

Doing Nothing Costs The Earth

Ross Welcome to Renegade Inc. The Green New Deal is painted as an unaffordable far left pipe dream. It's been politically maligned to preserve the status quo at a time when we know that establishment economists have got all climate breakdown projections completely wrong. So surely the question we should all be asking now is simple. How much is it going to cost us not to do this?

Ross Ann, welcome. You're back at Renegade Inc.

Ann Pettifor Thank you very much. Great to be here.

Ross Your work recently, most recently - the thing that has been absorbing you - is the case, and the need for, a Green New Deal.

Ann Pettifor Yeah.

Ross Without in any way trying to diminish this or dismiss it, when people hear that, they go, uh, what is that? So the right go, well, do we really need it, can't we just keep burning diesel? The left go, yeah, probably, but I don't understand it. And the centrists go, what's in it for me.

Ann Pettifor Right.

Ross Can you just tell us what it is and the variations of it?

Ann Pettifor Yeah. So very quickly, what it's about is that a group of economists mainly concerned with monetary theory and policy like me - fixated about it - and environmentalists, got together in a room mainly in my apartment near Baker Street, and we would meet regularly, drink wine, eat pasta and argue and talk. And basically we had to learn about the ecosystem and we tried to teach them about the monetary system. And they said, oh, nothing to do with us, you know, please. And we argued, no, you know, the monetary system creates this thing called credit, which is intangible, which is nothing more than a promise to pay. And when the spigot of credit creation is opened up and credit goes into people's pockets as a credit card, which they then use for consumption, which then generates a greenhouse gas emission. If you don't understand that pipeline, then you don't understand why we have greenhouse gas emissions.

Ross And how long did it take them to get that? Because what you're asking are two very sort of well, let's say people who don't mind a scrap - the economists and the green lot - you're asking them to agree on something.

Ann Pettifor Yeah.

Ross You need to be like the UN diplomat to get this to go.

Ann Pettifor So we had this huge row. We had big arguments. And it was a struggle because although they have us in the group because they liked us and they trusted us, nevertheless, we

were talking about monetary theory in ways that were so different from the orthodoxy, they kind of didn't really believe us. And then we felt undermined because we weren't being believed. And then, thank God, the Bank of England in 2014 publishes its paper in which it talks about the creation of money and they started to look at us and say, well, you guys are on to something. The fact is that the Green New Deal brings those two things together. And then we had an argument about which monetary theory.

Ross Oh, how much wine did you drink?

Ann Pettifor Oh, God. And I tell you, but it was it was a kind of fusion that was really necessary for us too. And that's what makes the Green New Deal so important. Now, when people talk about it, they often talk about only the one side of it. They talk about the environment and all the projects you need to deal with fossil fuel. Nobody mentions money. But equally, the people obsessed with money don't talk about the ecosystem sufficiently. So that's still a problem. The American version of the Green New Deal...

Ross 2018?

Ann Pettifor 2018, is is mainly about green projects and about public transport, how to invest in alternative energy stuff and all of that. And they're really good at that. They know much more about that than we do and they have done much more of it than we've done. They just don't talk about Wall Street and we want to talk about Wall Street.

Ross Right.

Ann Pettifor And then the second thing about the Green New Deal you need to understand is that it is modelled on the New Deal. It is modelled on Roosevelt. And the story which I tell in here, is that on the night of his inauguration, Roosevelt began to dismantle the system of globalisation that existed at the time and was called the gold standard. He went into the office and he said, we're coming off gold and I'd like the banks to hand over their gold tomorrow. And his staff said, look, you can't tell the banks to hand their gold over tomorrow. And he said, why not? They said, because it's a holy day. It's a Sunday. You know, you can't go stomping around Wall Street on a Sunday. You'll have to wait until Monday. So, he closed the banks on Monday and he demanded they hand over their gold. And of course, they also helped the banks. He decided to try and fix the banking system. And interestingly, individual Americans handed over their gold too when he started to talk about it in his fireside chats, you know. And the public began to hand in their gold to the Treasury too. And, you know, his chancellor, he's governor of the Federal Reserve, said we've moved, you know, the management of the economy away from Wall Street and into a democratically elected institution, which is, you know, the government. And he does that. The first thing he does is that. And then, the next thing he has to deal with is his environmental catastrophe, which is the Dust Bowl and unemployment. Those are his two huge challenges. And he has to address them both. But it's about having the government in the driving seat of the economy as opposed to having Wall Street in the driving seat of the economy.

