

# **Fears and Hopes :The Crisis of the Liberal-productivist Model and its Green Alternative.<sup>1</sup>**

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Officially opened by the krach of Lehman Brothers, and today turning into a crisis of sovereign debts, the present crisis already appears to be as serious as the Great Depression of the Thirties. It certainly deserves the label granted by the « Regulation Approach »: a Great crisis. That is: the end of a capitalist model of development. This collapsing model, whose reign stretched out from the end of Fordist period (around the « Monetarist shift », 1980) to nowadays, has been sometimes labelled « neo-liberal», sometimes « liberal-productivist ». Now that it meets its own crisis, this double character, both *liberal* and *productivist*, seems to be ratified by the double origin of its crisis, according to the Hegelian rule that « Minerva's owl takes off at the fall of the night ». And from the double character of its crisis stems the double solution, social and ecologist, it requires.

Certainly, as in the 30s, crisis surges on its financial side. Certainly, as in the 30s, there will have to be a solution to the insolvency and financial disorders. Yet the present paper is dedicated to social aspects and more specifically to ecologist aspects of the solution. Too often, a green touch is imposed upon a mere Keynesian analysis of the crisis, as a green-washing imposed by opinion's mood. On the contrary, we shall try to root the necessity of a green solution into the ecological aspect of the crisis. In order to do so, we are to question the nature of the model in crisis, and the mechanisms of its crisis.

In fact, “a society has the conjuncture of its structure” (E. Labrousse [1944]) and the complex structure of liberal-productivism determines the complexity of present crisis. As a “liberal capitalist” crisis, it has much to do with the the Great Depression of the Thirties. As an “ecological” crisis, it evokes the “*Ancient Regime*” crisis, and its last example, the european crisis of 1848 (Braudel F., Labrousse E. [1979]).

Like in the Thirties, the crisis starts in the financial sphere but soon reveals its social and macro-economic origin: workers are too poor, profits too high, a crisis of over-accumulation (or under-consumption) was unavoidable. Solution to the 1930's-type crisis: increase the wage, and sell a (black) car to everybody, as Henry Ford puts it. And enlarge money supply, accept credit economy, foster public expenditures, as JM Keynes puts it. But, as in the eighteen-forties (and contrary to the nineteen-thirties), Earth was so poorly generous to Humankind in 2007 and 2008 that basic consumption goods became too expensive. The demand for capitalist durable goods was crowded out by the demand for staple commodities: food and energy. In reality, this miserliness of the Planet is nothing but the structural outcome of the productivist character of recent capitalist models. Thus, a Fordist-Keynesian solution would immediately trigger a new fall into the crisis: a new alimentary shock, a new oil shock (and if the solution is looked for in nuclear plants, new Fukushima-s...). Moreover, it would accelerate the climate crisis.

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<sup>1</sup> This text is a synthesis of two presentations :

- “Is a Green Deal Electable”? *Responding to the Crisis in International Development*, 20th Anniversary Conference, International Development dept, London School of Economics, 8 sept. 2011 ;
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On the other hand, a mere “green-washing” of a business-as-usual recovery policy, granting more public support to “green technologies” and ignoring the depth of inequalities at the root of the “liberal” dimension of the economic crisis and the necessity of social reforms, would be a symmetrical mistake. The financial, social and ecological aspects of the crisis are so tightly interwoven that no partial solution could be efficient. We need a *Green Deal*, both ecological and social, at global level.

Hence the structure of this paper. First, we sum up the components of the late model of capitalist development. Second, we scrutinise the interweaving of factors of crisis in the crisis from 2007 until today. Third, we develop more extensively the blue-prints for a specifically “Green” Deal. Then we turn to the difficulties of implementing such a deal. And last we give some political recommendations.

## • I . The Liberal-productivist model of capitalist development : a Regulation Approach.

According to the Regulation Approach<sup>2</sup>, a model of capitalist development permits for a while a relatively stable path of capitalist accumulation, despite the contradictions of its social relations. It could be described as follows:

- a *technological paradigm*: the way waged-work is organised ;
- a *regime of accumulation*: the stable structure of effective social demand allowing for the smooth realisation (selling) of capitalist supply, and orienting profits to new investments;
- a *mode of regulation*: the set of institutions and routines inducing agents to act in accordance with the regime;
- an *international configuration* : the compatibility between the various socio-economic national formations following various models and exchanging goods and capitals on the world market.

