

A stylized landscape illustration. The background is a light green gradient with white rays emanating from the bottom right, suggesting a rising sun. In the foreground, there is a dark green hill with a white outline. On the left side of the hill, there are two green trees of different sizes. The title text is centered in the upper half of the image.

The Triple Crunch: Risks & Opportunities –

Ann Pettifor

**Sheffield. October,
2009**

www.debtonation.org

The Green New Deal

- Published on July 21, 2008
- Inspired by Franklin D. Roosevelt's New Deal programme launched in the wake of the Great Crash of 1929.
- The Green New Deal Group combine expertise from the finance sector, the oil industry and the labour and environmental movements.



Risks?



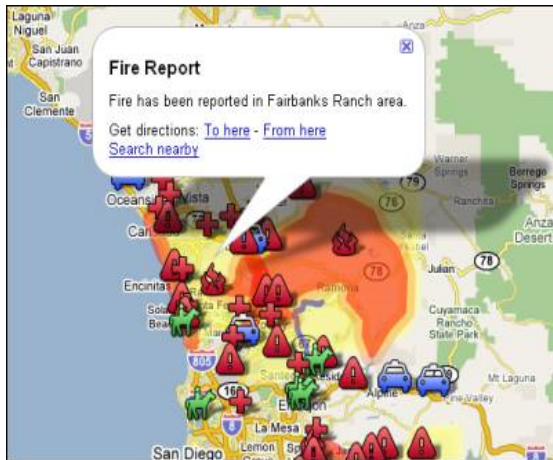


Risks?:





Risks?



Risk?:



“The universe, this planet, is being used as a unique credit card which has no credit limit and no repayment date on it. And we all like credit cards like that.”

Bp Peter Selby: edited transcript of address at St. Francis Center
Denver, 09 July 2000.



**Risk? Financial crisis,
Unemployment,
Bankruptcies, Poverty.**

**Poverty is
a weapon of
mass destruction**



Peak Oil ?

Non-OPEC oil production will peak within a few years, and then world's ability to match growing demand with supply will depend on three countries lifting production significantly:

Saudi Arabia, Iran and Iraq.

International Energy Agency: World Energy Outlook, 2006.

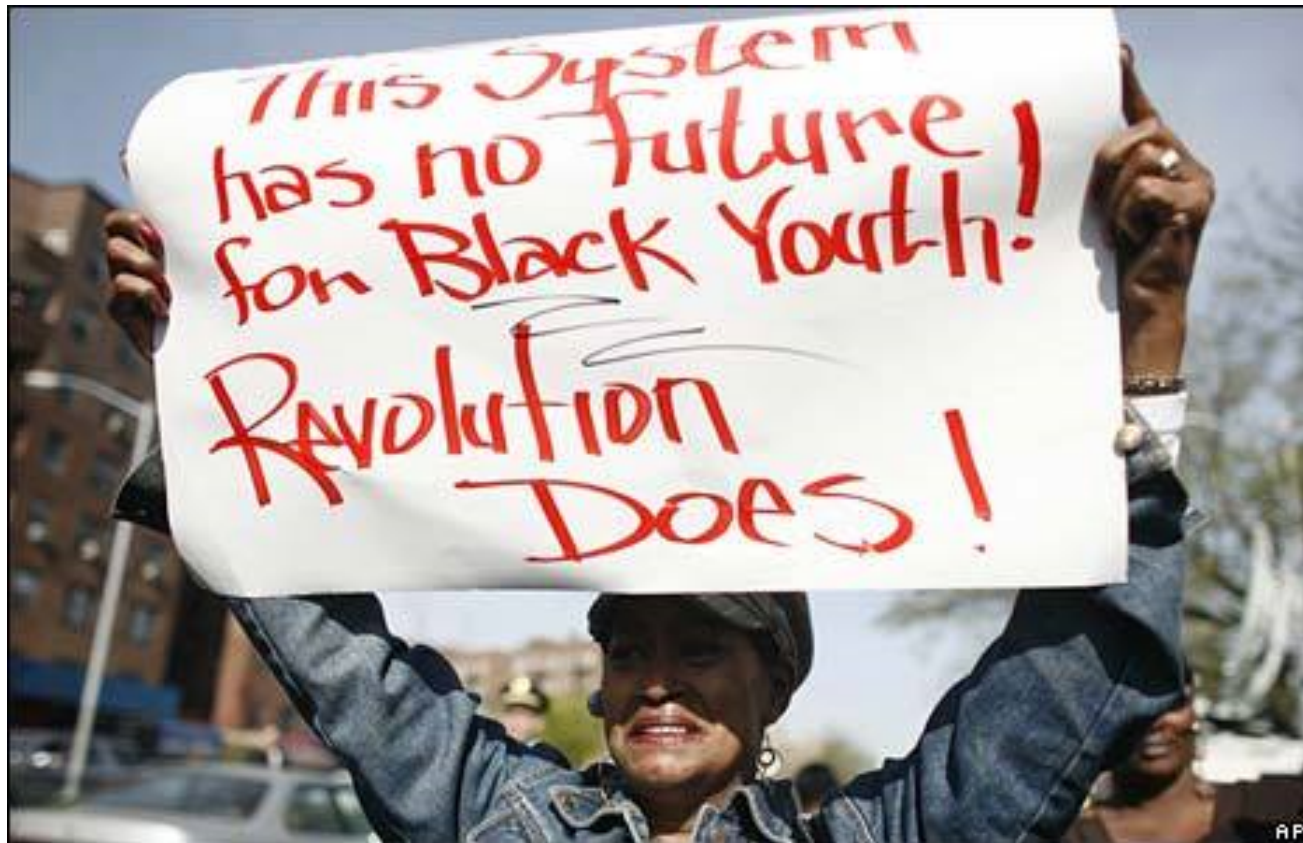


Risk? Growing Inequality

“We have to tolerate the inequality as a way to achieve greater prosperity and opportunity for all.”

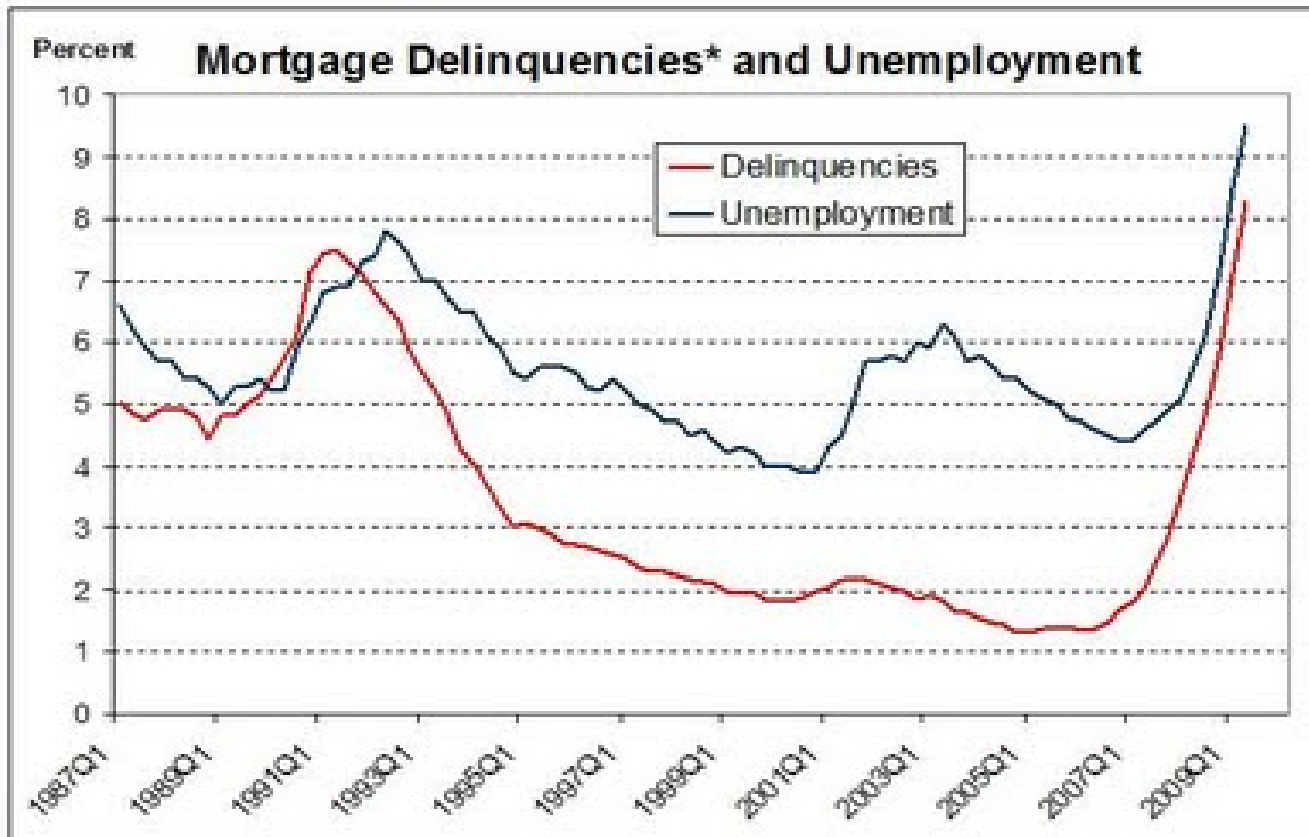
Brian Griffiths, Goldman Sachs International Adviser and a special adviser to Margaret Thatcher said yesterday (20th October, 2009) at St. Paul’s Cathedral in London. The panel’s discussion topic was, “What is the place of morality in the marketplace?” \$16.7 billion for compensation and benefits in the first nine months of 2009, up 46 percent from a year earlier and enough to pay each worker \$527,192 for the period.