Ross Just one very quick technical question on gold, because you get a lot of sound money guys and girls out there and gold bugs and silver stackers and all the rest of it. And they say, well, look, if you actually still had the gold standard in place and then linked currency

issuance to backing it with gold, there's a natural law to that. And therefore, you can't just print to infinity and use those credit lines to go and buy goods which have got, you know, environmentally damaging qualities to them. What do you say to that argument, to the sound money bunch specifically?

Ann Pettifor I say, well, first of all, I mean, I'm in favour of some soundness and of some stability in the international financial system, but that's not the way to do it. That's based on an understanding of money, which is that is this thing which is fixed, a fixed asset, which is a form of barter, you know, where gold becomes the money and all you do is exchange. And so it's part of the commodity theory of money. And we know that that's not true and hasn't been true since the Bank of England was founded in 1694. I mean, that theory, of course, is what Bitcoin is. Bitcoin is the idea that if you have a finite amount of, you know, you mine a finite amount of Bitcoins, you can then control the price. And sure enough, they do. You know, it's this great Ponzi scheme where they just have that finite amount and the price of it constantly rises because it's so finite and gold is finite too.

Ross We've annoyed the gold bugs and the Bitcoiners. We're going to get inbound. We will get e mails and I'll forward them. And so it is about a perception about commodity money versus....?

Ann Pettifor Versus credit money, basically. And the thing is, I don't want to give the impression that I think it's good for us to have endless streams of credit. I mean, the sound money people have got a point, but the way to manage that is not by limiting it to a bar of gold that is stashed away in a bank. And it never did. You know, credit was never limited the amount of gold in the Bank of England. So when the City of London went out to flog loans to the Brazilians, they didn't say we're going to give you amount of credit, which links to the amount of gold in the vaults. Nobody knew how much gold there was in the vaults anyway, you know, and they kept running out of supplies of gold. I know that because I come from South Africa, where they mined the gold. The point about gold is that it's finite. And it says you can only do as much as there is gold in the bank, right? And actually, society and the economy can't be finite. We're constantly changing. We're needing new things. Right now, we need to transform our economy away from fossil fuels and towards a more sustainable energy. That is going to cost us the earth if we don't get it right.

Ross Quite literally.

Ann Pettifor Literally. So, that's a lot. And we've got to find that stuff. And we don't find it in finite amounts of gold stashed away in the bank.

Ross But what you're not saying is we can just get these credit lines and extend them ad infinitum?

Ann Pettifor Absolutely, yeah. And why we're annoying people, let's annoy the modern monetary theorists.

Ross Oh, brilliant. So we're going to get more mails. We've done Bitcoin, the gold bugs, and now this bunch.

Ann Pettifor Because modern monetary theorists aren't first of all, you know, modern, but they are really good in that they have explained money and the fact that the way it's issued by the Central Bank and so on. But they've given the impression that you can just print money and endlessly. And that just feeds into this idea we're going to have crazy inflation and we're all being irresponsible. And I'm very much of the view that money is always a promise to pay. It's an obligation. That's what it is. And that obligation has to be met. So they issue the credit, but then that ought to be invested in sound economic activity, mainly employment that generates income and hopefully tax revenues for the repayment of the credit. And unless we get that balance right, we will get massive amount of credit or debt as it becomes and not enough income to repay it. And then we're bankrupt, essentially.

Ross So what you've done in this part is link what goes on externally in the economy, in the real economy, to the mechanics of finance. And your argument to the green lobby is, unless you sort out the mechanics of finance, you can forget about everything else?

