

Speech notes on the Green Deal for evidence to the European Union's Economy Committee: 15 June, 2020.

By Ann Pettifor

Director, [Policy Research in Macroeconomics](#) (PRIME)

Author: [The Case for the Green New Deal](#) (Verso, 2019). Now published in Swedish, German and Italian.

@AnnPettifor

THE GREAT LOCKDOWN

1. We have learned from the coronavirus crisis that we can get killed if we are not better prepared for crises and shocks that scientists have warned us of – shocks like pandemics, climate breakdown and biodiversity collapse.
2. We were warned of the inevitability of pandemics by, amongst others, experts at Oxford University – Prof Ian Goldin and Mike Mariathan.
3. We have learned from the coronavirus crisis that we can get killed if we do not respect nature and instead strip wildlife of a home to make way for farming, mining and housing.
4. We have learned that we can get killed if we do not work cooperatively; if we are not willing to make sacrifices; if we do not allow the best of our humanity – altruism and empathy with fellow human beings and with our fellow species – to take priority over greed and self-interest.
5. We have learned that those who told us “there is no money” were misleading us. Perhaps deliberately.
6. We have learned from the coronavirus crisis that central banks can mobilise [up to \\$21 trillion in liquidity](#) to support non-bank corporations and the financial sector: Wall St. the City and Frankfurt.
7. We have learned that like homeowners wanting to invest in a home, governments first raise finance by issuing bonds via central banks, and because EU governments are on the whole strong economies – these bonds are trusted and valued. In fact, as Ms Gabor has explained, sovereign debt is the backbone of the private finance sector as bonds are in demand from banks and other institutions for use as sound, safe collateral.
8. And like homeowners, governments spend the finance raised into the economy, and spending, as we saw in the case of coronavirus, helps protect jobs and firms – in both the public and private sectors.
9. And we all know from our own experience that jobs generate income.
10. And that the income created by employment, is taxed by governments. And so full, well-paid and skilled employment helps governments pay down their debts, balance budgets, and fix the public finances.
11. We have learned from the OECD that world economic output has collapsed 7.6% this year; that the OECD unemployment rate has nearly doubled.
12. The Commission provides evidence that unemployment in Europe is very high – it is expected to be at about 20% in Greece, 18% in Spain, 12% in Italy, 10% in France. At least 14 million people are unemployed...and the crisis of coronavirus means that number is probably much higher.
13. What high unemployment indicates is that there is a great deal of idle capacity in Europe.

14. Given these high levels of idle capacity, it is dangerous for economists to raise the threat of inflation. Inflation occurs when the economy is either at full capacity, or exceeding full capacity.
15. Idle capacity determines the low rate of interest across Europe. The weakness of the European-wide economy explains why interest rates are so low. While ECB rates may be low, they have been lowered BECAUSE of the weakness of the EU economy. ECB rates are not causal. They are a consequence
16. We have learnt from the pandemic that governments lose tax revenues when unemployment rises. And conversely, governments benefit from full employment, because full employment generates the tax revenues they need for the repayment of bonds issued to finance job creation.
17. Full employment generates the tax revenues needed to balance European government budgets. Governments have budget deficits BECAUSE of unemployment and unused capacity.
18. We have learned that the best way to raise tax revenues is, not to increase taxes, but to create jobs.
19. These are important lessons.
20. Scientists know that human civilisation is at risk of collapse if temperatures rise above 1.5 degrees Celsius.
21. Scientists know that temperatures are probably already higher than that.
22. That as we march blindly towards weather extremes and climate catastrophes - the coronavirus crisis will have been just a minor skirmish.
23. Economists know that the European Union is at risk of dissolution.
24. Politicians know that the Green Deal is an attempt at consolidating the Union.
25. Politicians know that the failure of the Green Deal to tackle climate breakdown in a way that is economically inclusive will risk the future of the European Union.
26. As with the coronavirus crisis, countries will go it alone – in order to ensure their citizens survive.
27. The stakes are high.
28. Scientists know that the Green Deal's emission reduction target of 55% by 2030 - which is three times faster than during 1990-2020 – is still too modest.
29. It is a target that will get us killed.
30. The EU needs a much more ambitious target.
31. Politicians know that unless the EU is consolidated, the world will be dominated by the power of the United States
32. Economists know that unless the EU consolidates, the world will continue to be subject to the US dollar as the world's reserve currency.
33. The first step the EU should take, as previous speakers have indicated, is to issue safe assets – European-wide bonds - demanded and needed by capital markets – to finance the Green Deal - a radical transformation of the EU economy to end our addiction to fossil fuels.
34. These bonds can raise sums comparable to those raised to tackle the Coronavirus crisis, meaning it will not be necessary to raise taxes on European citizens.
35. The second step is to abolish fossil-fuel subsidies to big corporations of 250 billion euros per year. As [Professor Servaas Storm has shown](#), this will raise revenue for member states' governments by an estimated 100 billion euros per year.
36. The third step should be to introduce a tax on carbon of 75 euros per tonne of CO₂. This will generate some 270 billion euros as annual tax revenue - some of which can be used to compensate the poorest households for higher energy prices.

37. Because corporations will benefit hugely from the stimulus of the Green Deal, the fourth step must be to raise the rate of corporate profit taxation back to the level of the late 1990s. This will raise annual tax revenues by 55 billion euros.
38. Finally, let us not forget: lack of preparedness for crises predicted by scientists – will get us killed.

End.