time for the pensions and savings industry to start lobbying for Government encouragement of the widespread use of local authority bonds, and for local authorities to take matters into their own hands. They are already legal – Transport for London has shown the way – and it could at last give one section of the finance industry a chance to show its social responsibility and its commitment to nurturing the real economy as well as the environment.



Tax: making the havens open

Richard Murphy

Tax is a key component of the Green New Deal we all need to set us on a stable course. It is very obvious that we have got taxation wrong. Most especially, the big companies that have caused the crisis must bear their fair burden of taxation in future. Right now they aren't because all around the world tax rates for big companies are falling, their use of tax havens is rising, and the proportion of tax that they pay to GDP is decreasing.

To change this we must first abandon the idea that capital mobility is necessarily a good thing. Then the tax havens that have been used to promote that capital mobility must be put out of business. There are four ways to do this.

First we must pass the equivalent of the Stop Tax Haven Abuse Act that has been proposed by Barack Obama and others in the USA. This requires that tax be deducted from all payments to a tax haven that where no information is provided in response to a request made by another state.

Second, we must require that all multinational companies produce their accounts on a country-by-country basis so that we know which corporations are using tax havens, and how much profit they are hiding there; we can then stop the abuse.

Third, we must impose economic sanctions on tax havens that do not require the disclosure of the beneficial ownership, accounts and direction of all organisations registered in their domain. And, because well over 90 per cent of all tax haven companies do nothing in the tax haven where they are incorporated, we must demand that tax havens require a statement to be placed on public record of where the companies registered in their domain actually operate so they may be taxed in that place.

Last, the basis of taxation for international companies must be changed. They should not be taxed on the profits that they decided to play in a particular country, which they can easily abuse, but should instead be taxed upon the proportion of their worldwide profit which it is reasonable to assume arises in that country based upon the ratio of

their third-party sales, number of employees and fixed assets located in that place. This will mean that tax is paid where the economic substance of an activity occurs.

The cost of these changes is small: most tax havens are tiny, and we will have to compensate the small number of people really affected. The benefit will be enormous: it is estimated by the World Bank more than a trillion dollars of tax abuse takes place through tax havens each year. We need our share of that.

But most of all, good business needs to be steered away from the black hole of abuse that tax havens represent. It's only by their abolition that we can ensure that in future we will have the fully transparent, accountable, and tax-paying business that we all need.



Investment: as if the long-term really mattered

Nick Robins

Twice in a decade, ordinary investors have been short-changed by the financial system. In 2000, it was the world's stock markets that collapsed following the dot.com boom. Now it's the credit markets that have imploded, risking a global downturn of unprecedented proportions. What links these two events is a profound market failure, with incentives stacked in favour of short-term returns, with rewards decoupled from responsibilities and with the supposed guardians of market integrity – auditors, credit rating agencies, regulators – often complicit in the process. And it is not just economic meltdown that this market failure is producing, but also environmental disaster, as trillions of pounds continue to be routinely allocated to activities – most notably fossil fuel extraction and combustion – that deplete the planet's limited stocks of natural capital.

Yet, a revolution in investor practice is in the making. Growing out of the earlier ethical and socially responsible investing waves, sustainable investing is growing by leaps and bounds in Europe, North America – and is starting to make headway in Asia, too. In spite of a system that rigs the market in favour of myopia, the evidence shows that investors who take a long-term view and incorporate sustainability factors into the heart of what they do are actually out-performing the so-called mainstream. Money is following success, with both individuals and institutions, placing ever-larger sums into sustainable investing funds. Performance is no longer the constraint, and huge sums of capital are waiting in the wings. But obsolete market structures are holding back the full transformative potential of sustainable investing.

The task ahead is to create capital markets that are finally 'fit for purpose' for the social, economic and environmental realities of the twenty-first century. This means rewriting the listing and disclosure rules on the world's stock and credit markets to ensure that the oxygen of capital is withdrawn from socially or environmentally damaging assets. It means refocusing the incentives for investment analysts and fund managers away from ephemeral gains in short-term trading towards steady

and reliable returns over the long-term. And it means redirecting the ingenuity of capital markets so that they serve rather than smother the public good – for example, creating the new generation of long-dated bonds required to finance urgently needed social and environmental infrastructure.

