LESS IS MORE

HOW TO BE BETTER OFF WITH A SMALLER ECONOMY

Green Party

EXECUTIVE SUMMARY

Projections suggest that we may lose as much as a third of our economic output as a result of the coronavirus: we need to ensure the losses in value this implies don't mean the majority lose out but to the contrary, that we emerge a more equal society.

Since most companies will only survive as a result of the investment of public money, citizens have a right to choose what sort of economy we become after the corona crisis.

We can direct the emergency economic support in such a way that it breathes life into the long over–due proposals for a Green New Deal, and energises the transition to a sustainable economy.

While we accept that many jobs will be lost in unsustainable industries, we commit to ensuring that workers are retrained and reskilled for the many high–skilled and well–paid jobs that are essential to enable us to build our economy back better.

Our economy is grossly unequal in terms of incomes but particularly in terms of assets: we should look to the wealthy as a primary source of money to fund the costs of the corona crisis.

We should not burden the generations who have accepted economic pain for a disease that is less of a threat to them, with the economic costs of rebuilding after Covid–19. Rather we should use the tool of Green QE.

There is a growing consensus that the fiscal stimulus necessary to avoid mass unemployment should focus around the sustainability transition and the Green New Deal, especially electrification and buildings retrofit.

Public investment in the economy should be governed by a national economic triaging system based on the principle of funding businesses that have a future in the zero–carbon world beyond 2030 and allocating government support on this basis.

Many essential utilities are not viable without the investment of public money; rather than bailing them out the government should take partial or total equity stakes, thus coming to control vital national infrastructure and services.

We reject any suggestion of further austerity which is a threat to the health and unity of our society, and risks a future of full–scale global depression and potential international conflict.

To avoid a global decline into depression we need an international agreement on debt forgiveness and a global agreement on the design of a new international financial architecture.

1. Smaller but better

The social lockdown meant putting the majority of our economy into deep freeze. The OBR has predicted this will mean a 35% fall in GDP in the second quarter of this year with unemployment rising to 10%. Its initial prediction of a rapid bounce–back has since been criticised as unduly optimistic. But even if we could miraculously restore our economy to the way it was in December 2019, why on earth would we do that? Marred by inequality and in a headlong rush towards destructive growth, the economy has been dangerously off the rails for decades. As a society, we must have the courage to use this moment in time to restructure the economy from top to bottom.

And the majority of British people agree. A poll conducted by YouGov in mid–April found that only 9% of Britons want life to return to 'normal' once the lockdown is over. They had seen noticeable environmental improvements, 51% noticing cleaner air and 27% more wildlife. And 40% said they had experienced a stronger sense of community. They appreciated these non–tangible aspects of life that are actually threatened rather than enhanced by an economy focused on growth. A large poll for Sky News in late May found similar results and concluded that '57%, embrace this change with enthusiasm, saying they want the world to be different'.

Greens have always believed that government should have a much more engaged policy in terms of which industries we should encourage in this country and where they should be situated. The coronavirus epidemic means that many industries and companies will not survive without government intervention and public money, and this gives us all the right to choose how the economy is different in 2021 from how it was in 2019. Government can work closely with industries to ensure that they shift their production towards what is most needed in the short run and towards a sustainable future. Where we need to build new capacity and whole new sectors, these should be sited in areas of particular economic hardship in order to help reduce regional inequalities and create jobs in communities that have failed to flourish since our deindustrialisation during the 1970s.