Risk? Youth Unemployment





Risk: More bank failures?



** Mortgages delinquent over 30 days at commercial banks*

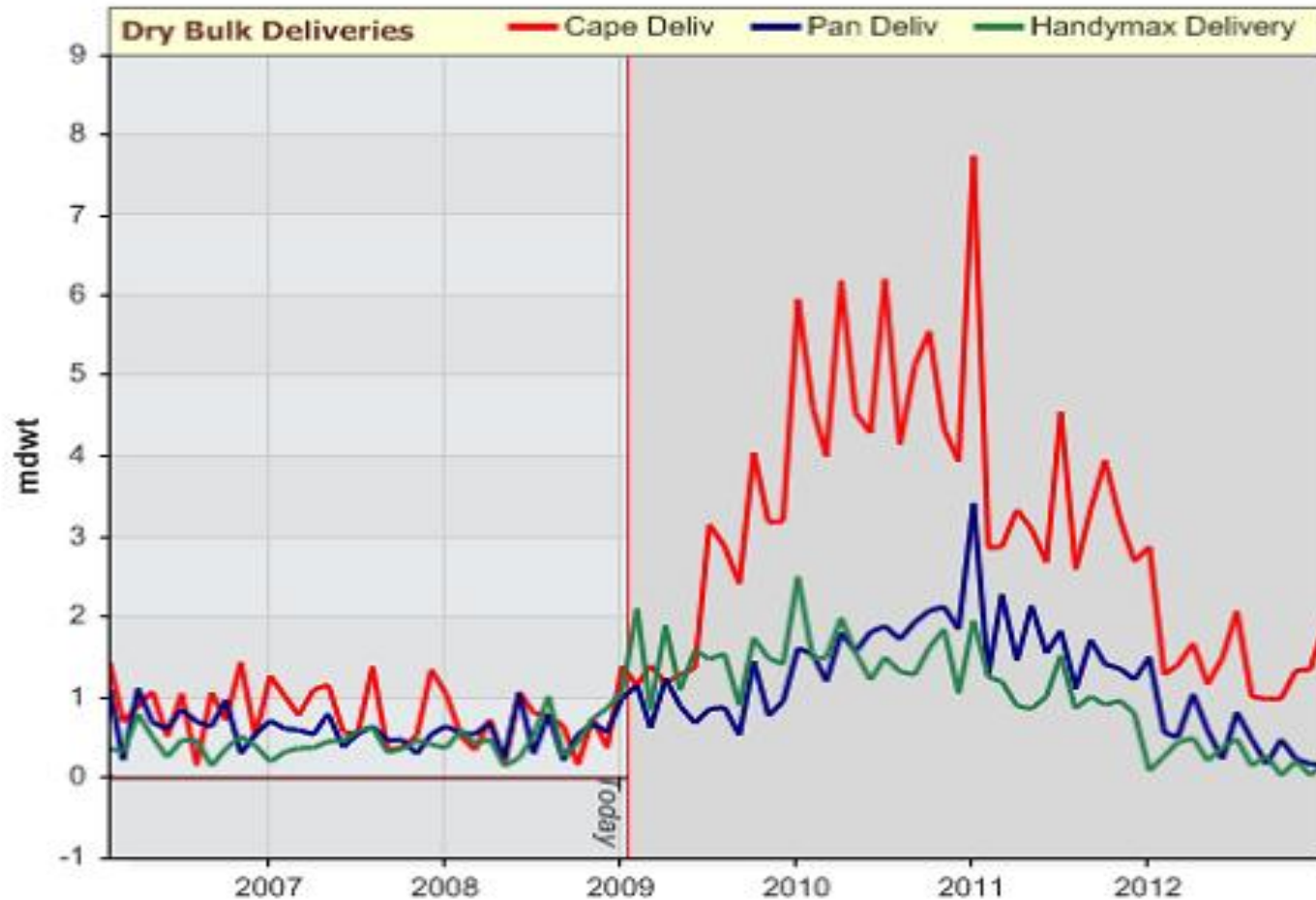
Risk?



Risk - Deflation?