During the dark days of the twentieth century's Great Depression, John Maynard Keynes wrote from experience as a City trader, insurance executive and policy-maker about the odds stacked against the long-term investor. 'It is in the essence of his behaviour that he should be eccentric, unconventional and rash in the eyes of average opinion', Keynes wrote, adding that 'if he is successful, that will only confirm the general belief in his rashness; and if in the short run he is unsuccessful, which is very likely, he will not receive much mercy. Worldly wisdom teaches that it is better for reputation to fail conventionally than to succeed unconventionally.' It is now time for the 'unconventional success' of sustainable investing to become the new investment mainstream.



Energy: revolution from the street up

Jeremy Leggett

The International Energy Agency is warning of an oil crunch by 2012, so we have to act immediately if we aren't to add peak oil to our credit-crunch woes. There is also grave risk of a major shortfall in gas supply in the next few years. North Sea oil and gas production is plunging at 7.5 per cent a year at the same time as liquefied natural gas (LNG) projects are being cancelled around the world. Meanwhile, Moscow dangles the prospect of sending most of its gas exports east to China, rather than west to Europe. The UK Government talks about building new gas pipes of different kinds – in an expanded national grid, and in import pipelines and regasification plants – but it cannot rely on having gas to put in them. It talks of allowing an expansion of coal burning, knowing carbon capture and storage is more than a decade from proving economic, or even workable. As for nuclear, we don't get one of those new reactors that are so far behind schedule and so over budget in Finland until 2018 at the earliest. Provided, that is, anyone can be found foolish enough to finance it.

We need to make ourselves energy independent from the street up – in transport, electricity and heating – starting today. The good news is that with today's technologies and the right kind of financing and workforce mobilisation, we could surprise ourselves about what we could achieve.

Everything must spring from energy efficiency. We have an ocean of electricity and heating profligacy to mine in this country. British Gas (BG) ran an interesting experiment recently. Eight British streets were asked to compete in cutting their fuel bills, using only the easiest of efficiency measures. In no time at all, they cut their CO₂ by an average 20 per cent and fuel bills by a third. The Institute of Public Policy Research (ippr), which monitored the exercise for BG, suggests that 10,000 advisors be appointed nationwide, one per 20 streets. The cost would be £500 million annually against national energy savings of £4.6 billion. The ippr gives a telling example of what householders, energy-services companies, and government could do could if they worked together. A £524 loan package for cavity wall and loft insulation would give annual savings of £395 per household: a quick payback indeed. This is the kind of thing a Green New Deal 'carbon army' could do. With investment from corporate

tax evasion disallowed, from pension funds redirected, and from private finance re-energized by low interest rates engendered by resurgent government regulation, so much could be done, so quickly, on energy efficiency. It would provide useful mass employment for so many people who otherwise might fall prey, in their idleness, to the forces of social disruption.

Then there are the new means of energy generation. Silicon Valley is not pouring billions of dollars into cleantech technology for nothing. We were already entering a green industrial revolution as the credit crunch hits panic phase. True, there will be a race against time to create mass markets in cleantech. But these are highly disruptive technologies: they can displace fossil fuels far faster than most people appreciate. Once they really get going, the prize is huge. Consider this example. Modern solar electric and heating tiles, fitted to a maximally energy-efficient home, can take that home to zero emissions, and the whole thing can be put up in a matter of days if it is built using modern, offsite methods of construction. More than half the UK's greenhouse gas emissions come from buildings. More than half of these come from homes. We can cut greenhouse gas emissions to zero; we can get rid of the need for energy bills of any kind once the capital cost is paid; and we can dump gas, coal and nuclear alike.

Then there is transport. The automakers are aligning behind electricity as the fuel of the future. They are already well into systemic change, even when oil was \$100 per barrel. Renewable energy can charge the plug-in, super-efficient vehicles of the near future, even as massive new public transport infrastructure is built by the carbon army.

Long term, we save much more money than we invest making this happen. It is all doable, if we just have the imagination and the will.