Such a methodology has been developed by “Regulation approach” in the study of the central post-WWII model, Fordism, and its crisis around 1975-80. It permitted an early identification of the new competing models, and the analysis of the “winner”, Liberal-productivism (LP)<sup>3</sup>.

### ● A. Repressive Taylorism

One of the components of the crisis of Fordism was the exhaustion of productivity gains stemming from its technological paradigm, “Taylorism”, that is: a strict division between conception and execution aspects of labour, and a prescription of tasks from designers to operators. In the LP model, Taylorism was extended to tertiary jobs and exacerbated through a pressure on “results” (lean management, then “stress” and even “crash” management). That shift from « prescription » to « repression » entails a steep increase in stress, suicides, professional diseases etc. That occurred both in old industrial countries and in emerging industrial powers.

Note that, in the 80's, an alternative appeared to be possible, based on high skill and “negotiated involvement of workers” (or, according to Toyota example, “Ohnism”). This alternative, highly praised in the famous *The second industrial divide* (Piore & Sabel [1984]) imposed its superiority in some countries or niches (Scandinavia, partly Germany and Japan). Yet it remained minority at the world level, because the combination « repressive Taylorism + social dumping » is more competitive than « negotiated involvement + decent works » in most branches (Lipietz [1991]).

<sup>2</sup> This approach has been exposed (for example) in Boyer [2004], Jessop [2001], Lipietz [1985]...

<sup>3</sup> For an early analysis: Bluestone and Harrison [1988]. For a classical regulationist view: Lipietz [1996].

### ●B. *Trickle-down regime and credit economy.*

In Fordism, social demand was pulled by popular demand, based on wages increasing at the same step as productivity. In LP model, the gap between productivity gains and reduced wages (at the world level) turned into increasing profit share<sup>4</sup>. Profits were partly distributed to property owners and spent out (trickled-down) to wage-earning producers of leisure goods and services, and partly invested. While, in Fordism, capitalists live on what workers spend, in LP regime workers live on what the rich spend. But, since trickle-down was insufficient to provide social demand for exhilarating investments, credits had to be distributed to insolvent consumers. The LP regime thus appeared to be as “consumerist” and “productivist” as Fordism, but growth *anticipations* (instead of planning or regulation) was the very condition for the stability of growth !

### ●C. *Neo-liberalism*

Contrary to the well regulated Fordism, public and contractual regulation faded away in the LP regime. As in the typical pre-WW II period of *laissez faire*, the belief in self-regulating power of markets prevailed. And as in this classical “liberal” period, business cycles came-back. Yet neo-liberalism did not forget all the blessings of Fordist-Keynesian mode of regulation. Not only did public expenditures maintain their path (but on credit, since taxes were reduced). But even private consumers benefited from a huge creation of monetary mass through the development of private credits. Indeed credit itself turned into a form of private money with legal tender, and private banks levying a private seignorage... even on public debt (spread). As a result, a growing share of social surplus-value was appropriated by private banks with a reduction, not only of wage-share in GDP, but of entrepreneurs’ profit-share.

### ●D. *Chinamerica.*

The transition from Fordism to LP (early 80s) was soon met by two important global economic changes : the generalization of “new industrialisation” in the Third world (which started in the 70s in the first Newly Industrialising Countries - NICs) and the fall of Soviet empire and model (in the 90s). The result was a complete reorganisation of the hierarchy of competitiveness, production and powers.

Germany and Japan succeeded in adopting some forms of “negotiated involvement” as a technological paradigm, at least in some niches, and became more competitive than USA.

As a form of transition to LP model, USA , UK and France accepted a shift of their weakly skilled industries or manufacturing tasks to the NICs. Thus, their trade balance became structurally negative.

The fall of Soviet empire accelerated the move of China and India to a form of “Peripheral Fordism” within an ocean of poverty. Russia did not follow, and limited itself to the role of energy-exporting country.