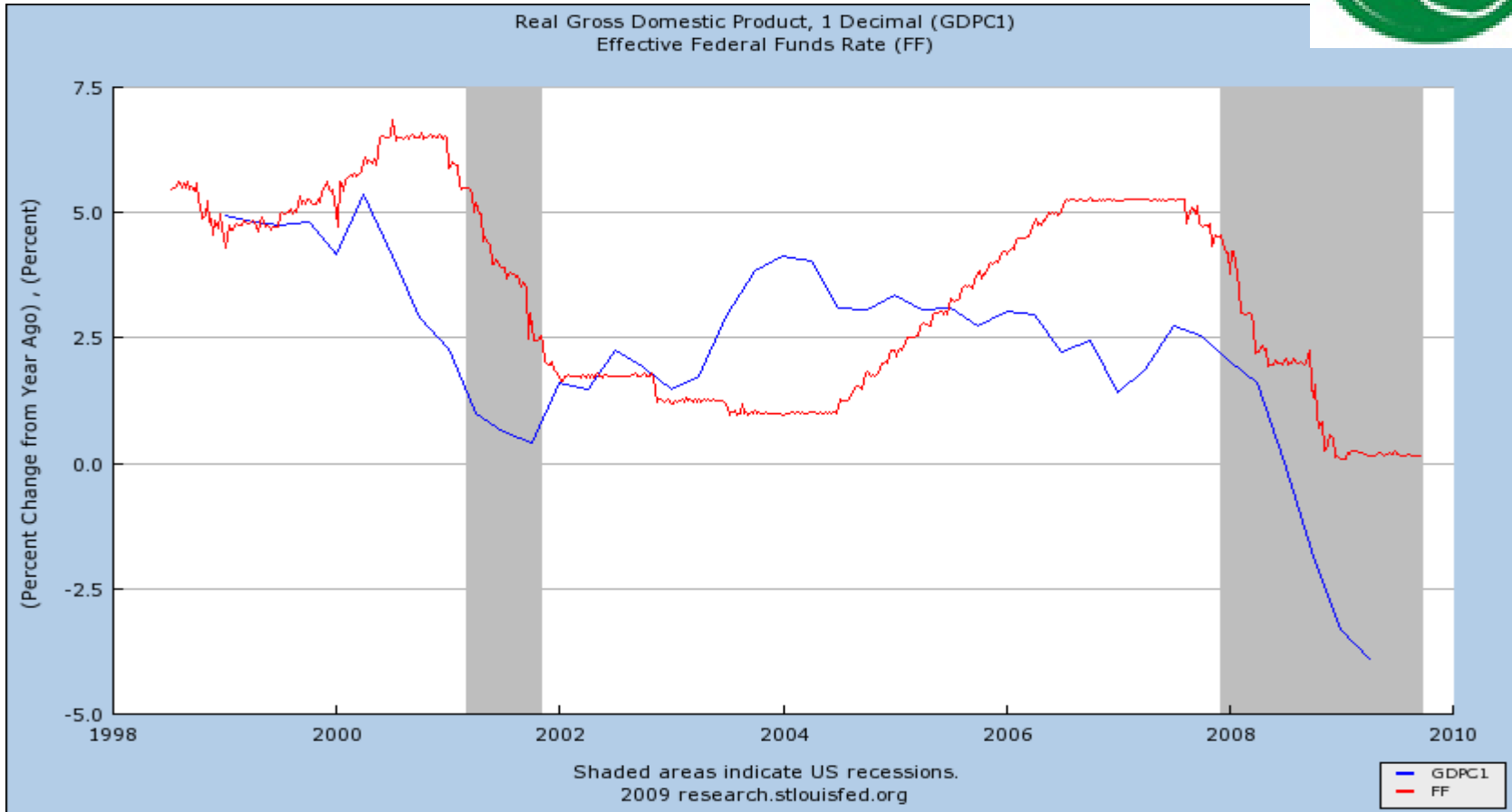


Risks? Orders for cargo ships





Risks: Policy Constraints





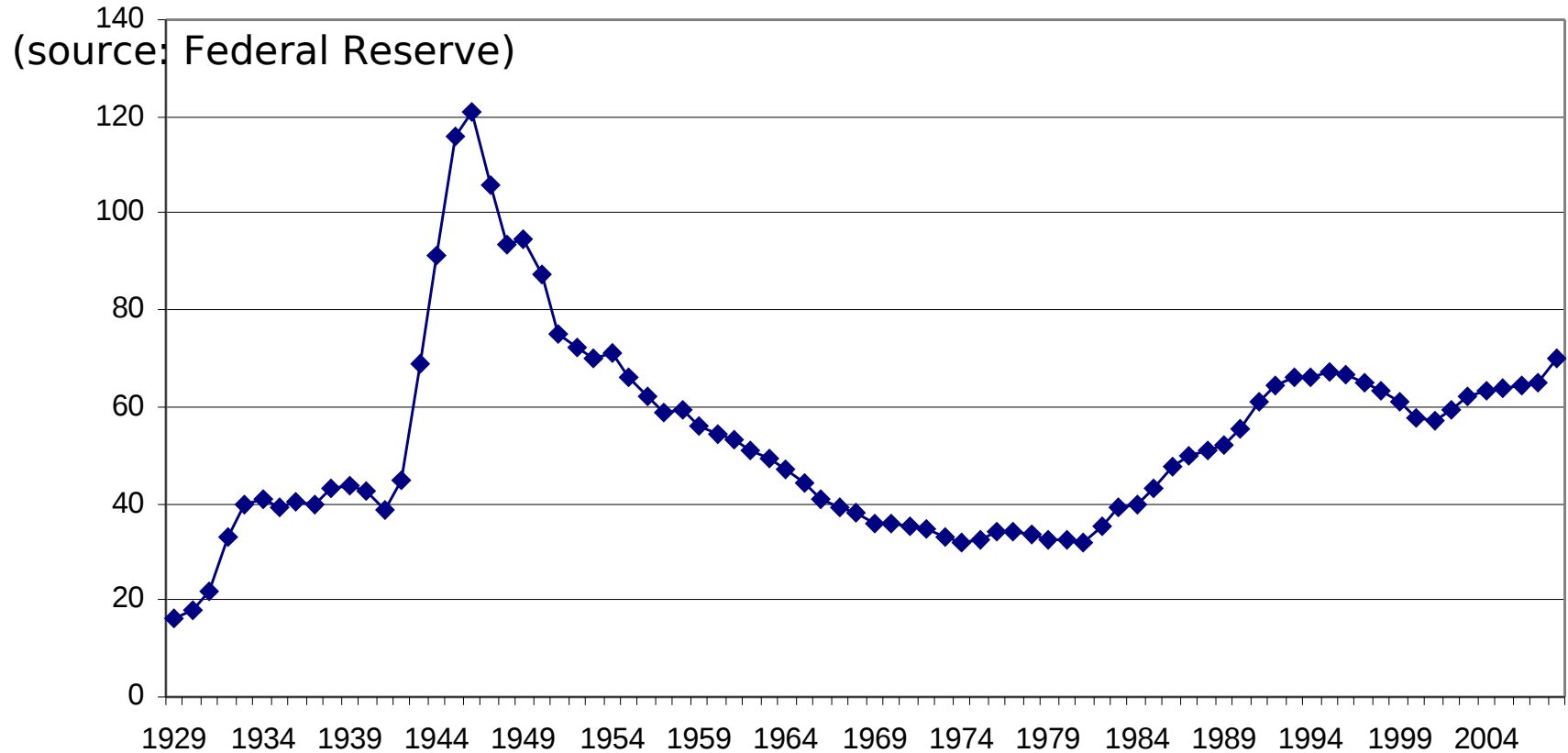
Risk?

Government debt?

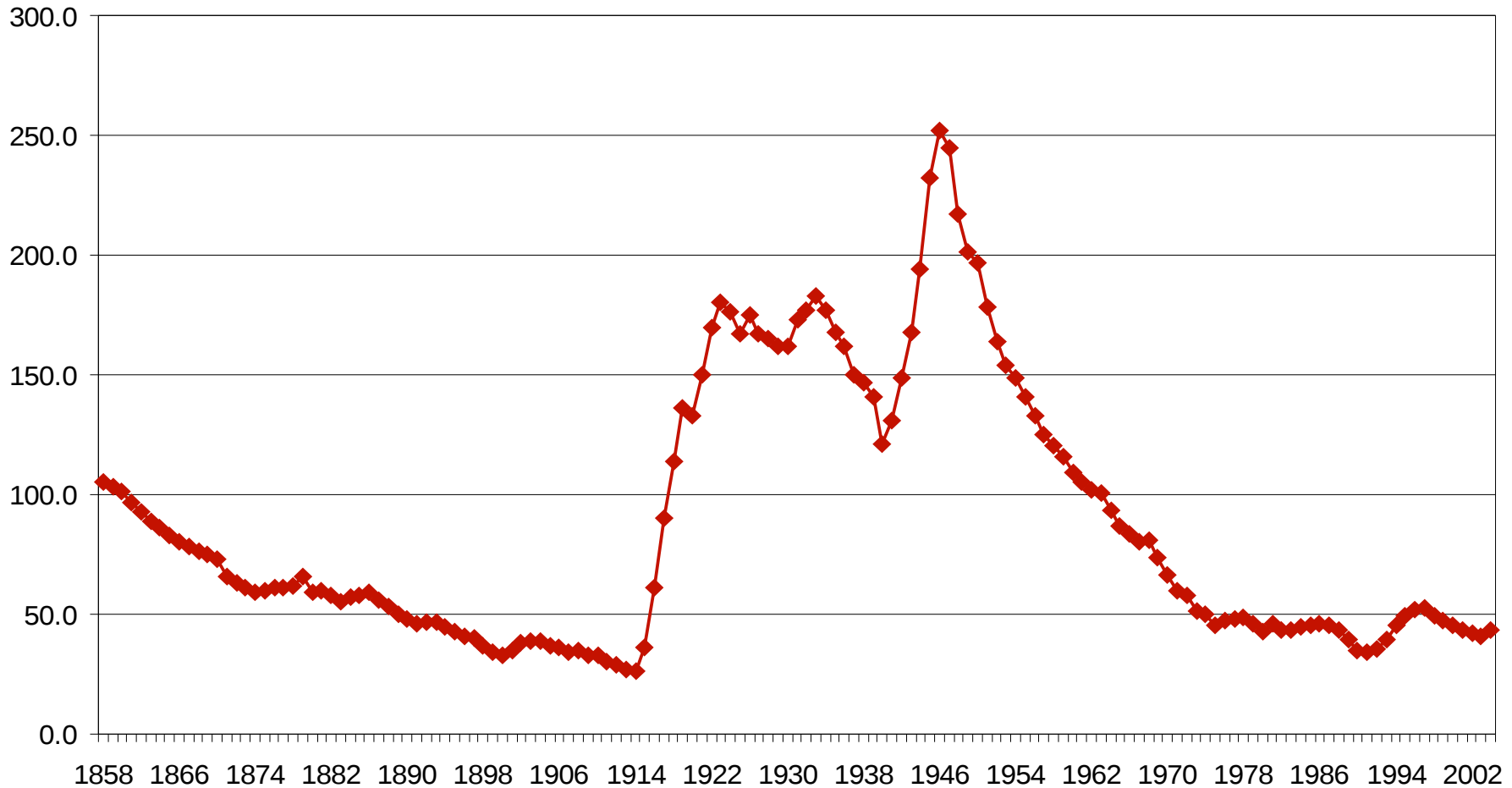
**Bond markets to raise
rates?**

Sterling collapse?

