

THE POLITICS OF THE GREEN NEW DEAL: WE CAN'T PAY FOR THAT

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Seriously. How on earth will we pay for the damage done by climate change? Water rising along the coasts and flooding huge parts of our oil and gas refining infrastructure? Resettling millions away from new floodplains in Nebraska and Florida? Food shortages? Dirty water? Hurricane and tornado damage? Storm costs already are running over \$240 billion per year at least. The costs of three hurricanes and 76 wildfires last year alone ran to something like \$300 billion. The National Climate Assessment identifies several areas of enormous concern: extreme heat, lost labor, infectious diseases, droughts and floods, decreased food production, and failing water and sewage systems.

We have a good current example in the recent floods in Nebraska. Flood water is running into the Missouri, where it overwhelmed the sewage treatment system in Omaha, dumping an estimated 65 million gallons of raw sewage. That fetid stream of filth is expected to continue for two to three months. Cities downstream will have to treat their water against unnamed pollutants, presumably e. coli among others.

Even without Omaha's sewage, the floodwaters would not be safe because of

human waste from septic tanks, animal waste and chemicals from farm fields, along with chemicals from urban and suburban parking lots and industrial sites, experts say.

That sewage and the related flood water is headed to the Mississippi through New Orleans. and the delta, washing out more of Louisiana on its way, and into the Gulf where the Red Tide from last year finally disappeared in February after a sixteen month bloom.

The floods are also causing serious problems for farmers. This story in the New York Times quotes farmers who are unable to get to their fields which are drowned by recent floods. The Kearney Hub of Kearney Nebraska says planting will be delayed; and adds fascinating details on how farmers should cope with wet fields. Eventually they may be driven off their farms. We can guess that capitalists will buy up the farms at foreclosure or otherwise. This will gradually concentrate food production in fewer and fewer hands, which leads to higher prices for food consumers.

But we never talk about how to pay for climate catastrophe. The financing talk is always about how to pay for efforts to cope with it. That's apparently going to be a big part of Republican strategy, along with their other scare tactics. You have to admire the chutzpah of Republicans complaining about the cost of the Green New Deal after handing trillions in unfunded tax cuts to their donors. They are joined by plenty of moderate Democrats, and cost is one of the reasons.

It's astonishing that no defenders of the Green New Deal ask their opponents how they plan to pay for climate disaster. Instead, they struggle to answer their detractors. Many advocates of the Green New Deal have turned to MMT because it makes it clear that we can do everything in the Green New Deal and more, subject to resource constraints such as adequate and trained labor,

natural resources, technical knowledge and entrepreneurial skills. Here's a good discussion from the excellent Stephanie Kelton.

I've read Randy Wray's book, *Modern Money Theory: A Primer on Macroeconomics for Sovereign Monetary Systems*. I've also read some mainstream economics, some of which I discussed here at Emptywheel. For me, MMT is superior. Mainstream economics has a number of normative ideals at its heart, as we saw in my discussion of the theory of marginal utility of William Stanley Jevons (for example, here). As I see it, mainstream economics privileges the concerns of the individual over the well-being of the society in which the individual lives and works. On the other hand MMT gives a descriptive account of the economy, with no obvious normative implications. As Wray says in §7.10:

On one level, the MMT approach is descriptive: it explains how a sovereign currency works. When we talk about government spending by keystrokes and argue that the issuer of a sovereign currency cannot run out of them, that is descriptive. When we say that sovereign governments do not borrow their own currency, that is descriptive. Our classification of bond sales as part of monetary policy, to help the central bank hit its interest rate target, is also descriptive. And finally, when we argue that a floating exchange rate provides the most domestic policy space, that is also descriptive.

Functional finance then provides a framework for prescriptive policy.*

I don't think mainstream economics will ever be merely descriptive in this sense. It isn't even capable of getting rid of obviously bad ideas, like austerity or the Philips Curve, both of which are suffused with normative implications. There are still politicians who think we should have a constitutional balanced budget amendment.

Stephen Moore, Trump's nominee to the Fed, has argued for a return to the gold standard.

But you don't have to accept MMT to see that the Green New Deal is affordable. Here's a well-written paper by J.W. Mason of the Roosevelt Institute. I think Mason considers himself to be a heterodox economist, as opposed to a mainstream economist. He justifies financing important public projects like the Green New Deal in mainstream Keynesian terms.

In the end, someone is going to pay. We either pay to ameliorate the problem, or we pay to cope with the horrifying costs of surviving.

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*Quoted from this post.

Edited to correct name of Kearney, Nebraska and typos.