While in Asia most NICs had formatted their export industries to the level of their foreign debt, indebted Latin-American countries had to suffer strong “adjustment plans”. Yet, by the beginning

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<sup>4</sup> Average wages remained weakly growing in most former industrial countries, and faster (but from a very low level) in newly industrializing countries. But the weight of the later increased much faster than the weight of the former in global production. Thus, All the LP Model may be read as a “Great Regression” back to 1928. See empirical evidences and policy consequences (within USA) in Reich, R.B., “The limping Middle Class”, New York Times, 3 sept. 2011. The Profit/Wage gap is impressive in USA, see Reich [2011] : <http://www.nytimes.com/imagepages/2011/09/04/opinion/04reich-graphic.html?ref=sunday> and <http://www.nytimes.com/2011/09/04/opinion/sunday/jobs-will-follow-a-strengthening-of-the-middle-class.html?>. The gap did not increase so dramatically in other OECD countries but everywhere [ : Hein [2011].

of XXIst century, after the Korean and Tequila crisis, most NICs had paid for their debt and were accumulating huge commercial surplus. These “Emerging Countries” became lenders to ex-leading countries.

That was made possible because in USA main agents were in deficit (households because of stagnating wages, administration because of Reaganomics belief in the good effects of cutting taxes) and so was national trade balance. But the very low interest rates of the Fed permitted the development of “debt economy” and later “casino economy”.

Debt economy was permitted in the West (notably in USA) because Emerging Countries (notably China) had no alternative than dollar as a monetary means of reserve. In turn, the impossibility to sell these reserves of dollars maintained their rate of change at excessively low level, thus fostering their competitiveness but allowing US agents to buy their labour at low price and on credit. This “terror equilibrium” was the basis of the world configuration of LP regime, and labelled “Chinamerica”.

## •II The crisis of Liberal-Productivism.

Many endogenous explanations could be given for the break-down of LP model, since it was obviously based on a heap of capitalist contradictions, already identified by classical economist of XIXe century (including Ricardo and Marx) . The “miracle” was the incredible success of the superstition of “self regulating markets”, when LP model was precisely so similar to the “Roaring Twenties” model criticised by K. Polanyi [1944]!

Indeed, standard explanations to the crisis of 1929 came immediately to the front after the the crash of Lehman Brothers in 2008. And of course, all of them captured an aspect of reality, since a major crisis is always multi-layered. But in the present crisis, a new aspect appears, invisible in all crises of the XXth century : the development of an ecological crisis. It is not absolutely “new”. That was a general character of all major crises until 1848 ! But it is new for developed capitalism. So new that Marx , Keynes, Regulation Approach and Mainstream were able to ignore it in their analysis of all post-1848 crises...

### ●A. *Between Minsky and Keynes : the mainstream approaches*

Being a “debt economy model”, the LP model was condemned to fall on the side of its most obvious sin : a debt crisis followed by a stream of bankruptcies, and then a credit crunch. That happened when the weaker agents of US society, the poor workers and lower middle classes, were induced to buy their housing on credit at “subprime” rate. When they revealed their insolvency, all the banking system became illiquid, and after an unfortunate attempt to avoid “moral hazard” (refusal to bail-out Lehman Brothers ), the States had to rescue all the world of finance.

The most mainstream conclusion was : market works, but some agents on market are so stupid as to ignore its signals. That was already the mainstream understanding of 1929, that is today the mainstream understanding of present crisis. “Let us go on, business as usual, but, this time, watch your step.”

A deeper vision adds immediately: “When things are doing well, an exhilarating, self-fostering financial bubble will form itself , until an excess of credit will lead to an inflation in the price of assets, thus leading to a krach, and an excess of carefulness leading to credit crunch. And that was what we had announced”. Technically: a crisis within the Minsky cycle<sup>5</sup>. The solution should be :

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<sup>5</sup> See Minsky [1982]. On the “vindication” of Minsky in 2008, see for example “ The Credit Crisis: Denial, delusion and the "defunct" American economist who foresaw the dénouement”, by Michael Hennigan,

first fix up a new start with cancelation or rescheduling of some debts, using central bank as a lender in last resort, then : more control (organised at international level, since finance is internationalized more than ever), stronger prudential rules, stronger supervision. A “Super Glass-Steagal Act”.