Risk?: US Public Sector Debt US:% of GDP



Risk? UK Public Sector Debt: % of GDP (source: HMT)



Risk? The corruption of democracy: finance as master.

The conflict between private financial interests and democratic societies intensifying – and at heart of decisions confronting world leaders



Opportunity ?



Democratic societies – have an **opportunity** to rebuild the foundations and structure of our economic **system** so that it becomes more stable, and is not subject to periodic and catastrophic collapses.



An **opportunity** to make more sense of the financial system, and rebuild it, so that it serves the interests of society as a whole, and not just the interests of the few.





Opportunity: Tackling Climate Change

- by localising and decarbonising the economy**
- the Green New Deal**



.....these crises present us with a great **opportunity**.... Managing the global financial crisis requires massive global stimulus.an investment in a green future. An investment that fights climate change, creates millions of green jobs and spurs green growth. We need a **Green New Deal.**”

– Ban Ki-moon, UN Secretary General, December 2008



Mobilising a carbon army of green collar workers

2. Turn every building into a power station
3. Insulate every property
4. Build flood defences
5. Generate alternative energy sources



Opportunities? Change Trade

FT.com
FINANCIAL TIMES

Steep fall in emissions

By Fiona Harvey, Environment Correspondent

Published: September 20 2009 23:30 | Last updated: September 21 2009 11:15

“The recession has resulted in an unparalleled fall in greenhouse gas emissions, providing a “unique opportunity” to move the world away from high-carbon growth, an International Energy Agency study has found.”



Trade patterns?

FT .com
FINANCIAL TIMES

“In the first big study of the impact of the recession on climate change, the IEA found that CO₂ emissions from burning fossil fuels had undergone “a significant decline” this year – further than in any year in the past 40. The fall will exceed the drop in the 1981 recession that followed the oil crisis.”



How did we get here?



“Easy, dear Money” (Credit)

fuelled

“Easy Shopping” (Consumption)

which in turn fuelled

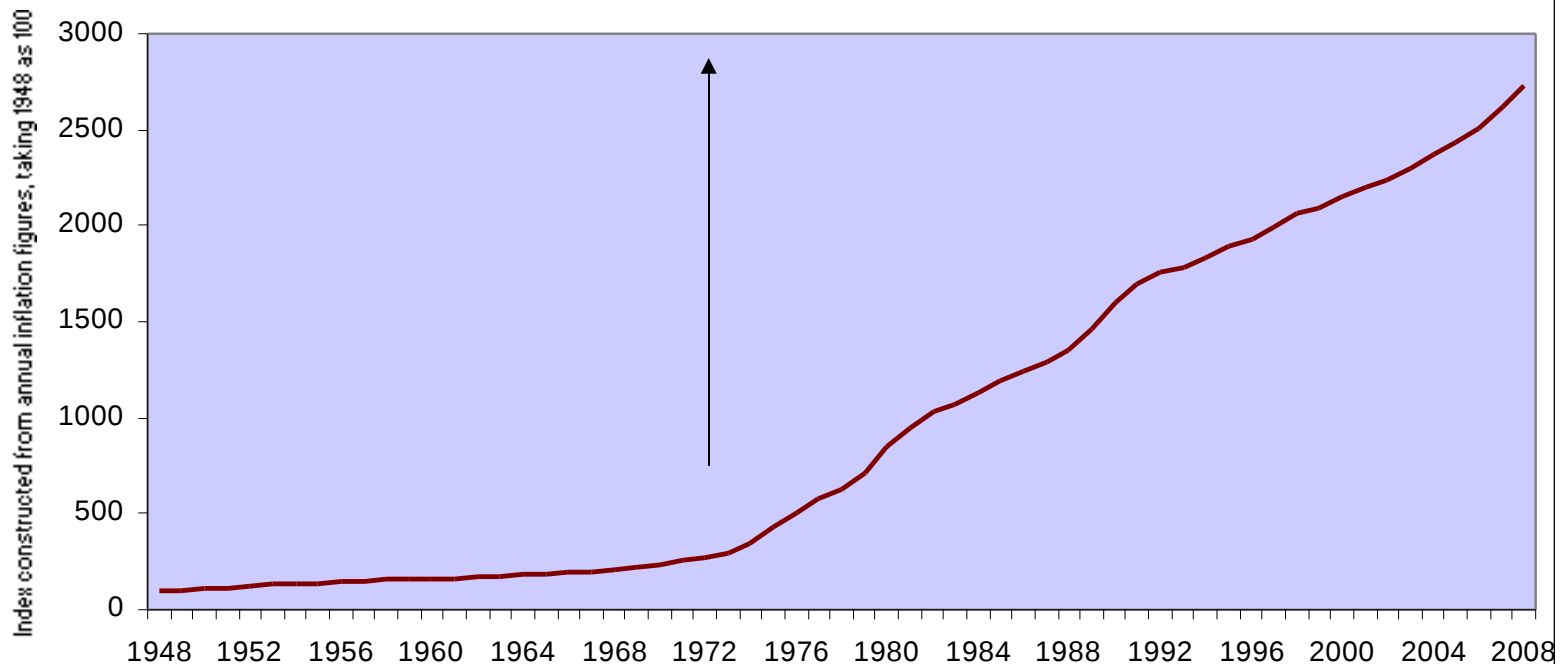
“Easy Jet” - (Emissions)





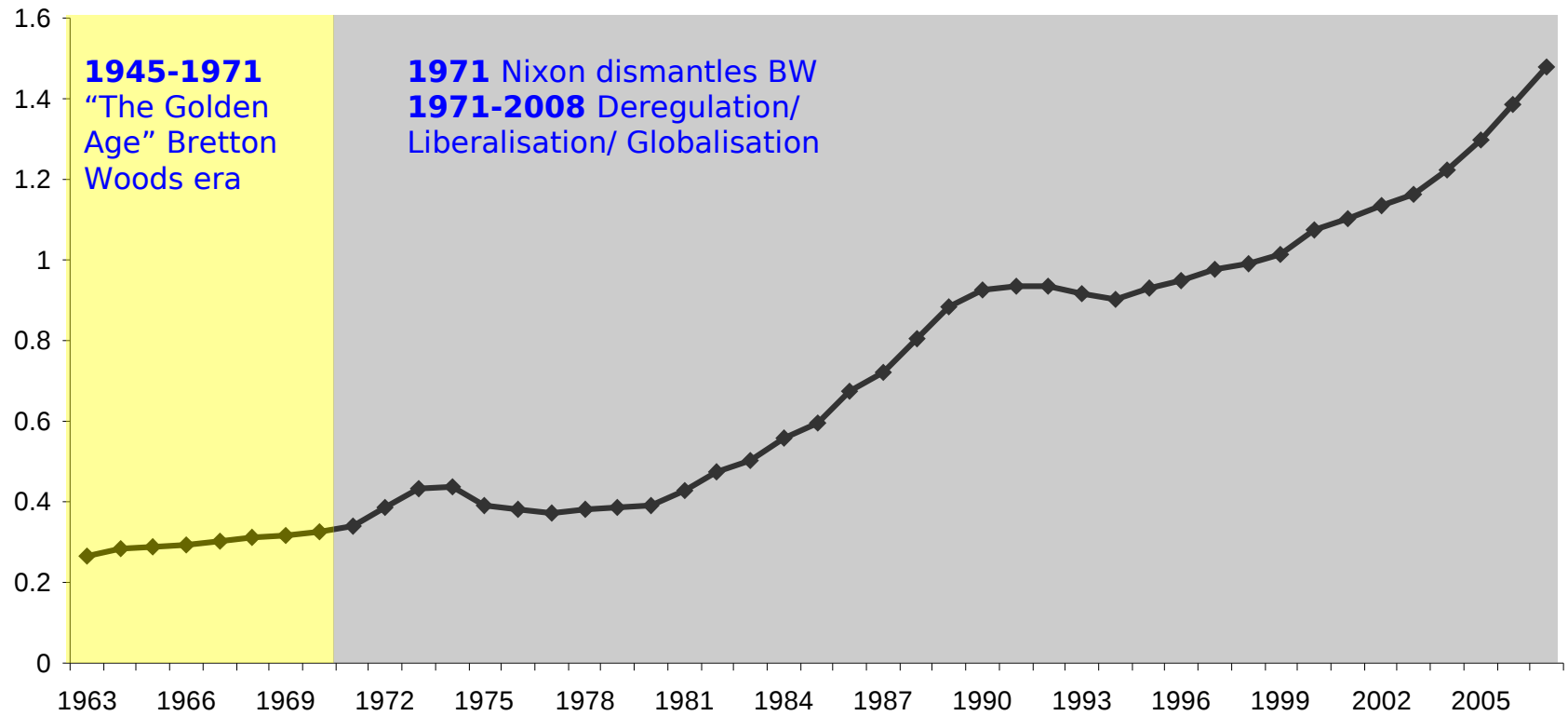
Easy, but dear credit fuelled inflation – in prices of goods, but particularly assets, like property.