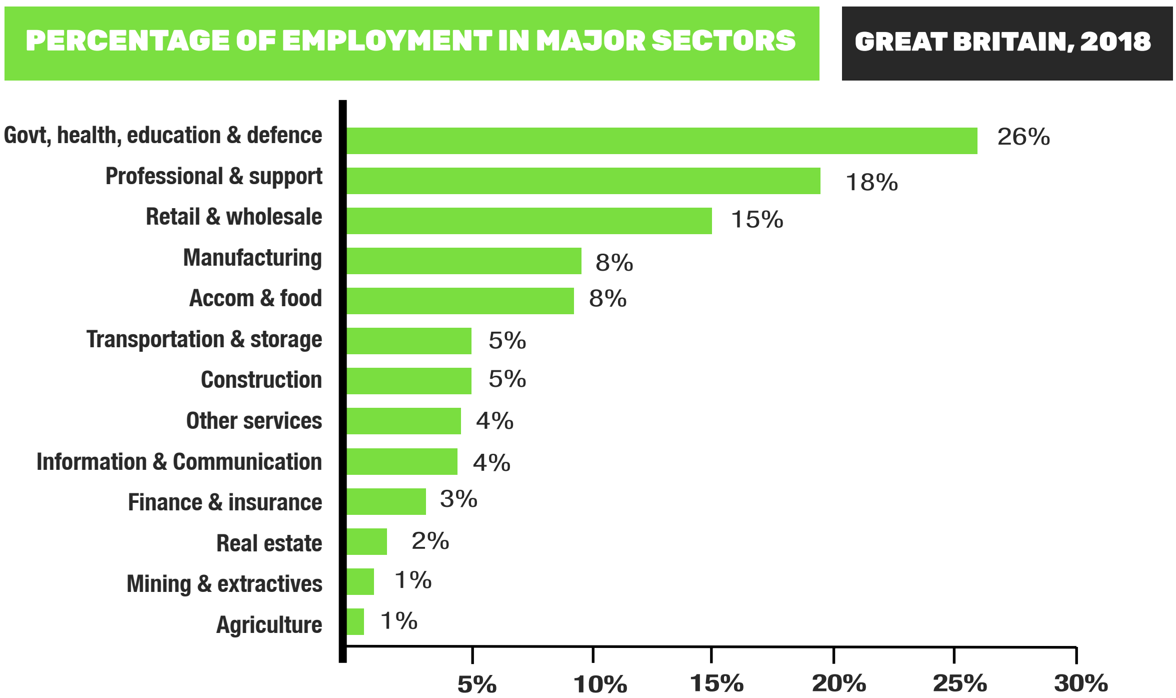
Our economy is also disfigured by gross and growing inequality. The economic decline resulting from the financial crisis, although caused by the irresponsible activities of the wealthiest, impacted on the incomes of the poorest. We can use this crisis to introduce policies that ensure both the incomes and the wealth of the richest are used to repair the damage caused by the corona crisis and address persistent structural inequalities. It is also clear that it is the high–energy lifestyles of the wealthy that are the greatest threat to our climate; hence a redistribution of wealth would tend to reduce negative environmental impacts from consumption.

Before we can plan to restructure our economy, we must understand how our economic output is made up, which also explains how our economy has been impacted by the movement restrictions required to control the spread of the coronavirus. According to research by the House of Commons Library, in 2018:

- The services industry (including retail, accommodation, business administration and finance) contributed £1.5 trillion in economic output, 80% of total UK economic output.

- Manufacturing output was £186 billion, 10% of total output.

- The construction sector's output was £115 billion, 6% of total output.



Source ONS Business register and employment survey

The bar chart from the same report makes a similar point from the perspective of employment. We can see that a quarter of all jobs are found in the public sector, while only 1% work in agriculture. The hospitality sectors of retail, wholesale, accommodation and food account for nearly another quarter of all employment, with finance and insurance only accounting for 3% of jobs.

The most detailed recent assessment of the economic transition we need to undergo to achieve net zero is the Absolute Zero report from UK FIRES, a collaboration between the universities of Cambridge, Oxford, Nottingham, Bath and Imperial College London that seeks to redesign industrial strategy so that it is focused on resource efficiency. Although its target for net zero is 2050, which we would consider 20 years too late, none the less their proposals in terms of restructuring the UK economy are extremely radical.

They identify aviation and shipping as the two greatest challenges, followed by agriculture, cement and steel. We would add that, since all consumption requires the expenditure of energy, we need to clip the wings of the advertising industry, whose purpose is to drive the excess consumption that works against achieving net zero. Alongside a shift towards a plant–based diet and a radical reduction in transport, the FIRES report proposes a rapid transition towards a society fueled entirely by electricity, and rapid transition of other sectors to rapidly improve their energy performance.

In normal times it would be difficult to imagine the rapid restructuring of our economy this report implies, but the shutdown of large parts of the economy as a result of the coronavirus means that every sector that is not operating at full capacity should be enabled to rethink its approach to production. As well as social distancing measures this could include redesigning production processes to achieve significant and accelerating energy and resource reductions. Indeed, the government could make the agreement of targets for these reductions a condition of making public money available to these businesses in the medium term, whether from publicly guaranteed loans or staff furlough payments. If future generations are picking up most of the tab, they have a right to demand that the businesses they will be supporting operate in a way that guarantees they have a secure future with a safeguarded planet and climate.