Both the analysis and the solution are correct. But extremely insufficient. For: why were lenders so greedy? Why the borrowers so indebted? Because the lenders (notably pension funds) had to raise money for their entitled principals (retired workers and renters), and because the borrowers were too poor. In a debt economy, the root of the problem is not finance but bad distribution of revenues (primary or after tax). If LP model did work despite insufficient primary effective demand, it is because poor consumers could get accommodating credits. But not all of them, not the poor producers of emerging countries in the south : only the poor workers and middle class in the north-west of the World. So we need a New Deal, but at the world level, including chinese and indian working classes. A “Super Wagner Act”, and probably a Super Tennessee Valley Authority, a Super Marshall Plan, at the world level : increase wages, and cancel popular debts.

Clearly it is also true. And clearly China, which has indefinite reserves of potential inner demand because of its incredible wage-productivity gap, and has a ready-made Big Government, and has no external financial constraint, may activate with success this “Super Keynesian policy mix”. Yet... would a Global New Deal, American Way of Life for every human being, be ecologically sustainable ? Certainly not. And the strange think is that the concept of “sustainable”, inherent to the very concept of “regime”, only breaks out in economics at this point of History!

### ●**B. The emergence of sustainability constraint in Liberal-Productivist Model.**

The sustainability constraint was brought to elite's notice by Stockholm UN Conference (1972) and the publication of the famous model *Limits to Growth* by Meadows and others [1972] for the Club of Rome. But, at the time, warnings were still imprecise and focused on the “source” side of ecological problems: the scarcity of resources. The Oil Shock (1973) outlined dependency of Fordist model to oil supply, but this supply seemed to be limited only by geo-strategic reasons. Nothing more than the classical wars for energy and primary goods : you control the source, and the problem is resolved. Few people still believe that the crisis of Fordist model (in late seventies) stems from the Oil Shock, even if it surely contributed.

At the beginning, the LP Model did not care for any ecological constraint, nor did the mainstream in economics, nor Regulation Approach, nor Radical economists. On the contrary, the Oil Counter-shock of 1985-86 revealed an availability of oil that could yet appear infinite. In fact, everybody knew that resources were finite, but believed the limits to be beyond political or business horizon. In fact, the counter-shock is now interpreted as a trick of President Reagan, the CIA and Saudi Arabia to secure the total victory of the LP Model, by killing the power of OPEC and weakening oil-exporting Soviet economy. Anyway, the very possibility of such a plan proves that flooding the world market with oil was not a problem, during the first years of LP model !

Things did change with acid rains, depletion of ozone layer and with Earth Summit (UNCED) of Rio in 1992. There, most ecological problems were exposed in full terms : not only the “source side” but the “sink side”. Not only were natural resources scarce, but the production of waste (notably carbon dioxide and nuclear wastes) were a serious threat for the sustainability of decent life and even of capitalist production on the planet.

Besides “productivity of labour and of capital”, new concepts arouse within growth theory, such as : “content in energy or carbon by unit of GDP”. And besides the labour/capital contradiction, a

“second contradiction of capitalism” was vindicated (O'Connor [1997]) : Nature/capital. And there was no hope that a new Kaldor-Verdoon equation would resolve the problem by an automatic increase of energy-efficiency with growth. On the contrary, the whole story appeared as a revenge of Malthus and Ricardo crisis theory : a reduction of profitability for capitalist farmers, due to growing cost of natural resources and waste problems. The difference with Ricardo theory of increasing land rent is that increase of ecological footprint has been free for Capital... up to now, because there was no owner of global commons such as atmosphere, and because the uncertainty<sup>6</sup> on the cost of nuclear damages was implicitly covered by States, at no cost for Capital.

But once these costs are made explicit, is it possible that technical progress incorporated in investment could reduce it? A new field of investigation for Regulation approach: what could be an ecologically sustainable regime of accumulation, what could be the mode of regulation for such a model, is there a technological paradigm increasing the “productivity of energy (and emitted CO<sub>2</sub>)” at high rate, at least superior to GDP growth rate?

In fact , the debate scattered out between many participants. Engineers and designers attacking directly the efficiency problem, ecological economists building up modes of regulation (from ecotaxes to tradable permits), activist insisting that the safer energy is the one which is neither consumed nor produced. But few confronted themselves with the global “alternative model” problem. There was no hurry: the world elite forgot very quickly Rio warnings, and the neo-liberal model appeared more and more as a “Liberal Productivist” model.

