



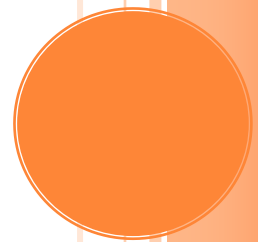
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The Green New Deal, MMT and the Indian Connection

Student Research Internship Report

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From the unprecedented floods in Germany and Belgium to the ravaging bush fires in Australia to the destruction of Coral Reefs worldwide to unexpected severe storms to extreme droughts, climate change has been a devastating phenomenon. Its effects, getting more pronounced year by year. In the words of Congresswoman Alexandra Ocasio-Cortez, "Climate change is a significant existential crisis to our way of life."

The Green New Deal, modelled in part after Franklin D. Roosevelt's New Deal, is a set of comprehensive reforms that aim to:

1. Achieve net-zero Greenhouse gas emissions through an equitable and just transition for all communities and workers;
2. Create good high wage jobs, and ensure economic prosperity and equity;
3. Invest in infrastructure and industry in the U.S to sustainably meet the challenges of the 21st century.

From a policy perspective, three critical programs pop out when we think of a Green New Deal; Greening the economy, Universal Healthcare and the Universal Job Guarantee. First, all of these reforms require significant technological and financial investments. Conventional knowledge might lead us to say that the policy is just too ambitious. Any government in its right mind could not possibly afford it. But that is just conventional wisdom; a blithe acceptance of it can lead to sloppy results. Modern Monetary Theory begs to differ on that opinion.

Before we understand how a money sovereign country can fund a program like the Green New Deal, it is vital to get familiarized with the MMT framework to view the policy. First, it is essential to distinguish between a currency user and a currency issuer or, in more concrete terms, between a household and the State. Here the household is a currency user, whereas the State or the Government is the currency issuer. This distinction is important because, unlike the household which can go insolvent, the State being the sole issuer of currency, can never run out of its own money. Affordability depends upon the resources to implement it. This is the exact reason why the rhetoric "where will we get the money from"

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is invalid. But this does not mean that the Government can indiscriminately spend money as it pleases.

On the contrary, too much aggregate spending beyond a country's potential can increase inflationary pressures. But here too, it is crucial to make a distinction, spending is not the main problem; Consumption spending is, the results if unchecked, can lead to inflation. Mobilization of the underutilized resources and shifting them from destructive uses can help in avoiding inflation.

Coming back to the Green New Deal, proponents say the GND promises a similar outcome to the New Deal. Apart from the apparent reversal of climate change, it also promises to do it in a way that leads to prosperity and environmental sustainability. The first steps for the GND are to account for all the real resources and weigh those against the requirements for a green transition. Specific programs may use resources while others release them. For example, Greening the economy uses resources while universal healthcare reduces the administrative charges behind the healthcare; it reduces aggregate spending. Summing up, the concerns for a Green New Deal are hardly a financial matter. At a macroeconomic level, the Government faces only real resource constraints. As long as the Green New Deal is technologically feasible, it is financially possible as well.

The Universal Job Guarantee ties in as an essential aspect of the Green New Deal's proposal to provide an equitable and fair transition to a green economy. As mentioned before, a shift can lead to the release of many resources, mainly labour from fossil fuel industries or pharma, if an M4A is implemented. Of course, there are chances for unemployment to occur, but this goes against the essence of the GND. Moreover, unemployment is often a collective failure; it will be highly irresponsible and irrational to accept it as natural. Therefore, the need for a universal job guarantee is imperative. The UJG can be seen as a potential cost, but this assumes that it will not supply any economic resources. On the contrary, a UJG can allow us to employ the labour that has lost its work due to the "Green" Transition and employ it back into productive uses within the GND framework without the risk of keeping people unemployed.

While critics argue that a net-zero emissions plan should be kept separate from other policies like the UJG and healthcare, it is also true that there are no pure technological fixes for the climate crisis. The climate catastrophe will be an economic and social problem, so the solutions we have to look for will also be along those lines. Any of these solutions will have profound political and economic ramifications. One issue that we have to keep in mind during the green transition is to quell any resource bottlenecks that may arise along the way. However, the first order of business would be to remove the self-imposed constraints, myths, and misplaced morality of the neoliberal paradigm. This is because the

neoliberal era has operated chronically below full employment while increasing the inequality between the top-brass and the labour.

This brings us to a prevalent opinion and critiques against the Green New Deal that it will take away your ice cream and that the taxation will leave everyone penniless. However, as said before, it is essential to reiterate that tax does not pay for 100% of government spending. "Then what about deficits?" is another central question. Here it can be helpful to go back to the MMT doctrine; deficits or public debt are not inherently evil. The popular opinion that everyone is born with a specific debt tag is also wrong. This ideology occurs due to a fallacy of composition where we treat public debt in the same light as household debt. Understanding this in accounting terms proves even more helpful. Public debt is a financial liability for the Government. If there is a liability, then there should also be an equivalent asset. So, who owns this asset? The answer is quite simple, the Private sector. Seeing debt through this new lens can help us in clearing out the bad press surrounding deficits.

The Green New Deal is a significant and welcome step in the fight against climate change. It can be much more effective than half-hearted measures like carbon taxes. So this begs the question, can other countries implement them as well? In my case, I will try to answer this question, keeping India in mind.

India is the third-largest emitter of Carbon Dioxide. Though this may be a distant third from China and the United States, it still does not absolve our responsibility to chart a green economy path. India is a country that is highly dependent on the thermal power sector. The pandemic has shown that this dependence can prove more harmful than good in the face of crises and in the light of bailouts provided to this sector. As a result, the call for green recovery packages has become more widespread. Green Technology is becoming even more affordable these days. The push for solar energy in India is a step in the right direction. But the problem of climate change is a multifaceted and multidimensional issue. India must look beyond just improving renewable energy. The issues of inequality, clean drinking water, and air quality have also got to be addressed. India will need to revamp its NREGA program by adapting it to the urban scenario as well and make it much more robust and in line with the future development goals, including climate change. It is needless to say much more fiscal room should be allotted to such schemes. The myths and narratives around deficits should be brought down. There is a high need for media channels and outlets to take an active role in raising awareness about climate change. There is also a need for the developed world to take on a much more active part in climate change. The transfer of green technologies to developing nations can go a long way in reducing our carbon footprint.

But among these things, the most glaring problem that I see is the acceptance of the paradigm shift that needs to happen in people's minds to make this a reality. India has its own caste, race, and religion issues, plus a glaring amount of red-tapism that comes bundled in with government-led programs. It is also needed to be understood that the effort to "green" the Indian economy can only be made via a strategic partnership between the private and the public sector. The Government will have to make an active push to ease businesses for green tech and roll out the carpet for companies that deal in these technologies.

In the words of Greta Thunberg, "Our House is on Fire!" and it depends upon us as a collective to face off against this crisis. True to her words, Politicians and world leaders can no longer afford to take a passive stand on the climate problem. In the end, we only have one life and one planet to live in—the Green New Deal charts an ambitious plan to tackle the climate crisis. The MMT framework can help us understand the economic and social facets of getting this plan into action. So, the question is not whether we can afford a Green New Deal, but it should be; can we afford not to?

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