UK Retail Price Index (RPI)



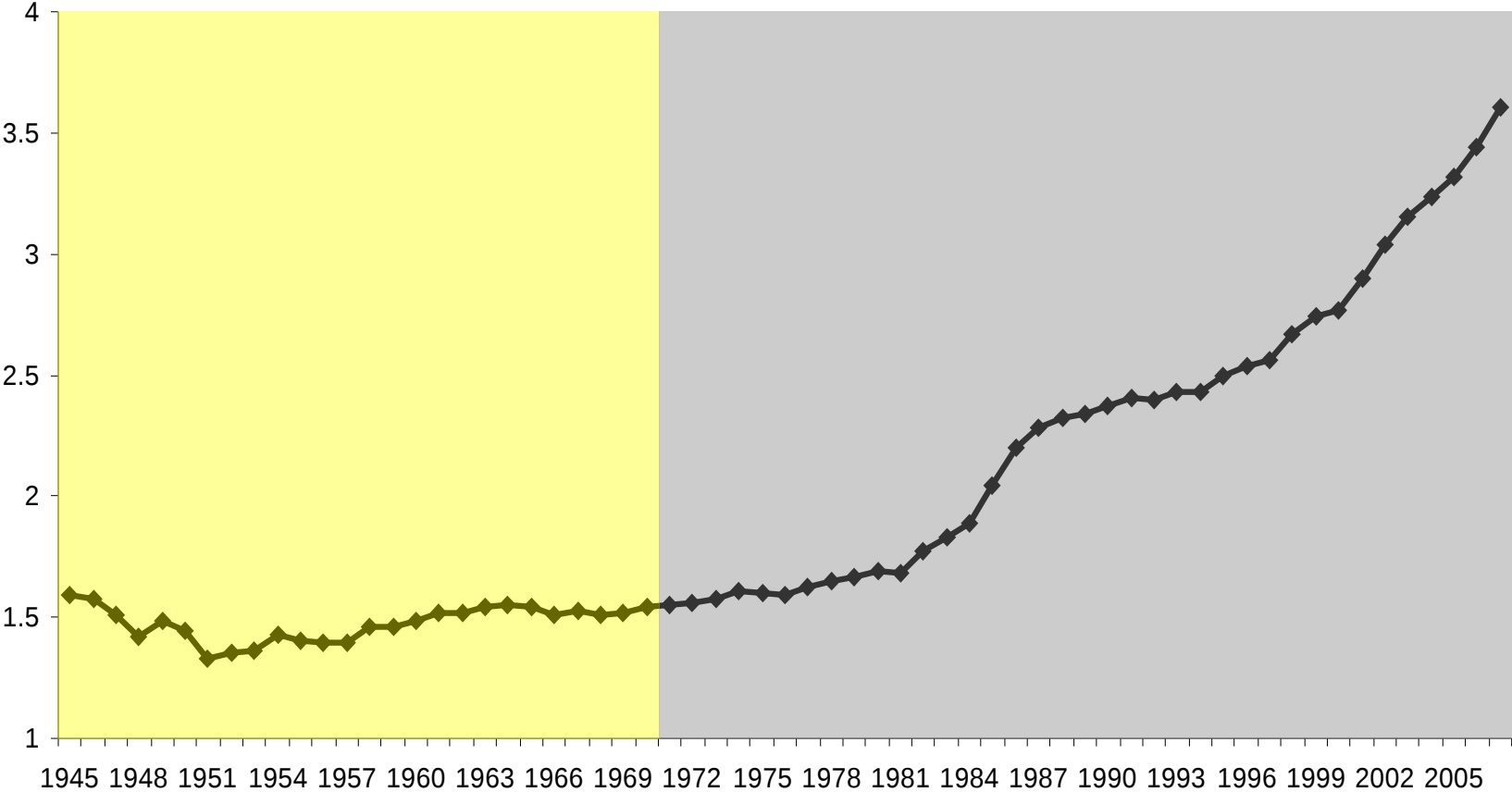
Source: Office for National Statistics, Table RP04, Retail Price Index (RPI) all items, annual percent change

The rise in UK Corp. consumer & mortgage del.



Source: Office for National Statistics, Financial Statistics Freestanding, Table 3.1G Sectoral analysis of M4 and its sterling lending counterpart; National Accounts, Time Series Data, Blue Book

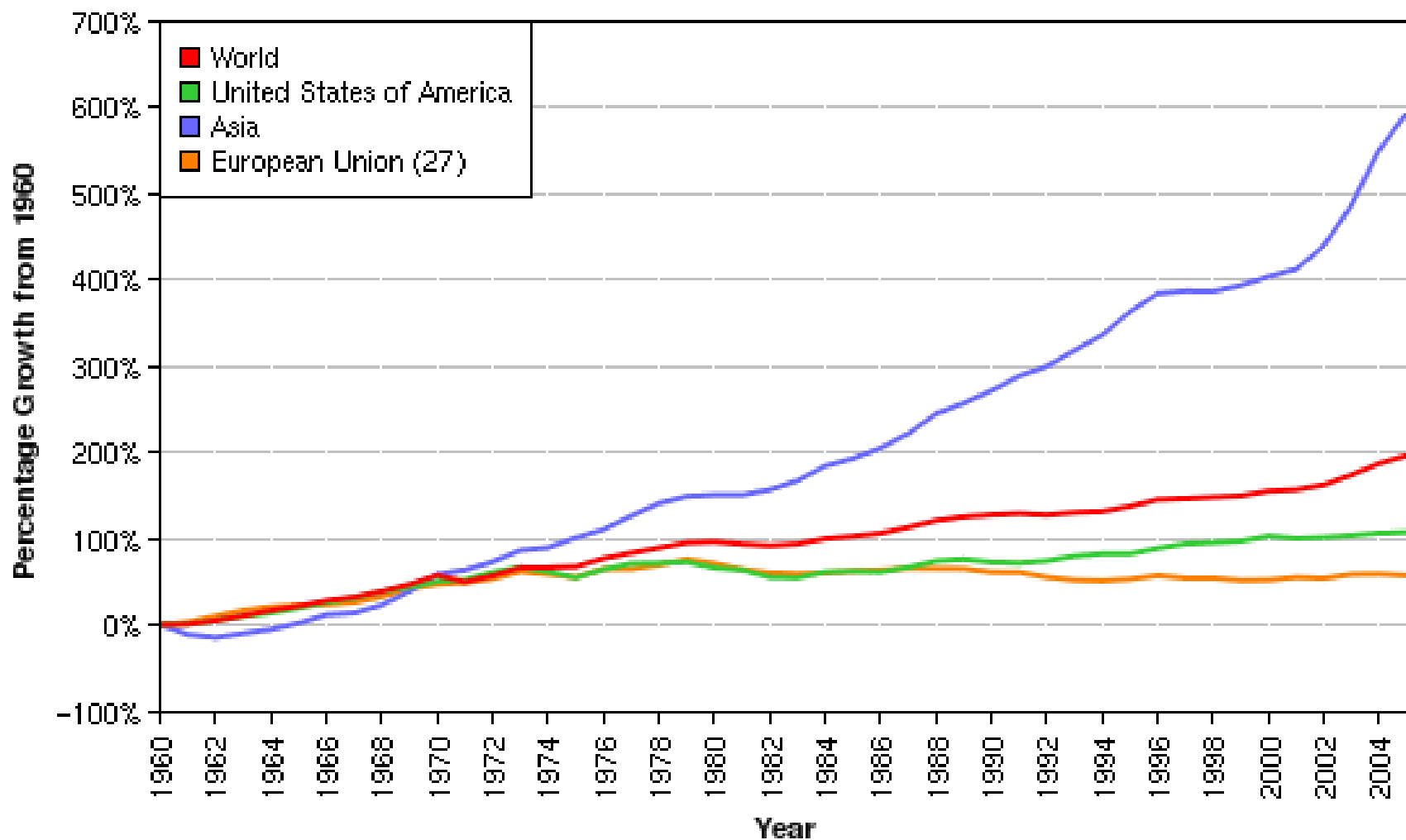
US total domestic debt as % of GDP



Source: Federal Reserve Flow of Funds Accounts, table L.1 Credit market debt outstanding; Bureau of Economic Analysis, National Economic Accounts, Table 1.1.5. Gross Domestic Product



National CO2 Emissions, 1960-2005



Source: World Resources Institute, <http://cait.wri.org>



Major Risk:

**Misunderstanding of
money/credit
= Policy errors**

Treasury Secretary Tim Geithner,
Testimony to Congress
23 September, 2009



“Stripped of its complexities, the purpose of a financial system is to let those who want to save - whether for vacation, retirement or a rainy day -save.