Food: London's Achilles heel has lessons for us all

Rosie Boycott

Rocked by the financial meltdown, London's financial heart isn't its only weak point. London is acutely vulnerable in terms of its food supplies. During the last fuel crisis, Justin King warned then Prime Minister, Tony Blair, that the country could run out of food in a mere three days, if oil supplies continued to be interrupted. Yet, despite these warnings, and the now widely accepted inevitable decline of cheap oil, the Government has never taken the issue of the food security of London, or the UK, seriously. And nowhere in the UK is more vulnerable than our capital, which imports approximately 80 per cent of its food.

Food in general travels much further today than ever before – between 1978 and 1999 'food miles' increased by 50 per cent – and now some 40 per cent of all freight is related to food; 29 per cent of the vegetables and 89 per cent of the fruit we eat, for example, are imported. And in spite of organic food's environmental benefits at the point of production, over half of that consumed in the UK is currently imported (although this is declining as UK production capacity increases). According to pressure group, Sustain, one basket of imported organic produce could release as much CO₂ as an average four-bedroom household does through cooking meals for eight months. The same would, of course, hold true for an identical basket of non-organic produce (and without the environmental benefits offered by organic production).

Ninety-five per cent of all the food consumed across the world involves oil at some point in its production – through the use of mechanised production, fertilisers, transportation and packaging. As global oil supplies diminish so the threat to our overall food security increases. The globalisation of food chains make us vulnerable both to sudden interruptions in the supply chain, as well as open to the spread of diseases, such as bird flu. Both would be addressed by re-localising the growing of food, which would not only benefit health, but also strengthen communities which have lost touch with the very stuff of life – the food we need every day.

How far could London go towards producing its own food? Assuming a catchment area of some 100 miles, the answer is a great deal. No one, at this moment, knows exactly how much, but the proposed creation of new food hubs, coupled with a determined effort to grow vegetables and food in London's already extensive (and largely unused) green spaces will hopefully see a dramatic alteration of the city's food security, an alteration which would also bring the cityscape to life.

Our vulnerability to the threat of a serious food crisis cannot be ignored. Currently, the Government runs according to the politics of Tesco. For too many years we have left the means of supply and delivery of our most basic human needs entirely in the hands of free market forces. This has proved both disastrous to the health of the nation, to the rising concentrations of CO₂ that threaten to trigger dangerous runaway climate change, as well as leaving us wide open to serious food shortages. Since the Second World War, we have grubbed up 80 per cent of our orchards, and, it is now estimated that there are more people in prison than there are farmers left who could bail us out. Thus, not only do we need to re-skill people as gardeners, we also need to examine how we use the spaces in our cities to ensure that we have a chance of freeing ourselves from our current almost total dependency on multinationals who have only their shareholders' interests at heart – not the most basic needs of a nation, and of a planet. As the financial hub of the city crumbles, we have to find a way to build a sustainable food system that will leave us all more resilient to future shocks; either to the climate, or to the financial system that is driving the climate beyond its limits.



Wobbling foundations: we need more diverse models of home ownership

Adam Samson

When Gordon Brown identified housing as a key issue to tackle if he wanted to restore his reputation with the electorate, as the summer of 2008 drew to an end, it may have been a good political call. But he was mistaken if he thought the solution to the crisis lay within the hands of government. There has been a mass transfer of ownership of housing from government to individuals, a transfer which has played no small part in fuelling the credit bubble both here, and in the USA, that now threatens to burst, with devastating real-life consequences. And, just as faith in the ability of market forces to guide the financial markets, as repossessions rise, we realise just how vulnerable market forces leave the homes we live in.

In truth, the housing crisis represents market failure far beyond the power of our government to control directly. Fifty years ago, when housing was last a key political battleground, fewer than 40 per cent of us had a financial stake in our homes and most lived in homes built and run by local authorities. Then, it was genuinely possible for politicians to promise to transform our housing landscape. Now it isn't.

Today, home ownership is above 70 per cent and housing is mostly a privatised industry. Private lending finances building and purchase. Private firms build, manage and sell property, and private citizens in their millions mortgage their lives in the hope that house-price appreciation will prove a quick route to wealth. If the flow of private capital dries up and the housing bubble bursts, there is little governments can do to salvage the situation.

But that is not to argue that Brown couldn't be more ambitious. In particular, he could intervene more strongly to ensure the devastating impact of the crisis on the supply of new housing is reversed.