We would agree with the proposal from the Green Group in the European Parliament that:

'All big companies, including banks, insurance and financial actors, receiving public financial support should be required to disclose publicly how they intend to align their economic activities to the objective of limiting global warming under 1.5°C. This must take the form of science–based and company–wide emission reduction targets and a clear and binding plan to become climate–neutral by 2050 at the latest, prioritising direct emissions reduction and energy efficiency.'

We can direct the investment from the emergency economic support in such a way that it breathes life into the long over–due proposals for a Green New Deal and energises the transition to a sustainable economy. This would ensure that, once we come out of the emergency period, we will have an economy far more prepared to tackle the longer–lasting and deeper climate crisis. And it would also create high–skilled and well–paid jobs in some of our most deprived communities, replacing jobs lost during the crisis.

We are calling for:

- The development of a national economic triaging system based on the principle of funding businesses that have a future in the zero–carbon world beyond 2030 and allocate government support on this basis.

- Businesses in transition to a zero–carbon future would receive funding to help them produce conversion plans to undertake low–energy restructuring.

- A GND investment plan as a job and economic activity replacement programme, focusing especially on home retrofit but also including investment in the electrification transition and the construction of green infrastructure.

- The GND would include the involvement of trade unions in the development of conversion plans and reskilling programmes for employees facing redundancy.

Since almost all companies that make up our economy are reliant on public support, we would require additional conditions during the period of the Covid–19 economic emergency, which is likely to last years beyond the successful containment of the virus. Namely that:

- Companies receiving public money should not be allowed to pay out dividends, bonuses or to buy back shares

- Companies registered in tax havens should be not be eligible for public money

- Companies in receipt of public money should ensure that, over the next two years, they achieve a maximum 10:1 pay differential

The two industries that have need to shrink rapidly to enable us to tackle the climate emergency have also been at the front of the queue in demanding bailouts: aviation and fossil fuels. By mid–April, the government was already injecting cash into fossil fuel companies including oil firms BP, Royal Dutch Shell and Total through allowing its subsidiaries' debts to be eligible for the Bank's quantitative easing bond purchases. By the end of April the Federal Reserve had followed suit, changing the rules for its Main Street Lending Program to create an opportunity for oil and gas companies to access government assistance. Although it is clear that renewables are proving more resilient through the crisis, governments elected from parties who depend on fossil fuel donations to win elections are propping up these dirty old industries that put all our futures at risk.

The UK government publicly rebuffed Richard Branson's request for support. However, EasyJet, an airline that has typified the irresponsible expansion of aviation in recent years, with its model based on aviation–fuelled weekend breaks and trips that could potentially have been made by train, was the beneficiary of a £600m loan from the government's Covid–19 corporate financing facility. The loan had no accompanying conditions about a managed decline in capacity or even energy efficiency improvements. Our money is being handed out to a company which is one of the direct causes of the climate emergency. Nor did the government take an equity stake, that would have enabled it to directly manage the necessary decline in EasyJet and other similar airlines.

This flies in the face of what leading academics are clear needs to be the future for aviation. The FIRES Absolute Zero report states baldly that 'There are no options for zero–emissions flight in the time available for action, so the industry faces a rapid contraction.' Since there are no zero–carbon options for air travel, 'All current aviation activity will be phased out within 30 years, which creates an extraordinary opportunity for other forms of international communication, for the travel and leisure industry to expand more localised vacations and for developments in non–emitting mid–range transport such as electric trains and buses.' In this context, what on earth is the government doing propping up aviation companies with public money?

2. Minding the gap

The situation facing us is complex and challenging. We have an unprecedented contraction in demand, meaning that much of the economic activity that supported employment just a few months ago has evaporated and we cannot be sure how much of it will return. This is likely to be exacerbated by the ‘paradox of thrift’: people’s natural response to be cautious in times of crisis that can actually cause self–reinforcing economic damage. While saving at the individual level may be entirely noble, at the level of an economy as a whole, and especially one with insufficient demand, it can be devastating. But we also know that the level of consumption – especially of energy – that characterised our pre–corona economy had led to an accelerating climate emergency.

On a global basis this is also generating even greater levels of inequality, as those least responsible for causing the climate crisis suffer the worst effects. A report from Oxfam found that the richest 10% of people produce half of the planet’s individual–consumption–based fossil fuel emissions, while the poorest 50% – about 3.5 billion people – contribute only 10%.