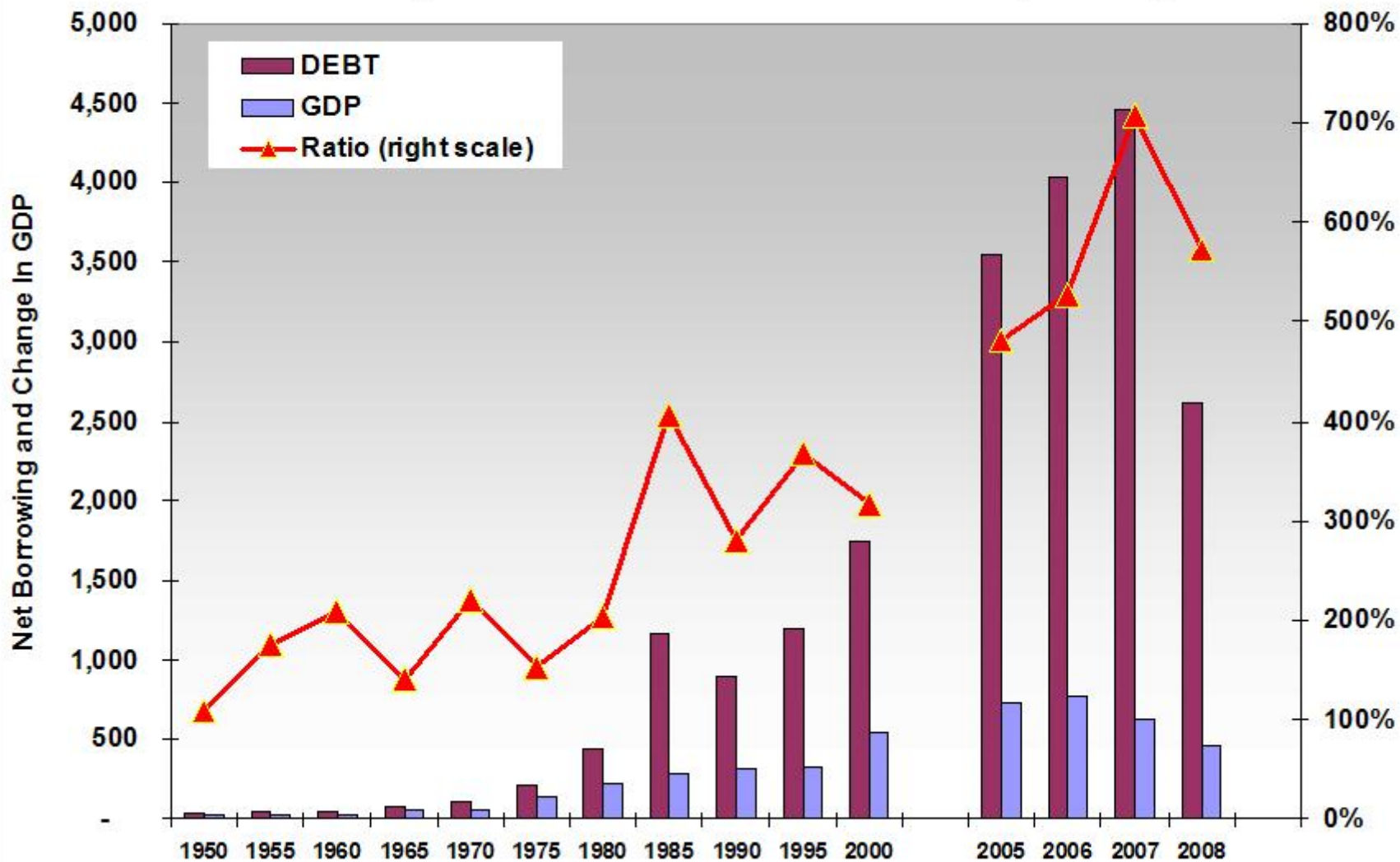
It is to let those who want to borrow -whether to buy a house or build a business -borrow. And it is to use our banks and other financial institutions to bring savers’ funds and borrowers’ needs together and carefully manage the risks involved in **transfers** between them.



Treasury Secretary Geithner
Testimony to Congress
23 September, 2009

“The job of a financial system, in other words, is to efficiently allocate savings and risk. Last fall, our financial system failed to do its job, and came precariously close to failing altogether.”

YOY Change in Nominal GDP and Total Debt (\$Billion)





Ben Bernanke:

**CBS. 60 Minutes Show 15 March 2009.
\$160 billion to AIG.**

Scott Pelley: asked “if it’s tax money the Fed is spending?”

Bernanke: "It's not tax money. The banks have accounts with the Fed, much the same way that you have an account in a commercial bank. So, to lend to a bank, we simply use the computer to mark up the size of the account that they have with the Fed.”

JK Galbraith

“The process by which banks create money is so simple that the mind is repelled. Where something so important is involved, a deeper mystery seems only decent.

“Inevitably it was discovered (by the burghers of Amsterdam) that another stroke of the pen would give a borrower..a loan. It was not a detail that the bank would have the interest on the loan.”

‘Money whence it came, where it went’. J K Galbraith 1975.



The flawed classical theory:

that money
(deposits/savings/credit)

exists only as the *result* of
economic activity.....

Flawed theory...



.....and those

deposits/savings/credit

then *create* economic
activity.

Opportunity:



Credit *creates* economic activity

- It is not the *result* of economic activity
- **But** it must be carefully regulated

Nature of money



- Nature of money highly peculiar. Very different from the point of view of
 - **an individual**
- and from the point of view of
- **the system as a whole.**



Nature of money

- Individuals cannot magic money from nothing. But the fact is the system as a whole can magic money from nothing.
- This money can be used to bring economic activity into existence.

Bank Money issued by BoE

– since Bank founded in 1694.



Quantitative Easing/Money Market Operations

Bank Money
Not tangible



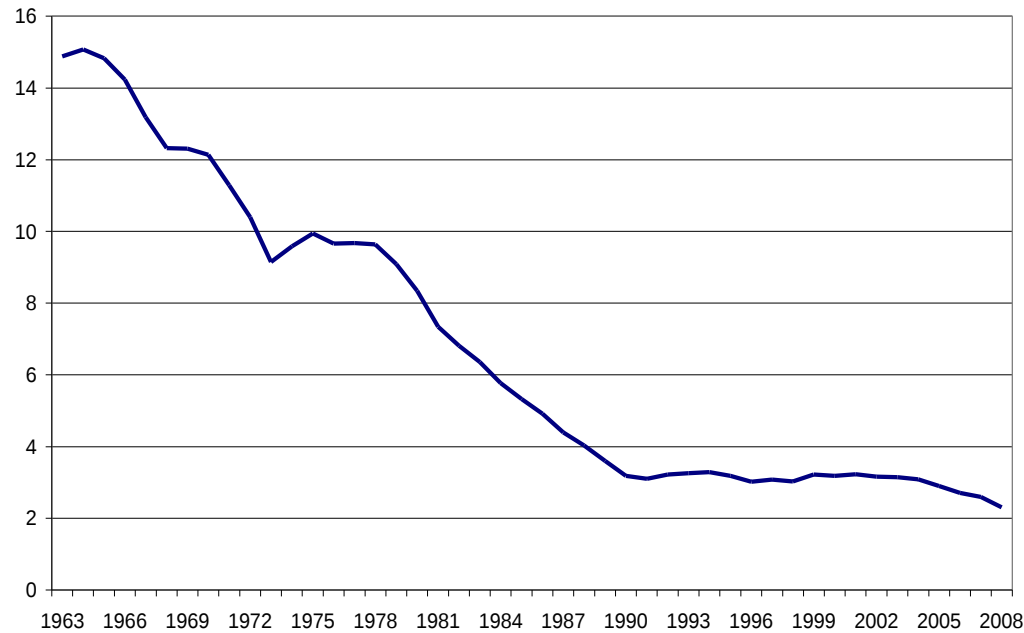
eBay®

Notes and coins – tangible





Cash/Money Stock (BoE)



