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Anchoring the Green New Deal: Building Transformational Institutions

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Across the political spectrum there is a consensus that the economy does not work for the majority of people. For many, there is a deep sense that the system is ‘rigged’ and not on their side, nor is it on the side of the natural environment. At the New Economics Foundation (NEF), we have been arguing this for more than 30 years. But it took a financial crisis a decade ago to expose the weaknesses of our current economic model, and 10 years of pain in its aftermath for politics and institutions to wake up.

To paraphrase Winston Churchill, we are now in “the period of consequences” of our broken economy. Its human and ecological failings are straining centuries-old political processes and a decaying post-war settlement – testing each to breaking point. This, in turn, is creating the politics of division and hate. We are at a dangerous turning point, but one that is also riven with opportunity. To turn away from danger and rewire economic systems so that they work for people and planet requires a Green New Deal: it must be a vehi-

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cle for this change, and must not only transform policy, but also politics and institutions.

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**Economic and environmental breakdown**

For the first time in modern records, “economic growth” has ceased to deliver pay rises for many. As a consequence, the past decade of wage stagnation is forecast to continue until deep into the 2020s, making this the longest period in which people have not seen their quality of life improve for more than 150 years. Meanwhile, wealth has continued to be concentrated at the top, with the richest 10% of households holding around five times greater wealth than the bottom half of all households combined. A typical company chief executive now earns 120 times the average wage: CEO pay rose by 11% in the past year, vastly outstripping the wages of most workers.

As well as growing wealth inequality, the UK suffers from an inequality of place. The economy of the south-east of England has streaked ahead of the rest of the UK, and the gap is still growing. Within each nation and region this pattern is repeated, with the centres of core cities enjoying greater prosperity than surrounding conurbations, from smaller cities and towns.

Austerity – with cuts to important budgets at national but also local authority level – has not only hampered recovery and stifled growth, but has also hit even harder those people and places already reeling from post-crisis pain and for whom the trickle down of economic gain has all but dried up.

As economic welfare gains continue to break down in the way that they have over the past decade, public tolerance for the system wanes. The result is a growing anger and frustration across the country that spills out beyond a pure focus on an economic system that has failed so many. The referendum on the European Union was an outlet for this discontent – and the result a demand on the European Union was an outlet beyond a pure focus on an economic and frustration across the country that spills the past decade, public tolerance for the post-crisis pain and for whom the trickle down those people and places already reeling from stifled growth, level – has not only hampered recovery and budgets at national but also local authority prosperity than surrounding conurbations, smaller the gap is still growing. Within each nation by 1 1% in the past year, vastly outstripping the bottom half of all households combined. With the richest 10% of households holding with the UNFCCC, the international convention on climate change.

This year, the UN warned that nature more broadly is declining globally at rates unprecedented in human history. These are epoch-defining challenges responding to which will, says the UK government’s climate watchdog, require far more ambitious action from governments that would touch on every aspect of our daily lives.

The intersection of economic and environmental crisis appears to many to present an almost insurmountable challenge. But perhaps it is also a golden opportunity to make a transformation that will not only set us on course towards the avoidance of irreversible climate breakdown, but also institutional processes and orientation that are more tangible and proximate for those who are suffering.

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**Political crisis**

The spilling over of economic crisis – alongside climate emergency and the crisis faced by our natural world – is accelerating a political crisis. This is manifest as a widespread disaffection and lack of trust in our political institutions at the very time that we need them to be effective. paradoxically much of the mistrust and anger stems from the way in which successive political leaders, governments and parliament, Whitehall ministries and the wider institutions of state have all enslaved themselves to the market’s hidden hand. The resulting loss of faith in the media, business and NGOs is proven; toxic; all of the institutions of state and power are seemingly in flux and under more pressure than ever before.

In this context, increasingly influential right-wing populists have successfully persuaded those with a growing sense of anger, often in the places that have lost out most over the last decade to focus their ire on an apparently detached elite. At the same time, in part due to the adherence of many in politics to a broken economic model and also partly because of the conundrum of delivering a Brexit that will only serve to deepen economic woes, government and parliament are both unable and unwilling to move towards processes that will address the underlying problems.

But as the far right gathers momentum, post-Brexit misery looms and politics fragments, the repositioning and reinvention of executive, government, parliament, civil service, business and all of the estates of modern political and civic society is increasingly essential. Where power lies, who decides; what the economy is for and how we navigate away from crisis are and must be up for grabs.

It is possible that collective responses to the crises of the environment, which are caused by – but exogenous to – the crisis of the economy, could provide the points of unity around which to rebuild institutions and a more active and more proximate state, and set about reviving our threadbare and overstretched democracy.

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**Institutions for a Green New Deal**

The Green New Deal – an idea that came from organisations including the New Economics Foundation a decade ago – has re-emerged as a forceful response. It would marshall the full power of the state to address the economic and environmental crises by driving investment into clean energy, green infrastructure, revitalised and greened industry and world-class public transport, creating decent jobs across the economy with a focus on the people and places that most need a ‘new deal’. At its heart is a recognition that climate change and the wider threat to our environment are symptoms of an economic system that is as environmentally damaging as it is socially unfair.

It is a bold, ambitious vision. But to be transformative and to rise to the scale of the economic, environmental and political challenges, it must have institutional backing at both national and local level. This is why it must begin, not only with activism and demands for policy, but with a blueprint for an institutional architecture that is fit for purpose.

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The first is to reorientate key ministries and national institutions around the Green New Deal challenge and to open this process up to greater scrutiny by those beyond Whitehall and Westminster who have the most direct experience of the economic and environmental crises. The Committee on Climate Change has already said that the Treasury needs a strategy to deliver a fair climate transition. This should include a radical review of how to use all of the levers of tax, spending, and economic regulation to deliver on the national mission of a Green New Deal.

