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BREAK WITH ALL HISTORY SINCE THE INDUSTRIAL REVOLUTION

## Towards zero growth

What defines a Green New Deal? Could the world actually introduce policies to create it? And could it both solve the present economic disaster and reduce human damage to the planet?

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BY PETER CUSTERS

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**T**HE idea of a “Green New Deal” has become popular with the world’s policymakers in the past few months. Governments of major capitalist economies and emerging capitalist powers in Asia have reacted to the crisis with measures intended to counter the recession and extricate their economies from slump. Both the United States and China have decided on public investments in infrastructure improvements and in the production of alternative energy.

Yet there are many reasons to be cautious when assessing these measures’ social and green significance. Though the shift in policy is large when compared with the neoliberal policies of previous decades, the essential question is whether a Green New Deal is really appropriate as a description for the new policy direction of capitalist governments. The term is being used before its parameters have been clearly defined (1). I propose to reflect on the whole idea.

Let me give my own definition. A Green New Deal is a set of governmental measures, including the purchase of market commodities and transfer-oriented taxation measures, meant to stimulate a country’s business cycle. Historically, the New Deal pre-dates John Maynard Keynes’s emergence as the leading theorist among the economists of central capitalist countries. But New Deal-type measures can be analysed and understood with the conceptual apparatus laid down by Keynes (2).

Contrary to his vision, though, measures for a Green New Deal should simultaneously maintain a green and a social standard. They need to counter the negative social consequences of the economic crisis, such as the rapidly rising level of unemployment. They should also represent a

shift in policymaking towards an environmentally friendly economy, a transition towards an economy that no longer relies on fossil fuels. Only if both conditions are met can we truly speak of a Green New Deal.

## New Deal's impact

President Roosevelt's New Deal is not known to have made many successful government interventions in the US economy. According to economists Paul Baran and Paul Sweezy, a crucial weakness behind the policy was that the socially oriented Keynesian measures of intervention were very limited in size. The story goes that Keynes visited the White House and discussed his views with Roosevelt, arguing that Roosevelt should accept the need for substantially higher budget deficits. Yet Roosevelt is reported to have stuck to his position, a budget balanced overall. Government expenditures, measured in current dollar terms, reportedly increased from merely \$10.2bn in 1929 to \$17.5bn in 1939, a 70% increase; whereas the gross domestic product during the same period dropped from \$104.4bn to \$91.1bn (3). The New Deal has been seriously criticised because its social components were too small.

Yet viewed from now, the New Deal did have positive significance. Because there is a tendency to call President Obama's general policy direction a Green New Deal, it is crucial to stress that Roosevelt's New Deal was mostly a civilian programme of public expenditure. The military allocations of the US government did rise between 1929 and 1939, yet they remained modest in percentage terms. In 1929 they reportedly constituted 0.7% of GDP. In 1939, they were 1.4% of GDP (4). Although Roosevelt's public investments and transfer measures could not be termed green, they were definitely civilian measures aimed at improving the US economy.

These historical reflections offer one criterion towards assessing the programmes put forward to fight the 2008/2009 recession. If these are to be termed a New Deal, they cannot include any expansion in military allocations. Instead, the existing plans for procurement of large armament systems, and other military Keynesian expenditures, need to be scrapped (5). There needs to be solid and unequivocal evidence that the US's exceedingly high defence expenditures will be downsized. The world cannot accept the level of expenditures that prevailed under President Bush's administration, when they rose to 8% of GDP (6). A New Deal, green or not, has to be mostly civilian expenditure.

My second criterion is intended to help shape the more creative urge of global governments, their apparent wish to transform their economies in an environmentally sound direction. How do we define green investments, allocations and transfer measures? A theoretical, yet I believe essential, guideline, is that expenditures must be intrinsically productive, not in the capitalist

sense that they result in profits, but in the sense that they contribute towards the sustenance of life and of biodiversity on the planet earth (7). Production of all large armament systems must be eliminated, and all those investments with a paradoxical character are to be scrapped. By this, I mean investments that help to enhance human welfare, but have a negative impact on human health and our natural environment.

## A chance for change

A true Green New Deal means a radical rupture with neoliberal policymaking. There is a major danger that governments in the context of the present recession will only half-heartedly agree to shift policymaking towards Keynesianism. If such is the case, their investments and transfer measures will have limited impact. Consider the tendency of governments to devote a major or the main portion of their financial reserves towards saving banks and insurance companies in the private sector. One of the key problems of our globalised economy is that the financial sector has turned into a waterhead of the production economy, a development Keynes detested and tried to stop. As long as the financial system, geared to short-term gain, predominates, it is impossible to construct an ecologically oriented economy.

A New Deal can only be green if it heralds a transition towards a new economy to sustain the environment. Here the question is whether macro-economic policies meant to stimulate aggregate demand should aim to promote resumed growth or to stabilise social demand. Capitalist economies have always aimed at expansion in the use of energy. But can expansive growth in energy use continue after the change to solar, wind and other renewable energies? Ecologically, it is only possible to address exhaustion of the natural resources of the earth via a full transition towards a stationary or circular flow economy (8). The present crisis is a chance, an opportunity. Since it is not at all likely that the world economy will resume its speed of growth soon, the transition towards a stationary economy can be accelerated.