Only 2% of total money is cash



Bank money *not a commodity*

*There is no limit to
the availability of bank money.*

It is not visible/tangible - unlike
like oilOr goldOr tulips

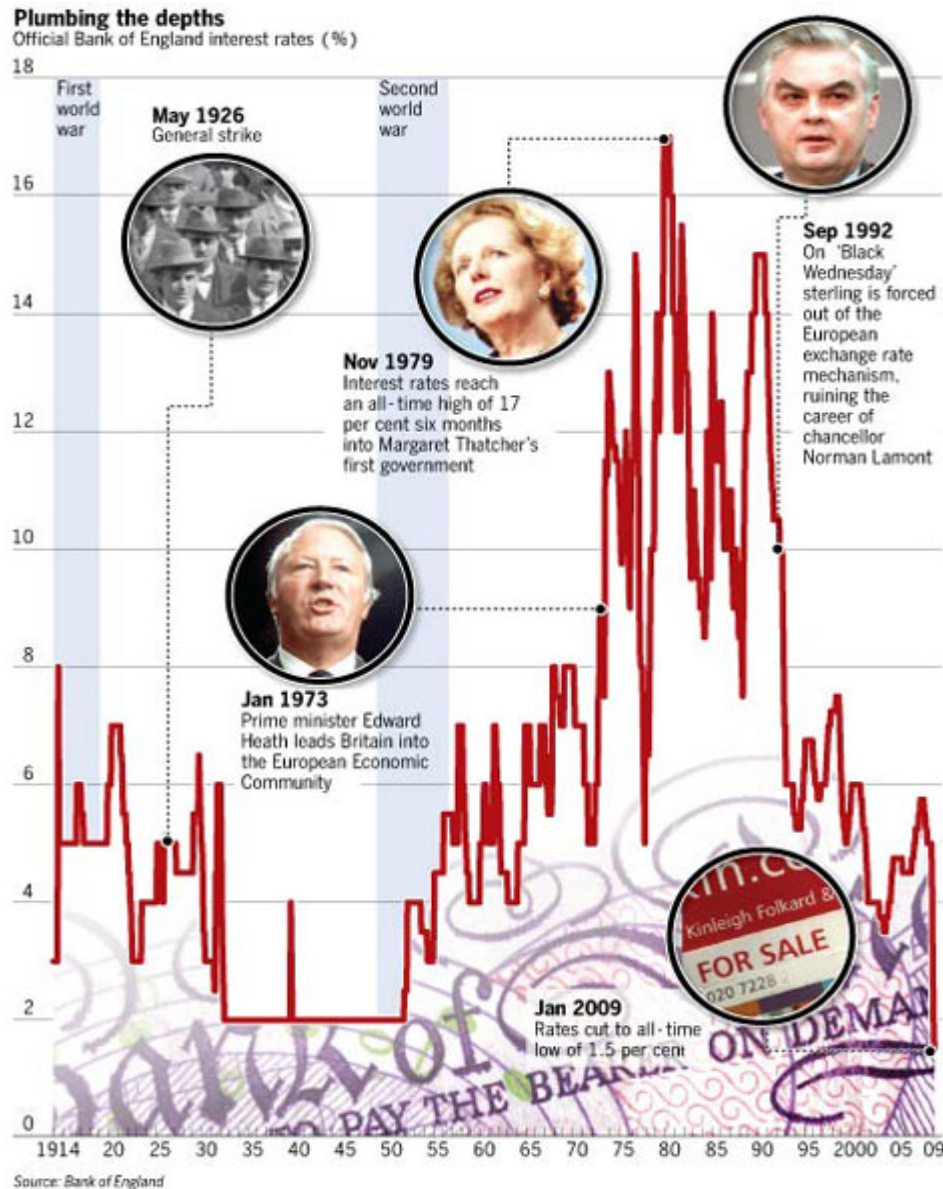


“Why then...if banks can create credit, should they refuse any reasonable request for it?

“And why should they charge a fee for what costs them little or nothing?

Keynes, Treatise on Money, 1930.