In addressing these interconnecting problems it is best to understand the economy as a system where interactions matter more than size, rather like a brain where the electrical connections mark intelligence far more than the mass of grey matter. So long as people’s needs are met and they continue to exchange with each other, have meaningful employment if they want it, and there is sufficient cash circulating to lubricate these exchanges then we can have a successful economy, even if it is a third smaller than when we locked down. And if the third that we eliminate is the same third that was causing pollution, creating carbon emissions, and generating stress and mental illness, then we can consider ourselves better off with a smaller economy. Achieving this would be the purpose of a transitional investment plan.

Rather than a desperate scrabble to stimulate growth to return our economy to an unsustainable size, we should accept the contraction in absolute size but seek to redirect economic activity to more sustainable sectors. In addition, we should strongly reject the framing of investment and spending as a single injection of cash that somehow then evaporates. We should recall that money circulates many times through the economy, through the Keynesian process of economic multipliers. Thus, we could direct money towards those whose spending would most effectively stimulate sustainable consumption and local economic activity. This would achieve another triple win: improving the lifestyles of the poorest, while building up local economies and reducing carbon emissions created through unnecessary trade miles.

Given that we accept that the absolute size of the economy will be smaller, we have to ensure that the reduced wealth is shared more fairly. Given the gross inequalities that have arisen in the past few decades – and the disproportionate contribution to unsustainable consumption by the wealthy – this would be a social as well as an environmental blessing.[1] By ensuring that the cost of rebuilding after covid is borne by those who have concentrated vast amounts of wealth in their hands over recent decades, we would have achieved greater well – being for the vast majority of citizens.

Any route forward from where we are will mean uncertainty and unpredictability. We will be learning by doing and not everything we try will succeed. For this reason it is vital that we provide a fundamental safety–net to underpin every person's basic needs: the Universal Basic Income. Such a policy would have more effectively underpinned the lives of citizens than the complex system of schemes devised by the Chancellor. And it is those who have slipped through his net who are the best argument for a Basic Income beyond during the economic crisis that lies ahead. Demands for Basic Income have become louder during the crisis, with a parliamentary Early Day Motion gaining support from nearly 100 MPs.

1. Wilkinson, R. and Pickett, K. (2009), The Spirit Level (London: Allen Lane).

But a Basic Income would only provide fundamental security and would leave most people on lower incomes than they enjoyed before the crisis. Without much larger injections of cash, we would still be facing a reduction in aggregate demand and an inevitable recession. Alongside Basic Income we need a massive programme of public investment, again a longstanding Green Party policy: the Green New Deal that lay at the heart of our 2019 general election manifesto. This proposal has become economic common sense as we face the need to replace much of the economic activity that has disappeared with high–quality jobs in all our communities transforming our society towards climate resilience. Then we called it 'a comprehensive ten–year plan ambitious enough to tackle climate and ecological breakdown at the scale and speed set out by science. It will deliver a fast and fair transformation of our economy and society, renewing almost every aspect of life in the UK: from the way we produce and consume energy, to the way in which we grow the food we eat, and how we work, travel, and heat our home.'

We also need to link this transitional investment to the reduction in demand for labour resulting from automation. For some, the transitional plan would mean reskilling and a shift towards the urgent work that is needed to prepare us for a net–zero carbon future. For others, it would mean being eased through the transition to a shorter working week and greater leisure time, so long as this transition is supported by a basic income, significant and continuing increases in wages paid for by the gains from automation. As we have seen in New Zealand, the idea of a four–day week is another policy proposal whose time has come.

The Green New Deal means the creation of millions of new jobs in the sectors of the future: renewable energy, transport, and sustainable land management amongst others. It also encompasses the training that will allow people to develop the skills to undertake these sustainable jobs, in contrast to the indifference shown to working people during the rapid economic change of the 1980s. It also means urgent focus on our totally inadequate housing with a promise of 100,000 new socially rented homes a year and the low–energy retrofit of millions more.

We value the work undertaken by the trade union movement to develop ideas for a Just Transition. We see trade unions playing a central role both in managing training and reskilling and in developing workplace–based conversion plans for factories and other businesses.

3. Where is the money to come from?

Discussion has already begun about how we will pay for the massive costs associated with the coronavirus pandemic, related support programmes, and the collapse in tax yields. The Green Party's position is that we must look to a mix of sources but we will not tolerate a return to the failed economics and political division of the years of austerity.