This year, the industry had been set to deliver some 185,000 new homes. It's a significant step on the road to the 240,000 a year necessary to meet rising housing

need and make a dent in the decades-long shortfall. The collapse of the housing market means that actual output is likely to fall short of 100,000, exacerbating the already acute housing shortage.

What's needed is an ambitious programme of investment in increased affordable housing. This would ensure the continuing supply of new homes, prop up a house-building industry teetering on the brink of bankruptcy, and take advantage of now depressed land and building prices.

But increasing supply on its own will not prevent repetition of the damage. To prevent the cycle of boom and bust in the housing market, speculation in house-price appreciation must be discouraged. Home ownership gives people security and a stake in the community. But we need to look again at the home ownership deal to ensure that housing returns to being an essential of life rather than a tradable commodity. We must find ways of weakening or even cutting the link between home ownership and wealth acquisition. We can't allow so much of the nation's prosperity to be bound up in the operation of the housing market. To do so exposes all our financial futures to the risk that this won't be the last large economic crisis.



Resilience: When the economy fails the new wealth is time

Stewart Wallis

The economy is in crisis. Governments the world over have found previously unavailable billions to pump into the system; stock markets are in freefall; repossessions are rising; and yet like desperate addicts who just can't say no, at the first signs of stability, the banks are moving to renegotiate more favourable terms for the huge public bail-outs they have received. But, when a system that has dominated fails, it allows us to see more clearly the other hidden systems we all rely on to live our daily lives. As the conventional economy crumbles around us – we need to find ways to breathe life back into the core economy. The core economy is what is left standing when the market fails. It is the invisible foundation on which both the market and public services rest, and totally depend. It consists of family, friendship, community and civil society. It is vast, but because it doesn't have a financial value, it isn't counted.

Yet, estimates have put the core economy – the productive activity that takes place outside the market – at least at 40 per cent of GDP, some much larger still. To give just one example, in the UK, carers and parents alone provide over £87 billion of unpaid work each year. In 1998, the total household work done in the USA was valued at \$1.9 trillion, whilst in 2002, the informal care that keeps the elderly out of homes was given a replacement price of \$253 billion. Without this, society simply couldn't function.

In this invisible foundation lies a unique opportunity to turn the current crisis into something radically different and positive. Rebuilding our lopsided economy so that we preserve space for the core economy, will enable us live richer, more fulfilling lives now, and leave us better equipped to respond to future shocks whether they be financial, climatic, or directly or indirectly related to oil.

To do this we must stop seeing large swathes of the population as liabilities and start viewing them as assets. The reason today's problems seem so intractable is that public

services, and technocratic management systems, have become blind to the most valuable resource they possess: their own clients and the neighbourhoods around them. When these assets are ignored or deliberately sidelined, then they atrophy.

To prevent this, and as a first step to rebuilding the core economy, public services should be co-produced with the people they are designed to benefit. The fact that social needs continue to rise is not due to a failure to consult or conduct opinion research. It is due to a failure to ask people for their help and to use the skills they have. This is the forgotten engine of change that makes the difference between systems working and failing, and could make all the difference to our collective future.

We should provide government support to cover the administration of community exchange schemes such as timebanking. We should consider funding innovative ventures such as Carebanks which would combine a reciprocal system of care between older and younger people with state resources. Such a system could simultaneously help tackle the isolation and care needs of older people while also recognising them as citizens with huge amounts to contribute to society – especially young people and teenagers. The scope is vast, from using ‘green’ volunteers to decarbonise our housing stock, to helping people afford homes through a combination of providing some of the labour needed to build them, and shared rental or equity schemes.

Investing in the core economy is empowering, transformative, and sustainable. As the global economy enters uncharted territory, it is clear just how easily the financial economy can be washed away. By contrast, the core economy has deep roots which investing in only strengthens. Our collective abilities and the relationships we build provide the resilience and resource that has enabled our survival as a species. A ‘sea change’ of attitude and policy that recognises, and makes use of what we can achieve together, could turn the coming crisis into something radically different and positive.



Regulation: to rein in the ‘invisible hand’, government must remember how to govern

Caroline Lucas

The ‘invisible hand’ of the market has got some explaining to do. Far from delivering its promise of transforming private greed into public good, it has catapulted us into an era of global financial turmoil, leaving many people beginning to wish that a rather more visible and accountable force were in charge of global economic affairs.