Ann Pettifor Exactly. If we just leave the financial system to be governed by Wall Street and the City of London and Frankfurt, they decide everything. And the thing they decide, which is so essential to the ecosystem, is the rate of interest. The base rate is determined by the Central Bank, by the Bank of England. Right now, the Bank of England has got a rate which is apparently negative in real terms. But you and I don't borrow money from the Bank of England and we can't. We're not allowed to. The banks get money at that very low rate. The rest of us in the real economy actually have to pay very high real rates of interest. And if you're trying to do something risky, like build a wind farm or innovate on some green technology, the bank ain't going to lend you money without making the interest rate on that very high. So what happens is the interest rate is a mathematical concept, you know, and it can compound and grow exponentially. Whereas the thing which repays that debt is finite, essentially. And so if I borrow money at a rate of interest, which is going to compound effectively over time, then I have to strip my forests in Brazil, and I have to fish the seas, and I have to exploit the land, and I have to make labour work 24 hours a day, 7 days a week in order to get the money to repay this massive build-up of debt. So credit and the rate of interest, these are mathematical concepts which can rise exponentially. The wealth of the earth is subject to the second law of thermodynamics, right? It grows, it matures, it disintegrates and dies, you know. So there's that process. So this process here, the wealth of the earth, is being set against this mathematical process. And that's just crazy.

Ross So, in short, if we haven't understood the taming of the finance beast, if you like, and the mathematics behind that, there's absolutely no way you can go and implement a Green New Deal because ultimately what you're doing is just rebuilding an old system, which is being driven by the very interest that we need to get rid of? Is that a succinct version of saying, actually, the bankers shouldn't be left to look after this?

Ann Pettifor Yes, I was talking to a Norwegian today, actually, who said to me, look, you know, we've been to the banks and they're very interested in financing all our green projects. And I said, of course they are. First of all, they haven't enough safe assets to throw their money at, right?

Ross Who?

Ann Pettifor The bankers. There's a real crisis because, you know, my point about money and collateral is that, ultimately, this is the stuff that is important. And the more solid these assets and this collateral is, the safer it is for the banks to lend against it. You know, so lending to Norway with all of its flows of income from petroleum, I bet the banks are piling in their and they want to be seen to be green. Of course they do. And they're doing all that stuff....

Ross Be 'seen' to be.

Ann Pettifor Yes. But the point is this. Don't mess with the system that upholds their place in the world, right? So they said, oh, but that's very difficult, isn't it, to tackle the system. I said, yeah, but we can. We know how to. And some are already doing that.

Ross The first obvious step is to understand and acknowledge where we're at. Once we've done that, then what do you propose and what do you propose in the book? What do you start putting together and what's it based on? So then you start to go out to the public and say, this is what we're going to do. This is the rationale for doing so, and this is hopefully the outcomes?

Ann Pettifor Yeah, you know, we know, for example, that Apple dodges their taxes and Amazon and so on. We feel very cross about that because we're forced to pay PAYE and so on. So what are we going to do about it? Where are we going to say to these big institutions, you rely on public resources for your existence. So, for example, Apple has drawn on the reserves of the federal bank, the United States Federal Reserve, to deal with this crisis, to deal with the Covid crisis. For some reason, it's inexplicable to me because they are awash in cash, the Federal Reserve has lent them cheap money. Now, the Federal Reserve only has the power to lend money to Apple because the Federal Reserve is backed by something like 60 million or is it 100 million American taxpayers? If those American taxpayers didn't offer the US Treasury an annual stream of revenue, the Treasury wouldn't have power and the Federal Reserve would have no power. The Bank of England is backed by 30 million British taxpayers. We faithfully pay our taxes every year and that gives, if you like, a stream of revenue to this institution called the Bank of England, which enables this institution to generate liquidity in a way that you and I couldn't do. I'm not backed by 30 million taxpayers, nor are you, right? And no company is, but the central bank is. So these taxpayers are giving this huge authority to public institutions that have just bailed out the banking system to the tune of a thousand billion dollars, blah, and with no terms and conditions. We don't even know that we can demand terms and conditions. Why don't we?

