

Why not a Green New Deal?

We are facing the worst financial meltdown since the Great Depression. Despite the recent \$700 billion bailout package, the global financial markets are panicked. The U.S. market fell over 800 points before correcting to fall only 370 points or so on Monday. Clearly, the markets are spooked. But why should they be spooked? Didn't the U.S. government come to the rescue? The market fears that the bailout package is too little too late. In fact, the global financial markets could melt down despite the passage of the bailout package. This is an old-fashioned global financial panic on the scale of October 1929. The larger question is why are the markets panicking and what can we do about it.

This is a moment for serious re-thinking about what we are doing. The traditional answer in the conservative, anti-government era that we are in is to bail out the financial markets, to bail out what conservatives would have us believe is the "supply side." Buy up bad mortgages and the financial markets will have money to lend and the financial crisis will be solved. But this is the exact wrong solution. Even if financial markets have money to loan, who will they loan the money to? Banks, businesses, and credit markets have all failed. The lesson from the Great Depression is not to shore up the "supply side," but to re-awaken the "demand side." This is so obvious that we just can't see it. Our current financial crisis was caused by placing our economic bets on the financialization of the economy and not on the production and sale of real goods, which is the manufacturing economy. Because there wasn't enough consumer demand to drive the larger U.S. economy, the financial markets began to invest in financial instruments as a way of making money. They bet on mortgages and financial instruments that reflect only financial capital and not real capital. When these financial bets failed, the market failed.

The lesson from the New Deal is that the real engine of the global economy is the "demand side." Companies have to create factories and hire workers to make products. Financial markets lend money to businesses to supply the growing demand of the American consumer. But with increasing unemployment, banks failing, people losing their homes to foreclosure, and credit drying up, the American consumer does not have the money or the incentive to buy new products. With an escalating collapse of consumer demand caused by this financial meltdown, the American and global economy is posed to melt down, just as it did during the Great Depression. Knowing this, why did Congress act to pump money into the financial markets? If they have money to loan, but no one can afford to take these loans because consumer demand is so low, how will rescuing the financial markets help the American and global economy from sinking into financial panic and Depression? The answer is simply obvious: It won't. The American financial markets, facing increasing unemployment, banks failures, and factories shutting down, can not see their way out of this crisis by themselves.

Facing another Depression, we can't afford to get this wrong. The lesson from the Great Depression is that we need the government not to shore up the financial markets, but to stimulate the consumer markets. Now, the answer here is not just from the Great Depression but from World War II as well. What it took to turn the American consumer market around was massive government spending, first on relief, then on job programs, then on re-building the American military. With this massive government spending in the 1930s and 1940s, we turned the American economy around. Until the 1970s, government social spending, regulation of the financial markets, and pumping billions of dollars into the economy to support the Cold War kept the engine of the American economy going. Since the 1980s, conservatives have dismantled this Cold War engine of growth. By focusing on the supply side, by helping financial elites and global corporations, we have seen the growth of a financial economy. One that depends on wealth concentrating at the top, driven there by ever more complex financial maneuvers by the markets and global investors. But this financialization of the American economy could not last. It would not and could be the engine that would drive the American economy. What we learned from the Depression and the boom years after World War II was that increasing consumer demand is the only steady stable engine to drive the American

economy.

So what do we do now? We should focus on the demand side, not the supply side. Instead of spending over \$1 trillion dollars as we have in the last two months to bail out Wall Street, the government needs to focus on shoring up the demand side. If the government is going to pump \$1 trillion dollars into the economy, Americans should see some real returns on their money. The lesson from the New Deal is to put America back to work. What could we do with \$1 trillion dollars to put America back to work and re-start the engine of the American economy. The answer couldn't be more obvious.

To increase consumer demand we need to put Americans and corporations back to work. What we need now is a massive Green New Deal. Government should first support those Americans who are struggling with their mortgages by offering them the chance to re-finance at rates they can afford. In return for this re-financing, these same Americans should be asked to help re-build their local neighborhoods. We need a program to fix up and re-store these foreclosed homes to make them salable once again. With work relief, government aide, and private contractor support, whole neighborhoods could be saved and re-stored. People would be put back to work, and this work would help many stay in their homes and even help young families buy new homes.