Yet old habits die hard: the notion that finance should be free to set its own rules has been the mantra of most economists and politicians for several decades. Ironically, just at the time when we need it most, government action is unpopular and out of fashion.

One of the defining principles of New Labour has been its enthusiastic adoption of market ideology and corporate freedom. Its high priest has been none other than Gordon Brown who, in his first act as Chancellor, proudly ‘set free’ the Bank of England to fix interest rates, and has since driven and promoted precisely the kind of financial deregulation that has led to the collapse of the world’s financial markets.

Beneath the new rhetoric of ‘progressive politics’, all the signs are that the Tories remain committed to small government, with David Cameron recently remarking that over-reaction by the state could ‘wreck’ financial markets. And as if there wasn’t enough neoliberal consensus among the political parties already, recently the Tories have been joined by the Liberal Democrats who, remarkably, have chosen the brink of recession as a time to declare that the role of state intervention is to be downgraded. Nick Clegg’s proud conference commitment to cut public spending is exactly the reverse of what is needed.

The truth is that today we face not just a single crisis but three – a combination of a credit-fuelled financial meltdown, accelerating climate change, and soaring

energy prices, underpinned by an encroaching peak in oil production – and only a combination of public intervention and regulation can begin to deal with them.

That's why the Green Party is supporting a Green New Deal – a Green version of President Roosevelt's New Deal which, back in the early 1930s, helped the world emerge from economic depression. The Green New Deal calls for the re-regulation of finance and taxation, linked to a transformational economic programme to substantially reduce our dependence on fossil fuels. At the same time, it would provide secure investments for pensions and savings, using that capital to kick-start a massive public and private works programme to cut energy use and create countless high-quality, green-collar jobs.

At its core would be a twenty-first century project to make the nation's buildings truly energy efficient, as well as a revolution in renewable energies, to secure our energy supplies into the future, protect ourselves against oil price fluctuations, re-invigorate our manufacturing sector and seriously address climate change.

But none of this can happen unless governments remember how to govern again. Although this call for the state to step in and do its job appears alien to our current political leaders, it chimes not only with decades of pre-Thatcher economic consensus, but also the expectations of a majority of voters. Finance is returned to its role as servant rather than master of the global economy; and we invest our taxes and encourage private savings into labour-intensive business opportunities that really protect the environment. That's the deal. That's the Green New Deal.



Politics of possession: to win the battle on climate change, we must first win back the public realm

Andrew Dobson

As governments worldwide take the unprecedented step of nationalising vast swathes of risk tied up in the global finance system, it is clear that the world of finance has been allowed to run riot. The enormous credit bubble that was the symptom of a system out of control has facilitated the transfer of large parts of the public realm to private ownership. The erosion of public ownership has left us without a social safety net, and its absence leaves us less able to respond to the challenge of climate change. To tackle the interlinked crises in the economy and environment, government must defend and invest in the public realm.

The environment is a classic example of a ‘common-pool resource’: no-one can be effectively excluded from using, but it is finite and some resources in it are diminishing. Common-pool resources are subject to the ‘free-rider problem’: people can’t be excluded from benefiting from the resource, and therefore have no self-interested reason for keeping it well-maintained. In fact their self-interest lies in relying on other people to maintain it, while they spend their time doing other things, more commonly known as ‘having your cake and eating it’.

Familiar solutions to climate change are written in the language of commerce and contract – where self-interested people only act for the common good when it’s in their interests to do so. So tradable permits combined with a cap on emissions, for example, are proposed as a way to guarantee lower overall emissions. Introduce the free-rider problem and tradable permits are part of the problem rather than part of the solution – they reinforce a mindset that leads to the problem in the first place. The free-rider interests of carbon-traders will always mean that the cap is set too high and the price of carbon too low – which is exactly what happens all the time.

An alternative frame of mind is needed – one which seeks to maintain the integrity of the common-pool resource because of its public benefit, not because of some private, excludable benefit that might accrue to the individual.