According to analysis by the IFS in 2016, 'The wealthiest 1% of households hold about 20% of household wealth, the top 5% hold approximately 40%, and the top 10% hold over 50% of wealth.'[2] While wealth inequality is more extreme and damaging than income inequality, earnings in the UK are also grossly unequal: the richest fifth had an income more than 12 times the amount earned by the poorest fifth in 2018 (ONS data). These shocking statistics begin to frame the problems and suggest solutions.

WEALTH

There is no question that, in conventional economics terms, we will be considerably poorer as a result of the coronavirus lockdown. The government's Office for Budget Responsibility predicts that, in the short term, a third of economic output has disappeared, and with it there has been a massive fall in tax revenue. Even their unconvincingly optimistic bounce–back scenario (a rise of 27% in economic output during the period from July to September) predicts that the cost of economic

2. The distribution of household wealth in the UK, by Thomas Crossley and Cormac O'Dea

BREAKDOWN OF TOTAL AGGREGATE WEALTH BY COMPONENT

GREAT BRITAIN, APRIL 2014 - MARCH 2018

Breakdown of total aggregate wealth by component ($tn)	April 2014 to March 2016	April 2016 to March 2018	Change in component	Contribution of component to total wealth	Contribution to increase in total wealth (%)
Property wealth (net)	4.49	5.09	13%	35%	5
Financial wealth (net)	1.84	2.12	16%	15%	2
Physical wealth	1.25	1.32	5%	9%	0
Private pension wealth	5.36	6.10	14%	42%	6
Total wealth (incl pensions)	12.94	14.63	13%	–	–
Total wealth (Excl pensions)	7.58	8.53	13%	–	–

Source ONS, Total wealth in Great Britain: April 2016 to March 2018, Main results from the sixth round of the Wealth and Assets Survey covering the period April 2016 to March 2018, release date 5th December 2019

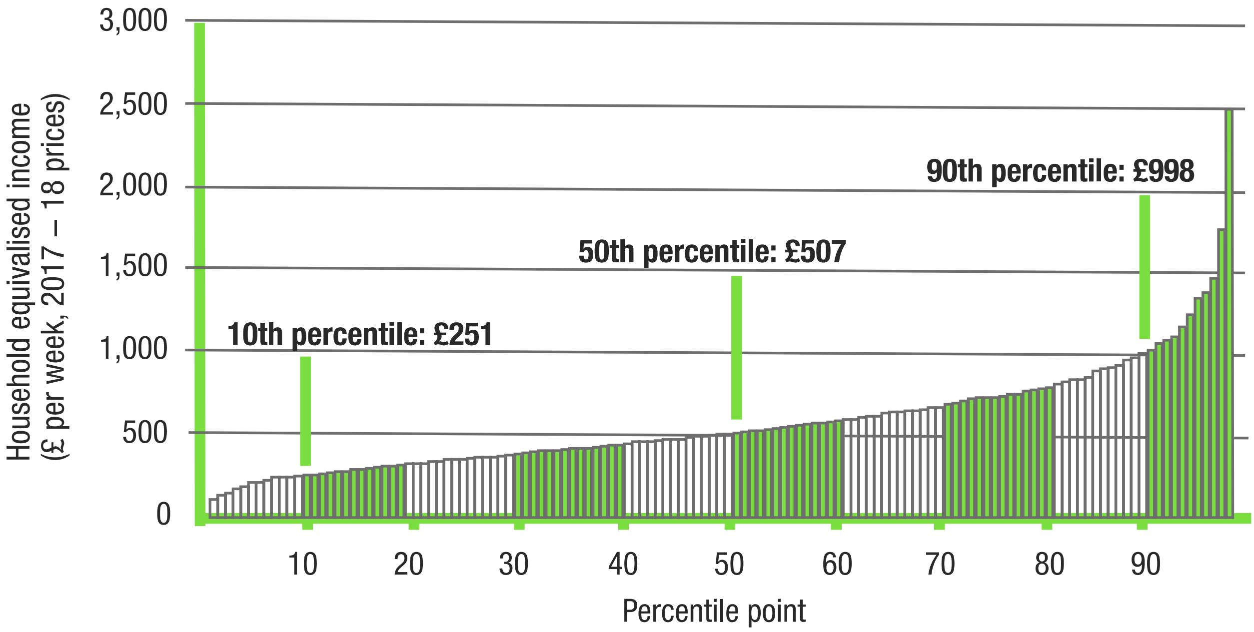
The data shows that wealth is distributed unequally both regionally and by income group:

- Average (mean) wealth for all wealth deciles increased in real terms between April 2014 to March 2016 and April 2016 to March 2018, with the higher deciles seeing the biggest increases; the average for the poorest decile increased 3%, and the richest wealth decile increased by 11%.