Ross But the taxpayer feels helpless because one taxpayer goes, well, I feel, you know, I'm angry from Manchester and I want this change, but no one's talking to one another. There's no organisation and there's no ability to put that kind of political pressure on. And equally, there's no political initiative on the other side of the fence to say, actually, we need to rein this in?

Ann Pettifor I have a controversial idea that I want to form a new taxpayers alliance.

Ross Right.

Ann Pettifor And I'd like it to be global, basically. But we've got a Taxpayers Alliance which exists in order to make sure that the rich don't pay taxes. So it's got a bad name, Taxpayers Alliance.

Ross What are you going to call yours then?

Ann Pettifor I mean, I'm open to suggestions about a good name for this body.

Ross Yeah.

Ann Pettifor And what it is, is we taxpayers get together and we say, right, Bank of England, you can't bail out NatWest and help out its shareholders. What was so extraordinary to me in 2008, a Labour government bailed out the biggest bailout in British history.

Ross RBS?

Ann Pettifor Of RBS, right?

Ross And that's Royal Bank of Scotland...

Ann Pettifor With no terms and conditions, right? If you come to me and want to bail me out and expect this from you, you know, we didn't do that. We said, oh, please, go on being the bank that you are.

Ross This Green New Deal and really where you're starting from is from an architectural point of view is the finance sector. And saying is what you're saying implicit in all this - and it's a great explanation - that until you've sorted that out, you can have as much green industry, technology and manufacturing as you want but, actually, you're just going to have the same problem because you're going to keep coming back to the banking system that's going to try and lend in the same way as it always has? That's basically it, isn't it?

Ann Pettifor It's more than that. It's also the government needs to be able to intervene. For me, the scale of transformation needed of our economies is so great. You know, we have to get off this thing we're so dependent on, fossil fuels, to transform all our fossil fuel industries, you know, to create alternative industries, to skill up people, to train people, to increase our energy efficiency. These are sums of money that are vast. This has got to come through the Central Bank to be backed up by the government. But for it to work, the government has to be able to collect tax revenues as well in order to balance the books, so to speak. And so long as we have mobile capital, it's not going to be possible for governments to have balanced finances. Now, I'm not in favour of, you know, the budget must always balance. That's a nonsense in macroeconomic terms. But we've got to have a fair amount of stability here, and we can't have that if we can't collect the revenues we need to help pay for this transformation.

Ross So we agree on the mechanics of finance and fixing that first is, from an architectural point of view, to get this right, is key?

Ann Pettifor Yeah.

Ross Then what are you going to do? Are you going to get the state involved because when the lion roars, people jump?

Ann Pettifor Yeah.

Ross Then the state is going to direct green investment into environmentally friendly sectors.

Ann Pettifor Four sectors. So we have to transform the transport sector, the energy sector, the land use sector. And then I want to argue the care sector as well.

Ross Oh wow!

Ann Pettifor So, right now, the care sector is regarded as being very low grade and low paid and really a small part of the economy. It is actually, we discovered to our horror, absolutely vital. And the good thing about the care sector is that it doesn't emit toxic emissions in the same way as the other sectors do. But transforming transport, land use, energy and care is going to cost a lot of money. But it has to be done very urgently, very quickly.

Ross What does the world look like in 2040, 2050, once all that is sorted?

Ann Pettifor So this is a controversial bit that I argue, which is that fundamental to the stability of the ecosystem, is going to require us to be more self-sufficient than we were in the past. And the way I explain this is in this way, in this story about Britain, we're going to have to grow our own green beans. Right now, we don't bother. We allow Kenya to draw on her water table and on her low paid labour to grow our green beans. And we want to have them, please, 365 days a year, and then to put them in an aeroplane and fly them to us so that we can have them, right? In the meantime, we don't grow our own green beans and we're perfectly capable of doing that. We're going to have to transform that system to being more self-sufficient, right? And not just Britain, but every country in the world, everywhere. We're going to have to learn to make our own clothes, to grow our own food and to kind of limit that kind of international consumption.