This is an explicitly non-contractual approach to collective social action, which runs counter to the popular and apparently unassailable ‘I will if you will’ campaign for positive action on climate change. When this formula is examined more closely, two flaws emerge. The first is that it assumes that the free-rider problem has been overcome. It hasn’t, since it can’t ever really be known whether other people are fulfilling their side of the bargain. Embedded in the contract is the permanent possibility of its own demise through internal corrosion. The second problem is that the formula has logical corollary: ‘I won’t if you won’t’. This is obviously a recipe for inaction, yet in the world in which we live, it is the most likely outcome.

It becomes even more damaging where the relationship between the individual and government is concerned, since widespread low levels of trust in government even in many democratic states, means that citizens often won’t fulfil their part of the contract because they don’t believe government will. To break this deadlock we need a different social logic: ‘I will even if you won’t’. Utterly illogical from the point of view of commerce and contract, it is entirely rational when it comes to building the kind of social movement that will enable us to respond to the challenge of climate change.

This is where the idea of the public realm plays such an important role. The public sphere is where members of a society learn what a common-pool resource is and how to look after it. It is where people develop non-contractual habits, and learn how to cope with free-riders without falling into the trap of believing that the only solution is privatised ‘incentivisation’ – which just makes the problem worse. Taxes, fines, exemptions, rewards and permits all point away from the public towards the private, which is precisely the wrong direction.

To solve the problem of climate change, a broader and wider frame of reference is essential. Favouring privatised solutions reinforces the brutal assault on the idea of the public realm which has been such a marked feature of life in Britain over the last 30 years. Yet without this idea, and a commitment to its protection and what it represents, society’s ability to address climate change is severely damaged.

The fight against climate change is at once technological, political, economic and cultural – and the biggest cultural change the Government could effect would be to expand and defend the public realm. In too many places, however, governments seem to speeding, full tilt, in the opposite direction: private-finance initiatives, individual learning contracts, council-house sales, and declining library budgets. All these are potent indicators of the corrosion of the public realm and public interest. The biggest casualty of the rush to privatisation, enclosure and the withering of the public sphere may well be the climate itself. It’s time for a change of outlook – one which will make so many other things, hitherto unimagined, suddenly possible.



The rules of the game: re-regulating finance

Stephen Spratt

Since the 1970s liberalisation has been the name of the game. No longer. The current financial meltdown has shattered faith in liberalised financial markets and this creates a real opportunity for change. It is vital that, this time, we take it.

First, stability is key. Booms and busts are inherent to financial markets and devastating to real economies. Regulation should offset this by tightening controls in booms and loosening them in downturns, not mimic the market excesses it is supposed to prevent. 'Busts' follow 'booms' as night follows day; the only way to stop this is to prevent the booms in the first place. There are numerous proposals that could achieve just this.

Second, we need to strictly regulate the sources of capital flows and provide more flexibility for recipients. The tumbling financial giants we see today borrowed up to 30 times their own capital to speculate with, which is at the heart of our current problems. We need a strict limit on leverage ratios, as well as to outlaw speculative practices such as short-selling. Derivative instruments should require regulatory approval to be used, and be brought on balance-sheet and subjected to regulatory capital requirements. All recipient countries need the flexibility to impose capital controls by instrument or maturity as appropriate to their needs and policy priorities. The emphasis should be on mobilising and using domestic resources, with international flows used to supplement these only where there is a real need.

Third, we need to (re)introduce market segmentation. The removal of barriers between different types of financial institutions has seen the financial 'herd' grow ever larger, as very different financial entities increasingly behave in the same way and vast financial conglomerates emerge. We need to put in place clear regulatory boundaries so that institutions are restricted to their core tasks, returned to the appropriate scale and regulated accordingly.

Fourth, there is an urgent need for international coordination. Globalisation has undermined national regulators but we have no equivalent internationally. Some have

proposed a new 'Bretton Woods' to fix exchange rates. Just as we need unprecedented international cooperation to deal with climate change, we need the same to tame the financial system and channel it towards real and sustainable development.

Finally, global solutions need to be democratic. We do need institutions that take a global view, but we also need these to act in the interests of all, not just the most powerful groups. This requires real democratic control and a new approach to political participation.