But if we are to prioritise meeting the real challenges that confront us, then the challenge is not so much to green the Treasury as to wholesale transform it into an institu-
tion the main purpose of which is the fiscal delivery of the Green New Deal. As such, it should be committed to delivering a Green New Deal Budget each year for the next 10 years to turn strategy into action at the very heart of policy-making.

Relabelling existing ministries and shuffling functions between them will be meaningless unless the purpose and culture of Whitehall is transformed. Therefore, the current Business, Energy and Industrial Strategy and Environment, Food and Rural Affairs departments should have the UK’s industrial transformation - both a greening and a revitalisation of industry - as their primary purpose.

But perhaps more importantly, government should establish a Green New Deal Commission, answerable to parliament, whose role should be the watchdog of the executive and Whitehall. Drawn from communities at the sharp end of environmental and industrial change as well as unions, businesses, technology experts and scientists, the Commission would be part of a new era of people-led, delivery-focussed checks and balances in our democracy, ensuring that it can meet both the ecological and social goals of the Green New Deal.

Alongside and in line with Whitehall policy, the Bank of England must play a critical role in guiding finance in support of a Green New Deal. It has responsibility over large swathes of financial regulation and could – with support from the Treasury – heavily influence the move of private finance away from high carbon and environmentally harmful investments and towards activities that are Green New Deal compatible. One way to do this is to change the way existing banks lend, or supersede them entirely by creating new ones. The Bank of England has expanded its balance sheet significantly through its quantitative easing (QE) programmes, pouring this money into the financial sector in the name of ‘maintaining price stability’. In practice this has flowed disproportionately to high carbon sectors and wealthy asset owners, entrenching the economic, environmental and political crises. If, or more likely when, the Bank of England next unleashes QE, it must become smart about it, acting more strategically and redirecting the newly created money towards the goals of a Green New Deal. To make this happen, monetary and fiscal authorities will have to coordinate their activities, and the newly repurposed Treasury would need to adjust the Bank’s mandate, with the Green New Deal as the organising principle.

Secondly, government must push power and responsibility out of the central state to places where people and their concerns reside. A key part of this must be to channel resources, political attention and support into those locations that are most in need of bold action to create decent work and transform environmentally-harmful industrial process. The UK’s steady deindustrialisation has already hit some parts of the country disproportionately hard and one of the key rationales for the Green New Deal is that it is unacceptable for climate action to do likewise.

In reality, therefore, there must not be just one Green New Deal, but a federation of them, with overarching national institutions and policy supporting bold, industrial transformation plans tailored to the needs and aspirations of the diversity of the UK’s towns, cities and regions. That also requires giving far more control to local people, trade unions, progressive employers and local leaders, tapping in where possible to the growing energy for change.

The Government has recently launched its network of local climate commissions, which is a welcome step. But councils have been gutted by austerity. More than 60 have declared climate emergencies in response to local demand. But we can’t seriously expect them to be the engine of a federation of Green New Deals without proper funding, powers, expertise, and the brainspace to get on with it.

So a Green New Deal that works will need radical devolution of power and resources to drive the green transition on the ground. Devolution of pollution taxes, prop-
economy and the creation of a new spatial tax- tion, education, and diversification. This will mean collective ownership of infrastruc- public goods and assets and more co-op- erative ways of organising the new industries that will be central to the transition. Green New Deal-focused authorities will need to use the procurement and investment power of the local state to channel funds into green jobs and locally owned businesses. They could actively create employee ownership schemes with incentives for businesses or pump prime workers cooperatives through their supply chain.

There are many examples where local government is using the power of the local balance sheet to change the shape of the economy. In Chicago, for instance, the city and county governments have partnered with leading anchors and non-profits to form Chicago Anchors for a Strong Economy, which pools purchasing opportunities in the Chicago Anchors for a Strong Economy, with leading anchors and non-profits to form government is using the power of the local supply chain. pump prime workers cooperatives through schemes with incentives for businesses or use the procurement and investment power New Deal-focussed authorities will need to on delivering the federation of Green New Deals.

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The Mondragon Corporation in the Basque Country provides a powerful example of how cooperation can be done at scale; there are many examples of strongly localised economies upon which the UK must draw.

To transform, UK industries such as steel may need a stepped approach which involves government buyout and investment, followed by handover to worker-community ownership and control. The revitalisation and greening of places such as Scunthorpe and Redcar – rather than their destruction through catastrophic plant closures – will be an acid test of whether a Green New Deal can answer the economic, environmental and political crises.

—the Green New Deal as a Response to Institutional Crises—

Of all our current crises, those of the environment are the most profound. The economic and political crises can be turned around in ten years or fewer; avoiding climate breakdown and reversing the decline species is the fight of our lives, though it is the struggle that has received the least political attention.

Bringing a Green New Deal to the fore in politics and reinventing political institutions around the challenges it poses could give a renewed sense of purpose to the state and provide people with a greater reason to believe in the things they have come to mistrust.

We won’t deliver a Green New Deal without taking head-on the failures of our institutions, but equally we may not reverse the fortune of failing institutions without taking head on the crises of the economy and the environment. This inherently requires an ideological shift away from blind faith in private capital and markets and towards a more active, decentralised state.

Other grand missions, such as the renewal and reinvigoration of the post-war social contract are arguably as important and, as industries and places transform, will play a strong supporting role to a Green New Deal. But to measure up to the epochal threat of climate change, redrafting the institutions of state so that they fit the purpose rather than just tweaking the solutions to fit in with a tattered and exhausted set of institutions is a critical part of the challenge.

Get this right, and the UK can show it is serious about rebuilding an economy that not only works for people and place, but for planet too.

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