- London, the South East and the South West of England have the highest median household wealth, and also saw the largest growth between April 2014 to March 2016 and April 2016 to March 2018

BREAKDOWN OF TOTAL AGGREGATE WEALTH BY COMPONENT

GREAT BRITAIN, APRIL 2014 - MARCH 2018



Note Incomes have been measured net of taxes and benefits but before housing costs have been deducted. Cash figures are equivalents for a childless couple
Source Author's calculations using the Family Resources Survey, 2017–18

INCOMES

When we look at income we also see a pattern of wide and growing inequality, and again we see that we are a one–third vs two–thirds economy, with around two–thirds of the population (64%) having an income less than the average. The IFS again provides detailed evidence of the gross inequalities in our society in terms of incomes, based on post–tax–and–benefit incomes, net individuals' pre–tax annual salaries:

- Average household income at the 99th percentile (top 1%) is 2.5 times higher than that at the 90th percentile

- Additionally, there is a high degree of inequality within the top 1% of the distribution

- There is extremely high dispersion in incomes within the top 1%: the public debate often associates the top 1% with the so–called 'super–rich', when in fact they only make up a small fraction of the top 1%

- Those at the very top of the income distribution are disproportionately aged 45–54, based in London and work in financial services, insurance or real estate [3]

If we are looking for those who can afford to take the hit that moving towards a 'two–thirds better economy' would entail, then this is where we should look. In conclusion, it is clear that there are vast reserves of wealth in our society that could be taxed to bring money into the Exchequer for investment in the Green New Deal. A much more progressive tax system could achieve two objectives: provide money for sustainable investment and reduce inequality.

GREEN QE

Although advocates of austerity are keen to tell us that there is no magic money tree and that money borrowed by government must be repaid, we should reject these false analogies and understand how a government with a reserve currency and a national bank to run it can act creatively in the interests of its people.

While it is true that borrowing is cheaper now than at any time in our history, it is still the case that we have a large public debt – one of the largest in the world as a proportion of GDP – and that this will constitute a cost to future generations who have not incurred it. We have already burdened our young people with the climate crisis and we should not compound this with the costs of the corona crisis. The solidarity shown by young people in respecting movement restrictions to protect older people from the disease, should be rewarded with a gesture of solidarity from

3. Living standards and income inequality, by Pascale Bourquin, Jonathan Cribb, Tom Waters and Xiaowei Xu

older generations in protecting the environment and climate the young people will build their lives in.

The magic money tree is the ability the Bank of England has to create money directly, so–called quantitative easing. In November 2019, 23% of our national debt had been created by the Bank of England directly buying government debt and so the only debt is one we owe to ourselves, and this proportion will have increased since the Bank restarted QE. Only some 20% of UK government debt is owed to people and institutions outside the UK. The remaining 58% is held by private UK interests, primarily pension funds and insurance funds (22%) and banks and building societies (22%), but also UK households (8%), and other companies. So, we can reduce our debt by deciding not to repay the money we owe to ourselves and begin a public debate about how those due to receive repayments from future taxpayers should share losses.

An understanding of the power of a reserve currency tells us two things: we do have the power to create money to invest in a Green New Deal and prevent a damaging recession; and austerity is unnecessary since most of our debts are owed to members of our own society. Rather than damage our economy we should begin a renegotiation about how we allocate the loss of value within the country.

The FT is right to suggest that we should fund emergency coronavirus investment through such QE. Massive and essential public investment to protect citizens during a public health crisis should not become a burden on future generations. Nor should the current crisis be compounded by the failed policies of austerity that would merely impede economic recovery. Any suggestion of a return to the politics of austerity would constitute a threat not just to our economy but also to people's health and it would increase vulnerability to future health and environmental crises.

Evidence that things are not what they seem when reading the pages of the tabloids comes from the Bank of England accounts where there is a line labelled Covid Corporate Financing Facility, a fund created to make cash available to large companies. Although originally kept under wraps, the direct financing facility is now to be made public and on May 19 we were informed that there had already been '£18.8bn of lending to 55 businesses' and that 'a further £38.8bn of potential lending including to another 68 businesses that make a significant contribution to the UK economy' had been authorised.