Fundamentally, we need to reconnect finance with the real economy, return it to its appropriate scale, and use it to help move us to a sustainable development path. The current financial crisis may be the final nail in the coffin of market fundamentalism: we must make sure that we seize the opportunity for change that this presents.



Democratise the IMF, now: why we must change a system run by the few, for the few

David Woodward

The global financial system is in chaos. Again. This time the epicentre is America. In 1948, the International Monetary Fund (IMF) was established to promote the stability of the international financial system. Before then, major international financial crises occurred quite regularly every 50 years. Since 1980, we have faced wave after wave of crises, across Africa, Latin America, East Asia – and now the USA.

What has gone wrong? It's partly about financial markets getting out of control. But how have they got so far out of control, when we have an international agency to make sure they don't?

The answer is not economic but political. Developed country governments, which represent 15 per cent of the world population, have 60 per cent of the votes in the IMF. And they run it in their own (unenlightened, short-term) self-interest. What could the IMF do to ward off the US financial crisis when the US Government has one-sixth of the votes – enough to veto any major policy decision?

But this is the least of the IMF's failures. It is generally recognised that its response to the 1997 Asian crisis was deeply flawed. Its 'solution' to Latin America's 1980s debt problems left countries seriously vulnerable to contagion from the Asian crisis. Worst of all, it has dragged out the response to the 1980s debt problems of low-income countries, particularly in sub-Saharan Africa, over decades. Many countries' debts are still unsustainable. African poverty remains as widespread and severe as it was in 1981.

In the American financial crisis, people have lost their homes. In the African crisis, they lost their lives. Millions of them. And people are still losing their lives 26 years later.

In 1981, Nobel laureate Amartya Sen highlighted the central role of democracy in preventing famines, by making it impossible for governments to ignore its victims. The last 26 years have shown that exactly the same applies at the global level.

When an institution is run by the rich, it serves their interests, regardless of the needs of the poor. If the USA looked like facing even a small fraction of the human toll of the African crisis, the IMF would undoubtedly take decisive and very different action. That's because the USA, whose 300 million people are largely unaware of the fund's existence, has 16.8 per cent of the votes. The 41 low- and lower-middle-income countries of Africa have 732 million people. Their economies have been virtually run by the IMF for more than a generation. But they have just 3.6 per cent of the votes. So their problems are neglected.

The IMF was powerless to prevent the current crisis because the USA was too powerful. It has mishandled developing country crises, at considerable human cost, because they are too weak. If we really want a stable international financial system – and if we are remotely serious about global poverty – it is time to democratise the IMF. Now. And the only obstacle is the hypocrisy of developed country governments in using their privileged position to preserve an antidemocratic voting system which they would be the first to condemn in any other context.



World re-ordered: Now is the moment to build a new order based on equity

Jayati Ghosh

Now Wall Street has made it official: the boom is finally over and the world economy is not going to be quite the same for a while. But before we think of how to deal with the current mess, we need to figure out what that boom actually meant for most people in the world.

Everyone now knows it was unsustainable; a flimsy house of cards that greedy and irresponsible financial institutions could build because deregulation allowed dodgy practices. The economic boom drew rapaciously and fecklessly on natural resources. It was also deeply unequal. Contrary to general perception, most people in the developing world did not gain from that boom.

The bubble in the USA attracted savings from across the world, including from the poorest developing countries, so that for at least five years the south transferred financial resources to the north. Governments of developing countries opened up their markets to trade and finance, gave up on monetary policy and pursued fiscally 'correct' policies that reduced public spending. So development projects remained incomplete and citizens were deprived of the most essential socio-economic rights.

Nor was there a net transfer of jobs from north to south. In fact, industrial employment in the south barely increased in the past decade – even in China, the 'factory of the world'. Instead, technological change in manufacturing and the new services meant that fewer workers could generate more output. So old jobs in the south were lost or became precarious and the majority of new jobs were fragile, insecure and low-paying, even in China and India. The agrarian crisis in the developing world hurt peasant livelihood and generated global food problems. Rising inequality meant that the much-hyped growth in emerging markets did not benefit most people.

Of course, crises tend to make things worse, not better. As economies slow down, more jobs will be lost and people, especially those in the developing world who did not really gain from the boom, will face deteriorating conditions of living.