Yet, serious wind tempests in Europe began to worry the Insurance sector. Climate change was no more a threat for “future generations”, but an immediate problem for the profession. Hence the success in European elites of the Berlin and Kyoto conferences against climate changes. Unfortunately, liberalism was progressing at the same step. While a change in the model of development implies a huge political involvement at the world level, the creation of the World Trade Organisation, with its free-trade dogma, reduced again the capacity of political powers to move on. The Johannesburg UNCED (2002) concluded with a stalemate between free-trade dogma and ecologist proclamations. The ecological world crisis had a free road.

### ●C. *Outburst of the ecological crises.*

By 2007 the roaring growth of emerging countries met the limits of current oil production capacities. The oil price, which had been increasing from 2002, took-off towards unprecedented peaks. We are not discussing here whether production had reached an absolute limit (Hubber's oil peak) or not : anyway, there *was* a demand peak, obviously structural, with or without possibility for limited extension of production. The source and sink problems had merged into a “climate-energy crisis”.

In turn, energy crisis was trapped within a “triangle of energetic risks”. At one summit of the triangle, referring to fossil energies, the problems of GES and of exhaustion. At a second summit, nuclear energy, the risks of accidents, of wastes, of military and terrorist proliferation. At a last summit, bio-mass<sup>7</sup>, the risks of conflicts on land-use.

Indeed, soon the food problems joint the climate-energy problems. It is also a result of the emerging countries shift in demand. More middle classes in a country means adoption of a meat-based

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<sup>6</sup> During the first years, the probability of major accidents in nuclear powers were considered as unknown but extremely low. Now, we may consider that uncertainty turns into measurable risk. In the last 14 000 “years-reactors”, destruction of the heart of reactor occurred 5 times, with, in 4 cases, major emissions of radio-activity within open air : in Soviet Union and Japan. There is no evidence that national States could financially warrant this kind of accident, even in the cases of these world level super-powers...

<sup>7</sup> Wood has been and remains the first source of energy for humankind, and woodcuts remain the first danger for ecosystems. Now agro fuels spread out as the major competitor against subsistence crops.

alimentation model. And meat needs some 10 times more space than traditional vegetal proteins. Thus the take-off of big NICs, such as China and India, increased decisively pressures on lands. And at the same time, the first effects of climate change were developing. Directly: a years-persistent drought cut the supply from the one of traditional world grain lofts: Australia. And, indirectly, the very answer of productivism to its energy-climate crisis, namely the development of agro-fuels, increased the food problem. This nexus is called the “FFFF” dilemma on land-use priorities: Food, Feed (for cattle), Fuel (for engines) or Forest (that is : reserves of biodiversity and carbon sink).

The macroeconomic outcome of the FFFF nexus was the take-off of food prices. A tragedy in the LDC, which had been committed by World Bank and IMF to gave-up local traditional food crops : a wave of hunger riots swept the Third World. And “just” an increase in the cost of living in the North. As a result, the “subprime” indebted poor households in USA had to choose : pay for food , for car fuel, or for housing. And they gave up their mortgaged houses to banks, depressing deeply the housing market... and ruining the banks ! For the first time in capitalist history since 1848, a bad crop triggered a crisis *Ancient Regime*. But, this time, the bad crop did not fall from the sky, but from the liberal reforms of agrocapiatist model in the previous decades, and from the very model of capitalist development in industry and urbanism.

#### •D. *The state we are in (summer 2011)*

When, after two years of bailing-out of banking system and injection of budgetary demand, a pale recovery manifested itself in the old capitalist countries, while emerging countries were following their roaring expansion<sup>8</sup>, immediately the same “deep” problems reappeared in 2010. The difference with 2006-2008 period was that debt had shifted from private agents to sovereign debt. And immediately, banks started to bite the hands that had bailed them out. The “Greek crisis” (early 2010) signified that the “liquidity crisis“ was finished, the “solvability problem” was beginning. And nothing had been done on finance regulation nor on the revenue-repartition problem : the poor, unemployed and retired workers are just a bit poorer, the riches have lost a part of their fictitious assets but have returned to their pre-crisis revenues. Hence the permanence of the ecological crisis, worsened by the failure of the Climate conference in Copenhagen (December 2009).

