

Why everybody –including business– should support the Green New Deal

Carlota Perez

I see the Green New Deal (GND) bill presented by Ocasio-Cortez and Markey to the House of Representatives as the first draft of a blueprint for bringing the US – and the countries that might follow – into a boom similar to the one achieved after WWII. It turns the environmental problem into a solution for the social challenges facing America – and the world. It does so by giving a ‘smart’ and green direction to innovation and investment that can bring employment, profits and growth, at the same time as providing a set of guidelines for government policy to aim at increasing social wellbeing. Such a proposal also takes into account the importance of the information revolution, for it is by using that new potential for wealth creation and distribution that the GND can be achieved.

This is the moment

My historical research shows that, at first, technological revolutions bring decades of ‘creative destruction’, with income-polarizing bubble prosperities. When the bubbles collapse, the reality of the rich getting richer while the poor get poorer is fully revealed and the victims of the transformation become easy prey to extremists, as in the 1930s and now. Getting out of the doldrums requires feasible win-win policies to be established to reverse the social polarization at the same time as opening the way for profitable investment and innovation. That is how – and when – golden ages occur.

During the Great Depression, after the previous mass production revolution bubble crashed in 1929, Roosevelt proposed many measures that were, at the time, received with outrage by the business and political worlds. He was accused of both fascism and communism for trying to set up the very policies that later brought the greatest boom in history. I don’t doubt that the bill presented by Ocasio-Cortez will be met with equal ferocity. But they are wrong, and she is right.

Why the environment?

Many people wrongly assume that environmental policy is detrimental to growth. This reveals that they do not understand that they are defending a specific mode of growth that belongs to the previous technological revolution, that of the automobile, plastics, excess energy consumption and excess waste. Those were indeed the technologies and

modes of use that brought the post-war boom and the rise of the blue-collar workers to middle-class incomes. However, not only are those technologies and modes not compatible with sustainability –regarding both pollution and resource scarcity – but they started to reach maturity in purely growth terms as early as the late 1960s. Only the ‘opening up’ and subsequent exploitation of new markets and new sources of cheap labor by global corporations has kept growth trajectories alive, though following an obsolete technological paradigm. Now new ways must be found that bring out the potential of our new technological era. ICT has the capacity to bring environmentally safe and sustainable growth – based on intangibles, services, health, maintenance, zero waste, renewables, etc. – together with social justice and full employment.

To bring about the post-war golden age, there were two main directions for policy: suburbanization and the Cold War. Both required high taxes (the highest rate with Eisenhower in the US was over 90% for several years), while the path of home ownership rested on the social security safety net and good salaries for all – in other words, a reversal of the income polarization of the roaring twenties. This combination allowed for the development of the *American Way of Life* – a form of mass consumption that benefitted both business and the majorities.

Today we need an equally aspirational way of life, which is both smart and green and is similarly supported by government policy. That is what the GND supporters are trying to do with their wide-ranging proposal. Environmental safety cannot be achieved by fear and guilt or by pure regulation from above. It must become aspirational! And that is another intelligent feature of the GND.

Is it possible?

If someone in the 1930s looking at a queue of desperate people at a food kitchen had said that those in the line would in the not-distant-future have permanent jobs and own a house full of electrical appliances with a car at the door, it would have sounded more than delusional ... totally mad!

The potential of a technological revolution to increase productivity and wealth creation needs to be unleashed by creating the right context, including demand. A new smart green way of life needs to spread as the aspirational goal of all society, including care, health, education and creativity for all, universal well-regulated access to internet and its bounty plus truly durable (possibly rented) products to fulfill basic needs. The new jobs towards full employment are those that cater to those new needs.

That is what the Welfare State did before and what the Green New Deal can do now. But the financialized world of today is not really interested in any of that. While producers of goods and non-financial services need a peaceful society with purchasing power, the financial world lives off the rich – the richer the better. They do not create new value, nor

do they care if there are jobs or incomes for the bottom 90%. And even a large segment of those companies producing tangible goods has financialized, 'investing' in share buybacks rather than in research, training or new technologies. Shifting those tables is what the GND aims to do.

Why should business and politicians everywhere support and promote a green new deal?

Business and politicians in all countries should beware of letting things continue as they are. It is not by chance that the fires, the hurricanes, the floods and even the sub-zero temperatures have increased, nor is it by chance that support has increased for Trump, Brexit, and the extremist nationalist parties in Europe and elsewhere. People are angry: they rightfully resent impoverishment, at the same time as riches have visibly increased. Achieving synergy by tackling both sets of problems together is the intelligent solution. And guiding the information revolution towards helping reach those goals is the right way to go.

The legitimacy of capitalism rests on the belief that the greed of some will spread to benefit the majority. That is clearly not the case now. But it is possible. It happened after the war and it can happen again.

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