This was welcome although we now await further details about which companies these are who are receiving our money. It is also welcome that the Bank of England has introduced guidance that companies should show 'restraint on the payment of dividends and other capital distributions and on senior pay', although we would tighten these to formal requirements. We would also argue that conditions should be added that companies receiving such funds should be in low–energy sectors or should show that they have a place in a net–zero carbon future and have a detailed transition plan on how to reach net–zero.

Is there any limit on our ability to fund our own recovery? We have complete national control of our currency meaning that we are able to create currency as we need it through quantitative easing. In normal times, creation of currency on this scale could raise concerns about the value of the pound on international markets. At a time of crisis, a government acting firmly to defend its economy is indicating strength rather than weakness. Concerns might also be raised about the risk of increasing inflation, but the reality of the situation facing us is that decades of deflation are a much more threatening risk.

A range of environmental taxes could also be used both to raise revenue and to put strategic pressure on economic actors to shift towards net zero carbon. First among these would be a carbon tax appliled on all fossil fuel imports and domestic extraction, based on greenhouse gas emissions produced when fuel is burnt and on imported energy, based on its embedded emissions. The UK would also benefit greatly from a national development bank modelled on Germany's KfW. KfW has been instrumental in financing Germany's energy transition and is empowered to invest especially in economically depressed areas. As a public bank, interest payments can be reinvested for public benefit rather than extracted by wealthy shareholders. KfW has supplied funds totalling €75.5 billion in 2018 alone, of which 40% was spent on measures aimed at protecting the climate and the environment. In the British context, such a bank could help to replace the liquidity gap created by the withdrawal of 'High Street banks' from lending to local small businesses.

But it will need to be supported by locally based banks created for this purpose. To achieve this, we should establish as a matter of urgency a system of regional, cooperative banks that can offer private lending to local businesses and a national investment bank to channel money created to fund the Green New Deal. Regional cooperative banks will operate as a conduit for nationally produced finance to ensure that it reaches businesses in a responsible way and according to the national agreed criteria.

USING CRISIS AS PLATFORM FOR PUBLIC OWNERSHIP

As a party we support a mixed economy and believe that the market system works best for the production and allocation of most private goods and services: the allocation of everyday products – like clothes, or services like hairdressing or accountancy – works best in a private market. In parallel, it has always been our position that public services and public utilities should not be operated in the market. So, we are not motivated by an anti–market ideology or any desire for a command economy, but we do acknowledge that when the market is threatened by crisis we may need government to intervene and introduce rationing; this may become necessary for food during the next few years.

During this crisis we have learned that we cannot rely on the allocation and motivation system of the private market to meet some of the most fundamental needs, especially for basic utilities. As in a war, the extraordinary situation of a pandemic virus has required considerably more public management of the economy. It is vital for the maintenance of public order that people believe that scarce goods are being allocated fairly and according to need, not according to financial resources. We also celebrate the variety of means of production in the third sector, especially cooperatives and social enterprises, that have proved themselves more flexible and socially motivated during the health crisis and have filled many gaps left by the private market and public provision.

We should celebrate that generations of Britons have resisted the privatisation of our health system and that most of our public health provision is still owned and controlled by public bodies. This means that the government had the power to immediately shift the management of the NHS towards preparation for the coronavirus. We are also clear that trade unions have played a vital role in negotiating safety standards in the workplace and regret that more workplaces do not benefit from such protection.

However, other essential services including fuel, railways, phone and internet have been privatised. Greens have always opposed this privatisation because we believe that essential services should be in public hands for just such emergencies as we are in now. It is also clear that, as a result of precipitate falls in demand due to movement restrictions, most transport companies will not be financially viable and the value of their assets will plummet. This can be used as a platform to bring them into public ownership and, rather than bailouts, the government should always look to buy partial or total equity stakes.

We propose that the government should be prepared to take control of public utilities if services are threatened. With customers struggling to pay bills and the need for rapid zero–carbon conversion, these utilities are likely to require considerable investment of public money and that will require political accountability.

Government can aim as a priority to bring into public or social ownership:

- Railway rolling stock and franchises as they expire or become financially compromised
- Ferries that cover socially necessary routes
- Limited but essential airlines

In the case of aviation, we could learn from the example of Norway, where Norwegian Air looks likely to see all shareholder value wiped out by a government bailout that means most of its fleet being grounded until 2021 and continuing flights being used for essential national transport of cargo. 'The airline is planning for a "New Norwegian" to emerge, focusing on key profitable routes, jettisoning long–haul routes to secondary airports, and using a fleet up to 30% smaller than previously planned.' A contrast to the situation for UK airline Easyjet, which has been given a guaranteed loan of £600m without any claim on equity and in spite of its long–term future looking bleak.