Same causes, same outcome. A second and third grain lofts (Ukraine and Russia) went off in smoke in summer 2010, due to unprecedented drought and heat wave. And, already, a new wave of hunger riots started (in Mozambique). This time, like in 1848, tensions on food prices triggered more interesting outcomes: the Arab democratic revolutions. But there will be no exit to this great crisis without a change in the whole model, and in particular without a strong shift in the climate-energy nexus. The IPCC and Stern reports have outlined the limited window for action : from 2010 to 2020. And, while peasants and activists resistances reduced the scope for agro fuels, the Fukushima accident (adding itself to the impossibility to limit nuclear power to civil uses, in North-Korea and Iran) reduced the tendency to solve the problems by increasing nuclear risks.

Unfortunately, during the first years of crisis, the “upper layers” (financial crisis) crowded out rapidly the preoccupation for deeper challenges. Once shifted from private to public hands, the solvency crisis appeared clearly behind the liquidity crisis, the States debt appeared as “the problem”. Not only in Greece but in the whole peripheral Europe (Eastern Europe, Portugal, Ireland), then in “weak” European central economies (Spain, Italy, Great-Britain and soon France). But the worst was to come, when, during summer 2011, the rating of US treasury was reduced from

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<sup>8</sup> The same occurred in Latin America during the Thirties. In fact, emerging countries have the possibility to face a world “under-consumption” economic crisis through its own interior market and import-substitution. Yet, contrary to Brazil and Argentina (in Vargas and Peron times), China and India will soon meet the ecological “limits to growth”.

AAA to AA.

The rating of debtor credibility by the oligopoly of world agencies is probably of poor quality. They did not perceive the subprime insolvency, and in 2011 they give a better rating to France than to USA ! And yet this downgrading signifies more than the end of the Liberal-productivist regime, but the end of a world monetary regime that has encompassed on two models of development (from the 1950s to nowadays): the Gold Exchange Standard, the idea that dollar is as good as gold. That is : once a value (any asset) is exchanged to dollar, it is acknowledged as real value. Thus the US Treasury and in fact the whole US economy was able to pay for its debt in a money which US monetary system created : the Fed had only to swap debt titles on US economy into money which was universally accepted. But, when even the US Treasury Bonds are unsafe, where is “real money” ? And more immediately : if a minor debtor default (such as Greece), what about its creditors (such as French or German banks) ?

In fact, all the Debt economy of LP model was based on a convention : that some debts were safe. Based on these assets, main street banks were able to issue new credits, according to accepted prudential rules (ratio Cooke and its developments: Basel I , II and III). If financial community considers that some debt from respected debtors will nether be paid for, credit capacity (that is “New Money”) reduces, and then, how to finance a New Model ?

In the years 2010-2011 the debate aroused between economists and politicians, but at first (despite warnings by Keynesian economists and even by IMF) the common wisdom was “First pay for the debts”. Reduction of deficits were proclaimed in most countries, but the general tendency was to do so, more by reducing expenditures than by increasing taxes. As a result, the pale recovery, resulting from 2009 expansionist budgetary policies, fainted in summer 2011... inducing reduction of activity, of tax incomes, and increasing public deficits. A recessive logics, much similar to Hoover's policy in the Thirties.

The best achievement of the period is a form of mutualisation of debts, the European Stability Mechanism, to be implemented in 2013. It is a form of intra-European IMF, borrowing funds on the world market with the warrants of the whole Europe, and lending to its most indebted countries. But the next step (monetization of debts through the operation on European Central Bank on the debt market) creates tensions between “orthodoxy” (mainly German and others), and more Keynesian, executives at the board of ECB. And this mechanism respects the dogma that all debt is to be paid for, while they were based upon a model of development that is in crisis. When a model is disappearing, the credits based upon it have to be cancelled. They will be anyway, either through bankruptcies, or through inflation, or through an organized form of rescheduling, permitting to rescue the debtor without ruining the creditor, and providing “New Money “ for a new model. That was the case for Latin America in the 80-90s (Brady Plan), and that remains to be invented for the present crisis.

### •III. Blueprint for a Green Deal.

Three years has been lost, and precisely in the field which could not be delayed. In the multilayer crisis, some layers can wait : it is better to reform at once, but until break-down happens, another year is just as good a year. On the contrary, the same ecologist action has a result totally different if it occurs in 2010 or in 2020. The problem is that now all problems are urgent.