In addition to shoring up the American housing market and re-building neighborhoods, we need the federal government to support a national effort to re-build the electrical and utility grids. We need programs to encourage solar, wind, water, and geothermal energy. The government should work with industry to jumpstart this by investing in retrofitting of the local, state, and national power grids. This should be done by encouraging individual homeowners to make their homes energy-independent and producers of new power for the grid. Working with the utility and electrical industries, the government could pump money into re-building the grid and making America energy independent.

After shoring up our housing and energy system, the federal government needs to focus on modernizing our transportation grid. We need to build mass transit and city-friendly means of transportation throughout the country. Instead of giving taxbreaks to Detroit to re-tool for the domestic market, which is business as usual, we need to challenge the American auto industry to come up with new and innovative ways of moving peoples, goods, and waste and recycling products throughout the country. Re-building our transportation grid will go a long way to making America energy independent and creating the 21st American economy.

But we can't stop here. Government should now focus on re-tooling American factories and businesses to be fully-renewable, energy efficient, and zero polluting. We can learn from Paul Hawken and Amory and Hunger Lovins' book, Natural Capitalism (2000) . With government support, American business could re-tool their factories, their supply networks, their product networks, and their waste and recycling networks. How can we use the latest technologies to make American business part of a restorative economy. With this government commitment, the American consumer economy could produce 100 percent recyclable, renewable, energy-efficient, and zero-polluting products. This will take a long time to develop. But the government should start the process by investing in businesses that start the process and put Americans back to work. We have the technology, the science, and the engineering to create this new 21st American economy. We just need government funding and support to help jump start it.

The final piece of this Green New Deal is to recognize and support market solutions to these problems. We don't want socialism or fascism or welfarism here. We want to encourage a enduring partnership between local, state, and national governments to put Americans back to work, end the financial crisis, re-build American communities and end the foreclosure crisis, create a new national renewable energy network that will supply an ever increasing part of our energy needs, create new transportation networks to move people and goods in this 21st century restorative economy, and re-build our economy so that it is a fully restorative economy. The goal is to create an economy that supplies the consumer needs of all Americans, provides cheap, renewable energy, creates products that are moving toward 100 percent recyclability and reusability, and encourages all businesses to profit by "restoring" the environment and not just taking from it. We will get here by encouraging an enduring partnership between business, financial markets, communities and states, civil society networks such as churches, communities, and public-private partnerships.

This Green New Deal requires bold new leadership and a larger vision for a 21st century American economy. We have the science, technology, financial resources, and human labor to build this new economy. If the government decides to move forward on this bold new vision, we can get started tomorrow. All it takes is the recognition that we need to work together as Americans to solve this financial crisis not by bailing out Wall Street, but by re-building the American economy. By focusing on solving the housing crisis, putting Americans back to work, building a new renewable energy system, creating energy-efficient transportation networks, re-tooling American businesses to be restorative, and doing all of this by working with the market to encourage individuals, businesses, communities, governments, and public and private organizations to find innovative solutions to these pressing problems, we can solve this financial crisis.

The larger lesson of the Great Depression is that we don't want to live through another one. With bold leadership, there is still time to avoid a financial meltdown. We can invest in America's future, not its financial markets. We can create jobs and increase consumer demand. And with a renewed American economy, fueled by this government-market partnership we can create the demand to once again re-start the engine of the American economy. Once started and once challenged in this way, Americans can look forward to increasing employment, cheaper energy, cheaper mass and individual transportation, cheaper and better housing, and a cleaner environment. We can do all this by investing in America and challenging Americans to work with government and the markets to re-build the American economy. It is in such collective challenges that Americans have proven themselves in the past. So instead of being paralyzed by increasing fear, let us move forward with faith in ourselves, our governments, our markets, and our society. We are up to this challenge. We just simply need to get going.

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