Ross Taking globalism on, again?

Ann Pettifor Exactly. I want to just argue that many people think of this is a very nationalist project about, you know, looking after number one.

Ross Dig for victory?

Ann Pettifor Yeah, yeah. Exactly. And and I mean, I'm in trouble because it sounds like that, but it isn't because at the same time, we have to work internationally and multilaterally to tackle this huge crisis, which is the breakdown of the climate and of biodiversity.

Ross So I don't know how to do this, but we have to make you sort of global governor for the day and then you get carte blanche, you get tabula rasa, to be able to implement the Green New Deal. Where do you start? What do you fund? What does it look like? Wrap that up for us.

Ann Pettifor So the first thing I would do is manage the spigot of credit.

Ross Yes.

Ann Pettifor And then with that, I would manage the rate of interest on loans. And from there, I would empower governments to spend, but to do so in a way that recognises the limits of their ecological asset base, their collateral, and to lend into that. But also to lend into basically, survival, really. You know, it's as if we were going to war. I mean, if you were a global governor and you could see that war was going to break out everywhere, what would you tell governments to do? Would you tell them to just carry on? Now, what I'm talking about, I don't think there can be a global governor. I think there's got to be international coordination and cooperation. And we know what that means. It means multilateralism. The World Health Organisation is about international coordination around the pandemic, around a virus which is globalised. We've got to talk to each other. We've got to learn from each other. We've got to stand together to tackle this thing. And so, you know, far from being inward looking, I'm very much about being internationalist and about us cooperating to do this. But give me the ability to be self-sufficient here and to look after my family and my community and my country.

Ross And that dovetails into people who are watching this, who feel helpless because they say, well, great, Ann. But, you know, they're international institutions. It's all up there. And actually, what you're saying is, no, you can start here. You don't have to wait for somebody else to do something and wait for an initiative. You can actually get going yourself?

Ann Pettifor Yeah. I think I want us to understand that we have power, that the private financial sector - Wall Street - is dependent on the public institutions of the federal. These are public servants. They're heavily reliant on public institutions, not just in times of crisis, but all the time. And the thing that the banks want more than anything in the world is our debt. And so, therefore, we can say, yes, OK, but these are the terms and conditions. If you want this stuff, these are the terms. So I want us to feel that power. Now, I think that's really hard for ordinary people to feel, but they can do it through their trade unions. And the way I think about it is in this way. And this became so clear during the pandemic, that we think of ourselves as just individuals with very little power. And it's all this big stuff going on beyond us. And then a pandemic hits, right? And the big powerful guys are paralysed. Who is running the economy? Who makes the economy work? Well, it turns out to be Mr. Jeff Bezos's truck drivers, the deliverers who are delivering his parcels. It turns out to be the truck drivers moving our food around. It turns out to be the shelf stackers in supermarkets. It turns out to be health workers. These people are making the economy.

Ross In this, what you're actually issuing is a wake up call, isn't it really? And a call to action to say to people...? Can I put it this way. You're a mouse that has roared.

Ann Pettifor That would be more like it, yes.

Ross Because you're saying to people, enough, wake up, you've got the power to do this. A bit of self-sufficiency, bit of organisation. Let's understand the structures and get moving on this? And you've got form because you did it quite well with the Jubilee 2000.

Ann Pettifor Also, don't let the academics and the banks fool you. This is not rocket science. You can get it really. And that was the big lesson I learnt from Jubilee 2000, you know. We had to explain to ordinary people how the international financial system worked - creditors and debtors, multilateral, bilateral debt, the net present value of debt over time. And we were told by the big NGOs, you can't explain that to the British people. Of course they got it. They're not stupid. And once they got it, they were mad as hell and they acted. And we cancelled one hundred billion dollars of debt owed by thirty countries. So, you know, I know it's possible.

Ross Congratulations on this.

Ann Pettifor Thank you.

Ross It's a really wonderful offering - much needed. Ann, thank you very much for your time.

Ann Pettifor It's a pleasure.