## The German example

Germany has already progressed towards genuine greenness; its economy is changing from dependence on fossil fuels towards solar power, wind, biomass, geothermic energy and other alternative energy sources. The German government some years ago devised a transfer mechanism that is at least partially green and Keynesian. The mechanism is the feed-in-tariff system (FIT) (9), and mostly because of it, Germany has had a steady increase in the consumption of alternative energy, now a minimum increment of 1% of annual electricity use. In

2007 alternative sources were 14.2% of Germany's electricity use. Since its use of fossil fuels has decreased, Germany has substantially succeeded in bringing down its emissions of greenhouse gases. According to energy expert Herman Scheer, the achievement is larger than the reduction to which Germany is bound under the Kyoto Protocol.

The German FIT system has three main characteristics. Energy companies are obliged by law to buy electricity from the producers of renewable energy. The tariff for the purchase of renewable energy is fixed by the government, at a level assuring production costs are fully covered; it is flexible, the supply price depending on the source of alternative energy, and is guaranteed, fixed for a long period (usually 20 years). The additional costs for production of alternative energy are transferred; they are imposed on all consumers of electricity, companies and households, via a premium on the user price of energy per kilowatt hour. FIT is characterised by distribution, spread and transfer of additional costs from the producers of renewable energy to all consumers of electricity.

The German system seems suited to achieving a historic transition in the use of energy sources from a highly polluting source of energy (fossil fuels that threaten to cause climate catastrophe) towards forms of energy that don't emit CO<sub>2</sub>. The system is definitely green and its proponents also argue it has social significance, since the legal rule for FIT tends to enhance employment opportunities. In reports on FIT, it is argued that 60% of employment in the industrial sector where means of production to generate alternative energy – windmills and solar panels – are manufactured (234,000 employees in 2006) can be ascribed to the tariff system (10). A Green New Deal could *also* propose government investments to facilitate the transition in the use of energy sources, and help to fight unemployment. The German example is meaningful, since it has already proven its effectiveness.

However, the transition from an economy based on the use of fossil fuels towards an economy based on alternative energy is radical. If the process as initiated is completed, it would break the practices of capitalist economies right back to the 18th century industrial revolution (11). Some specialists argue that the transformation implies a change towards more independent energy production in central capitalist economies, which would contrast with the present global pattern of energy production, based on extraction and import/export of fossil fuel sources. Yet we should not overlook the fact that the production of raw materials to manufacture solar panels and windmills requires extraction of raw materials, and these too will be exhausted in the foreseeable future. To ensure sustainability, the transition in energy sources needs to be accompanied by a transition towards an economy without growth, a stationary economy.

A Green New Deal demands scrapping military Keynesianism. Only investments and transfer measures which aim to sustain life on earth are acceptable. All production of nuclear energy must be cancelled; all public investments that aggravate waste, or lead to an increase in

greenhouse gases, should be avoided.

When additional costs incurred via production of alternative energy are transferred from the producers towards the consumers of all electricity, this accelerates the transition away from an economy based on fossil fuels emitting a massive amount of CO<sub>2</sub>. Privileging producers of renewable energy creates employment, especially with companies that manufacture alternative energy technology. The transfer contains both green and social components. A Green New Deal can be strengthened through subsidies, or via direct investments by the state in the sector.

A Keynesian Green New Deal isn't a solution because Keynes took the economy of exponential growth as his starting point. Yet the capitalist economy with its drive to accumulate must fail since it will gradually lead to the exhaustion of raw materials, and to ever rising expenditures and energy use to extract raw materials. It is time for a transition away from the present economy of capital accumulation towards an economy that refuses to grow. This transition needs to be at world level, and to be strategised to protect the global South. This may sound utopian. But then, the idea of a Green New Deal would have sounded utopian a few years back.

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- (1) See Antoine Reverchon, "Le Pari Mondial de la Croissance Verte", *Le Monde Economie*, 3 February 2009.
- (2) John Maynard Keynes, *The General Theory of Employment, Interest and Money*, Harvest/Harcourt, Orlando, Florida, 1964.
- (3) Paul A Baran and Paul M Sweezy, *Monopoly Capital: An Essay on the American Economic and Social Order*, Monthly Review Press, New York, 1964.
- (4) Ibid.
- (5) See Peter Custers, "Military Keynesianism Today, An Innovative Discourse", Leiden, December 2008, [www.economischegroei.net](http://www.economischegroei.net) [<http://www.economischegroei.net/>].
- (6) Chalmers Johnson, "[Why the US has really gone broke](#)", *Le Monde diplomatique*, English edition, February 2008.
- (7) For a critical discussion of the terms productive and unproductive consumption, see Peter Custers, *Questioning Globalized Militarism: Nuclear and Military Production and Critical Economic Theory*, Tulika Publishers, New Delhi/Merlin Press, London, 2007, chapter 6, p 82.

- (8) See Herman E Daly and Kenneth N Townsend, *Valuing the Earth: Economics, Ecology, Ethics*, MIT Press, Cambridge, Mass, 1993; John Stuart Mill, *Principles of Political Economy*, Penguin Books, London, 1988; Alvin H Hansen, *Full Recovery or Stagnation?*, Adam and Charles Black, London, 1938.
- (9) For a good summary of the German system read “[Success Story: Feed-in tariffs support renewable energy in Germany](http://www.e-parl.net/eparlimages/general/pdf/080603%20FIT%20toolkit.pdf) [<http://www.e-parl.net/eparlimages/general/pdf/080603%20FIT%20toolkit.pdf>]”.
- (10) Ibid.
- (11) See Clive Ponting, *A New Green History of the World*, Penguin Books, London, 2007.