THE GLOBAL DIMENSION

Like most aspects of the corona crisis, the global nature of this pandemic reminds us of the inevitable interconnections that arise from sharing a single, small but beautiful planet. Although signs of international cooperation are sparse and countries still seem to be engaged in emergency crisis management, the storm clouds of global recession are gathering and, as far as international finance is concerned, we really are all in this together.

Ian Goldin, Professor of globalisation and development at Oxford University, has long cast a wary eye on the high risk global supply chains that have grown up over the past several decades. He has summarised what those risks mean for the countries of the majority world in the wake of the coronavirus:

‘While rich countries can issue more debt in their own currencies, developing countries require foreign exchange to pay for much–needed imports, from lightbulbs to syringes. The cost of foreign debt repayments and imports have soared as the relative value of currencies in developing countries have declined by around 25%. Meanwhile, government revenues have plummeted due to a collapse in tax, tourism and migrant remittances as a result of the pandemic.’

Far from levelling up, the corona crisis will hit the poorest hardest.

Professor Goldin calls for a ‘global Marshall plan that would write off the $44bn in debt due by African countries in 2020 (an amount that is tiny compared to the $8tn that US and European governments have committed to keeping their businesses alive), and give at least $2.5tn in aid to poor countries, with a single condition: that it is used to alleviate the impact of the pandemic and to write off significant amounts of debt.’

Many countries are likely to look towards the IMF to ensure they can continue to remain solvent after the pandemic, but political paralysis puts their futures at risk. The Managing Director of the IMF, Kristalina Georgieva, has signalled that the bank stands ready to support countries that do not have the defence of a reserve currency. Towards the end of April she suggested a possible allocation of Special Drawing Rights (SDRs), the IMF’s official unit of exchange – the IMF equivalent of direct money creation of QE. The US has already opposed such a move, indicating the need for an urgent world–wide negotiation about how the countries of the world can find a way to cooperate to avoid a shared disaster.

But a debt jubilee for the world’s poorest countries does not go far enough. While the US, UK, China and Japan have the power to issue their own currency to fund a stimulus programme, the EU countries are facing conflict over mutually supported Corona bonds, leaving their poorer members the only alternative of further damaging austerity. Meanwhile, countries outside the circle of the reserve currencies will move into a downward cycle of austerity–debt–default – exactly the same sort of cycle that led to the Great Depression of the 1930s.

The route away from this gloomy scenario is to achieve – in the midst of this crisis – what was achieved in the middle of World War II: an international conference to establish a global agreement on what an international financial architecture should look like. The agreement reached in 1944 at Bretton Woods – that established the International Monetary Fund and the World Bank – achieved considerable financial stability for nearly 30 years, until President Nixon cut the link between the dollar and gold in 1971. August 2021 will mark 50 years on from that fateful day and is a timely opportunity to remake the global financial system in a way that has been overdue since the financial crisis of 2007/8.

LESS IS MORE

As Greens, we have always argued for an economy focused on quality rather than quantity and seeking to achieve well–being for people and planet rather than maximising profits. Such a bold and inspiring vision has never been more relevant or seemed more achievable. A sustainable and equitable economy can mean a healthier and happier life for us all. According to the authors of the Absolute Zero report:
'The activities we most enjoy, according to the UK's comprehensive time–use survey, are sports, social–life, eating, hobbies, games, computing, reading, tv, music, radio, volunteering (and sleeping!) We can all do more of these without any impact on emissions.' (Absolute Zero, p. 3)

These should be the activities that we seek to maximise, within the framework of financial security, supported by a citizens' income, and high–quality jobs building the net–zero economy of the future.

The size of the economy should not be fetishised, and should certainly not be a goal to return to as we teeter on the brink of climate disaster. Rather we should embrace the idea of a smaller, more equal and more sustainable economy.

This is a vision where competition to be the richest is replaced by basic security for all; where reduced material riches for the most wealthy will be matched by more leisure, and more time to spend with those you love; where constant movement and flight will give way to a life lived more closely in touch with our local environment and knowing that the planet is slowly being returned to health.

Molly Scott Cato
Green Party Finance Spokesperson
June 2020

Green Party