But the gloom and doom is not inevitable. Now that there is overwhelming evidence of the failure of the economic model on which the boom was based, we can think afresh about how to organise economic life, both nationally and globally.

Such new thinking has got to take into account the changed international context, in which the overwhelming dominance of the USA is likely to be replaced by inter-imperialist rivalry and a scramble for resources and markets, in which it will be harder for any individual country (or even the G8) to impose conditions on others. Three points must be noted if we want real democratic change and not just more of the same.

First, finance must be controlled and the ‘innovations’ in financial markets that are actually no more than sleight-of-hand scams must be disallowed. Otherwise we will remain vulnerable to more financial crises and continue to face speculative swings in prices of important commodities like food and oil. And poor countries will continue to send to rich ones the capital they desperately need for their own development.

Second, fiscal policy and public expenditure must be brought back to centre stage. Across the world, we need significantly increased public expenditure to revive demand in flagging economies; to manage the effects of climate change and bring in widespread use of green technologies; to fulfil the promise of achieving minimally acceptable standards of living for everyone in the developing world.

Third, restructuring the world order will have to be based on conscious attempts to reduce income and wealth inequalities, both between countries and within countries. We have clearly crossed the limits of what is ‘acceptable’ inequality. The effects are upon us every day: in growing socio-political conflicts; in the spread of enthusiasm for terrorism and violence among the dispossessed and the frustrated; in the growing insecurity of daily life anywhere.

Reducing inequalities is not going to be easy. It will require the north to reduce its consumption of scarce resources and carbon emissions, which means some reduction of average consumption generally. It will require the global elite, spread across both developed and developing worlds, to curb extravagant lifestyles. It will require wage shares of national income to rise from their current very low proportions, with corresponding declines in the shares of profits and interest. And it will require governments in the powerful developed countries to recognise that they can no longer call the shots in all important international decisions.

This may seem like an impossible wish list, but also it may be essential. When an economic order has so clearly outlived its usefulness and is collapsing, it makes sense to build a new one on different principles.



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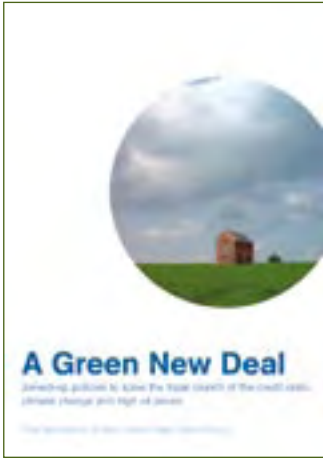
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David Woodward and Andrew Simms (London: **nef**, 2006)

A Green New Deal



In July 2007, **nef** published the Green New Deal on behalf of the Green New Deal Group.

Britain faces a 'triple crunch,' a combination of a credit-fuelled financial crisis, accelerating climate change and soaring energy prices underpinned by an encroaching peak in oil production. These threaten to develop into a perfect storm, the like of which has not been seen since Great Depression. To help prevent this, a group of specialists in finance, energy and the environment, meeting since early 2007 came together to develop a proposal for a Green New Deal.

It is a massive environmental transformation whose economic boost will insulate us against recession, while delivering the rapid transition needed if we are to play our role in averting runaway climate change. International in outlook, the Green New Deal requires action at local, national, regional and global levels. Focusing first on the specific needs of the UK, the Green New Deal outlines an interlocking programme of action that will require an ambitious legislative programme backed by a bold new alliance of industry, agriculture, labour and environmentalists.

The Green New Deal Group

The Green New Deal Group is, in alphabetical order: Larry Elliott, Economics Editor of *the Guardian*, Colin Hines, Co-Director of Finance for the Future, former head of Greenpeace International's Economics Unit, Tony Juniper, Environmentalist and former Director of Friends of the Earth, Jeremy Leggett, founder and Chairman of Solarcentury and SolarAid, Caroline Lucas, Green Party MEP, Richard Murphy, Co-Director of Finance for the Future and Director, Tax Research LLP, Ann Pettifor, former head of the Jubilee 2000 debt relief campaign, Campaign Director of Operation Noah, Charles Secrett, Advisor on Sustainable Development, former Director of Friends of the Earth, Andrew Simms, Policy Director, **nef** (the new economics foundation).

www.greennewdealgroup.org

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