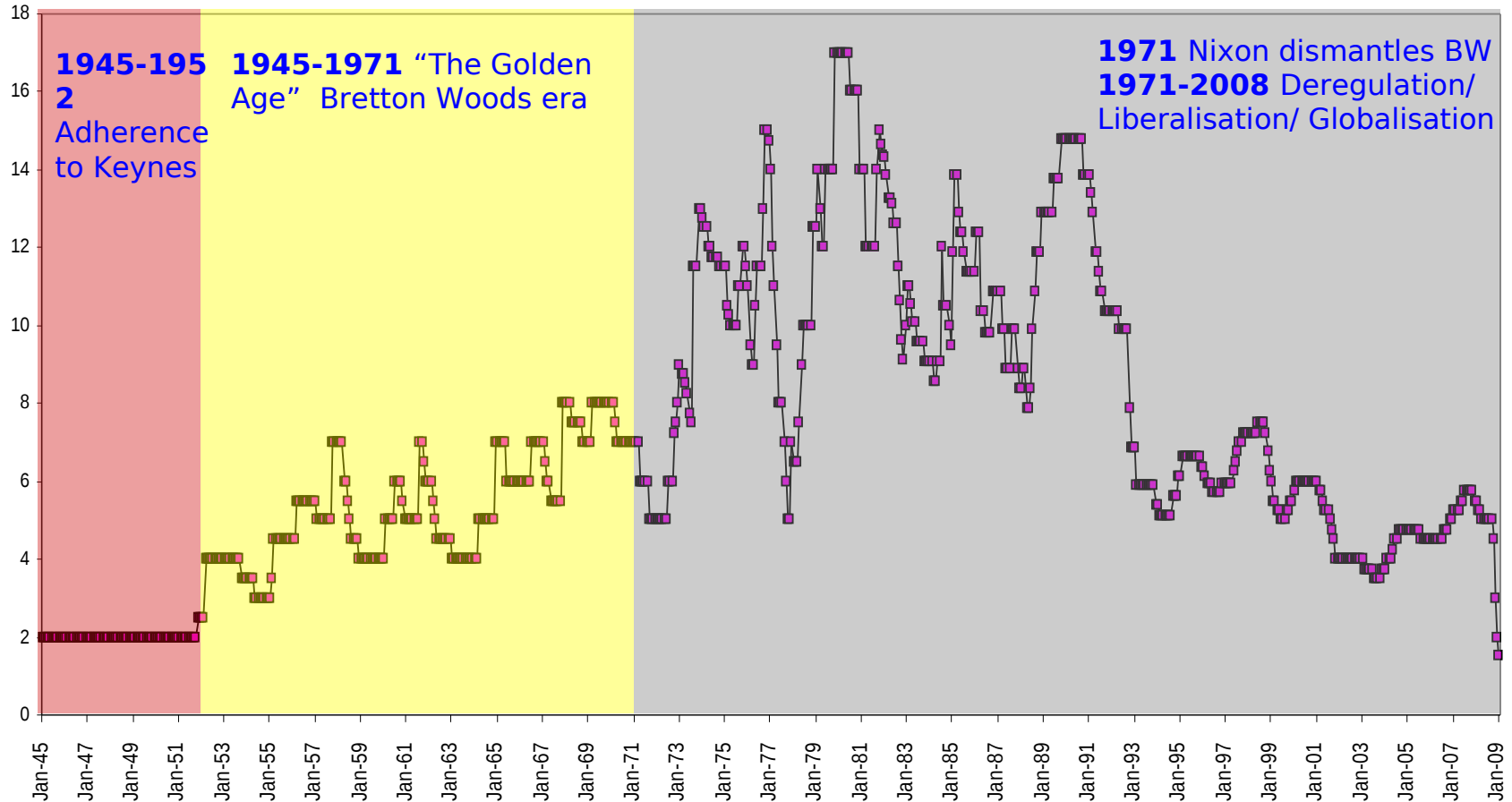
Risk:
High,
real
rates of
interest



Bank of England Base Rate 1945 – 2009

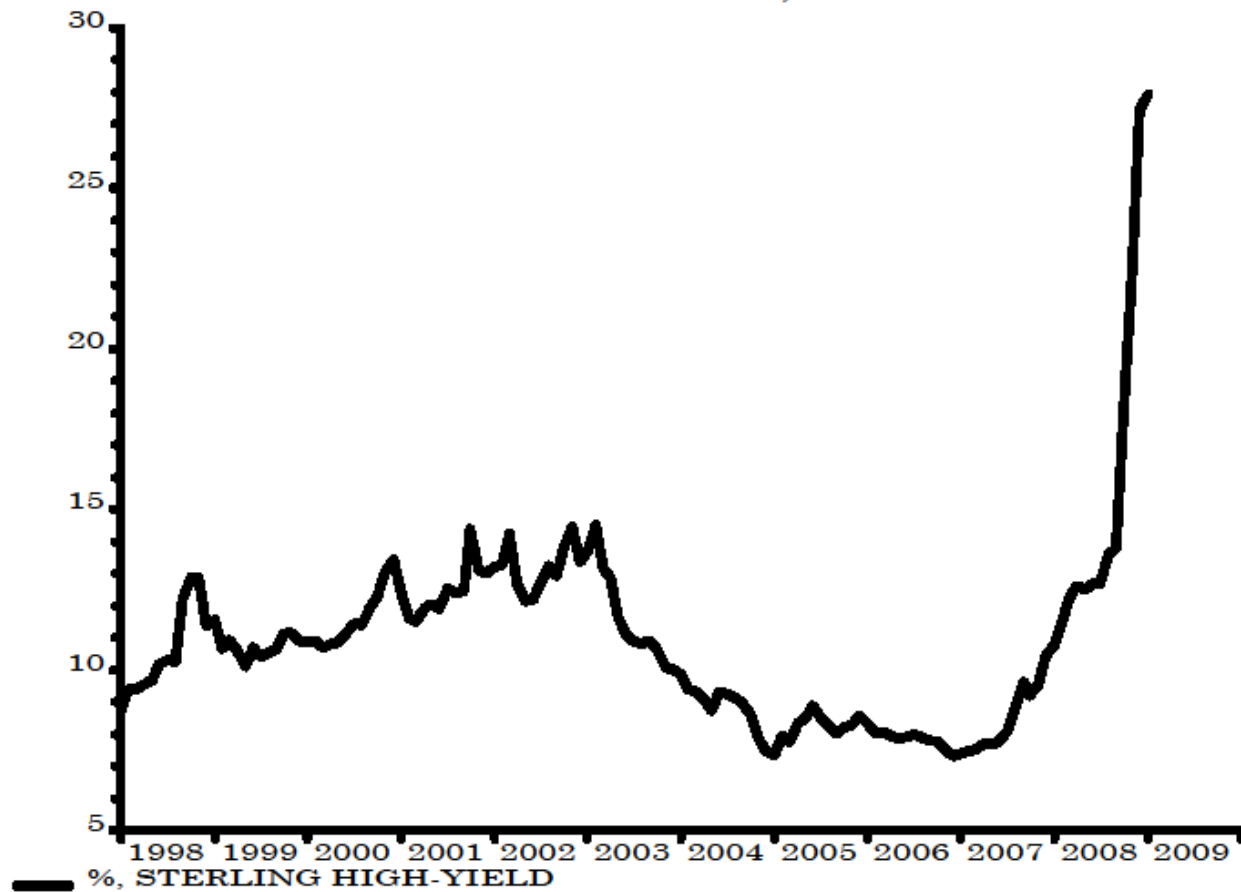


(not adjusted for inflation).

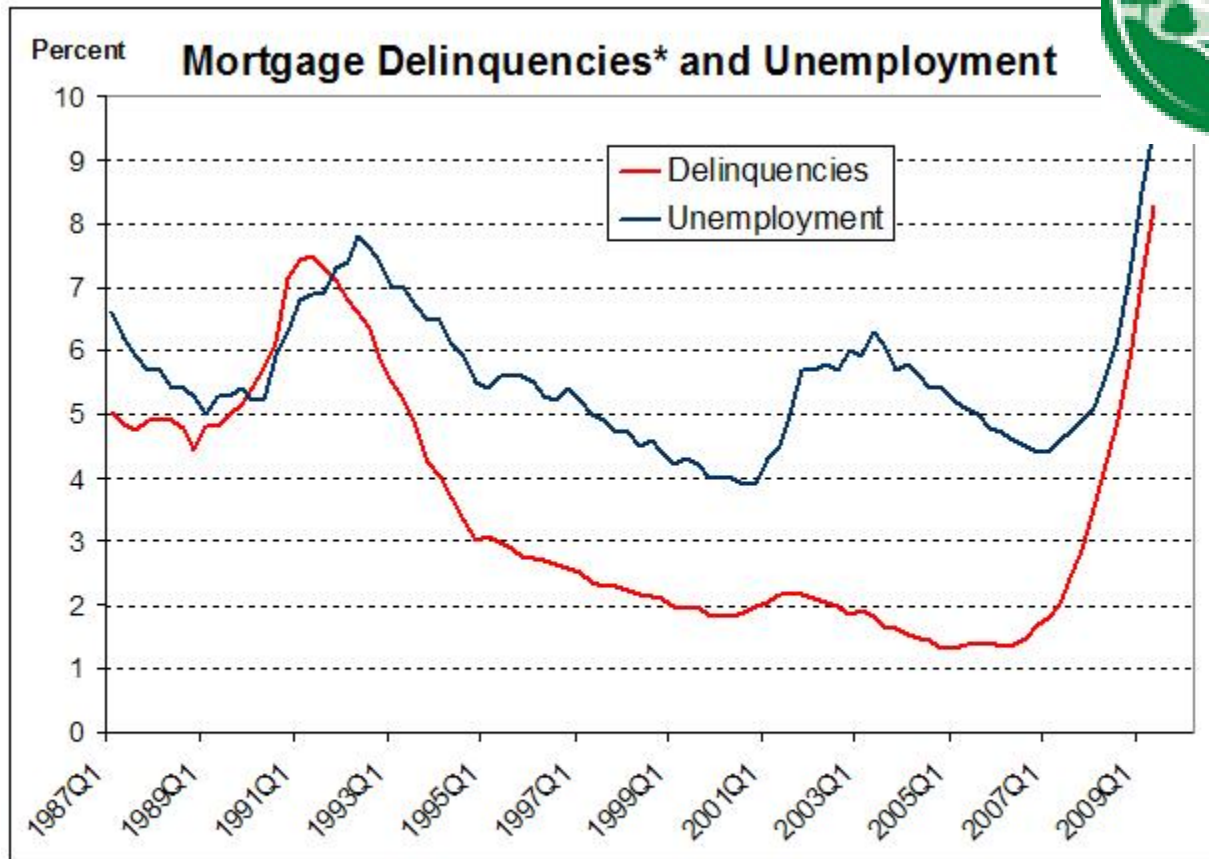




UK CORPORATE BONDS, HIGH-YIELD



Source: Graham Turner GFC Economics. www.gfceconomics.com.



**** Mortgages delinquent over 30 days at commercial banks***

Green New Deal



- Finance to return to role of servant to the economy, not master –
- through re-structuring of banking sector
- regulation of finance
- regulation for tight, but cheap money

Green New Deal



- Providing low-cost capital – ie at low rates of interest –
- for productive and sustainable investment.....

Green New Deal



- in the de-carbonisation of the global economy

Green New Deal



To invest in

- the creation of a carbon army of green-collar workers
- Skilled and unskilled
- - to e.g. insulate our homes, prepare flood defences, localise production

Green New Deal



- To help build a new, more stable and just financial system.

A stylized landscape illustration. The background is a light green color with white rays emanating from the bottom right, suggesting a rising sun. In the foreground, there is a dark green hill with a white outline. On the left side of the hill, there are two green trees of different sizes. The text is centered in the upper half of the image.

The Opportunity for a Green New Deal

Ann Pettifor

www.debttonation.org

www.debttonation.org

www.neweconomics.org

www.operationnoah.org