#### ***A. Financial regulation : necessary, not sufficient.***

One may object that the most urgent is the insolvency crisis. True. But, as already noted, the problem behind insolvency is problem of “new” money. Bankruptcies or cancellation or rescheduling of debts is not sufficient, we are to create new credits for the Green Deal. So let us first have a glance



to the new model we have to create, and later we come back to the financing problem.

Most debates has and will focus on one of the regulating forms of LP Model : the regulation of finance industry. Should the “Stability Pact” of EU be strengthened, or on the contrary its “laxist” reform of 2005 developed into discretionary budgetary policies ? Should ECB finance any public deficit? Are the reforms of prudential rules and supervision of financial system adopted in USA, EU and BIRD (Basel III) sufficient? Can we accept that some careless agent are “to big to fail” ? These are important questions. But focusing on them exclusively only means reducing the crisis to a Minsky crisis.

Yes, we need a super Glass-Steagall Act, that is a clear separation between deposit banks (the management of currency) and business banks. Yes, we need a budgetary and monetary policy mix at European level, and a stricter monitoring of national budgetary mistakes – a condition for European budgetary solidarity. Yes we need to forbid “fiscal paradises”. But it is not sufficient.

### ***B. A new sharing-out of productivity.***

Even the debate on the sharing-out of Gross Domestic Product (in order to foster effective demand) would not be sufficient. Yes, we are in a Keynesian crisis, or a Marxist “under consumption” crisis. But :

- On the one hand, redistribution implies not only domestic economic space, but a global deal. For the workers are in the South, and consumers are in the North. And there is no global government to ratify the deal.
- On the other hand, a super international Wagner Act (or a Wagner Act + Marshall plan) implies a choice : should the increase of world wage-share take the shape of an increase of purchasing-power or an increase of free time ? Ecological sustainability constraint suggest that, in the North as in the South, reduction of labour time should have priority (under different forms : to begin with, prohibition of child-labour in the South, reduction of yearly labour in the north, advancement of retirement everywhere)<sup>9</sup>.

Thus, the regime of accumulation should be “green”, as far as labour-time is concerned. But it should be outlined that social effective demand should also be green, too, and green the technological paradigm ruling supply.

### ***C. A Green-Investment pulled model of development.***

Let us focus on EU, since EU encompass a rich economic space of half-a-billion human beings with huge differences in revenues, and EU is given of a minimum federal state apparatus - quite insufficient indeed - to handle a Green Deal.

In the next thirty years – the duration of a whole model of development - EU will have too reduce its production of greenhouse gas by a factor 4. This target should be the directing parameter of planing and policies. It implies changes at the level of technological paradigm, models of production, models of consumption, logic of the regime of accumulation. Clearly the first condition is that “progress” should be measured by free-time rather than increase in material consumption. But such “soberness” will be far from sufficient.

We need huge investment in new energy-saving and CO2-saving facilities (in housing and

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<sup>9</sup> This hierarchy in priorities is consistent with historical experience of industrialization and working classes conquests. In a young capitalism (XIXth century in Europe), major social struggles aim at the protection of workers’ life and bodies: prohibition of child work, creation of retirement funds, then 8 hours working-day. Successful experiences of NICs turning into emerging countries (South Korea) demonstrate the strategic importance of the prohibition of child work and mass education.

transportation) and new “clean”, renewable sources of energy and primary goods. Moreover, other crisis such as food-wealth crisis will have to be settled. In a Green model of development, public demand (for transportation systems) or at least organised demand (for heat isolation of existing buildings) will be dominant and will substitute the role of car industry in the Fordist model.

Thus, Green Model will look like a “mobilised economy” *à la* Kornai [1982], that is commended by demand, and mainly semi-public demand. From the regulation point of view, new problems arise. They are quite similar to a “Reconstruction problem” (period 1945-1950), but addressing to decentralised agents: households and firms struggling to save their income from increasing price of “dirty” energy, local authorities committed to build transportation system...

Ecotaxes and tradable permits (that is : planning in prices or in quantities) will be a great help to the regulation of decentralised decision processes. But it is not sufficient to be “induced to invest” in energy-CO<sub>2</sub>-devices. Agents will need credit, since they will have to invest now for future incomes and savings. A Green Model will be also a debt economy! But contrary to LP Model, the debt contracting and lending processes will have to be strictly oriented to the social and ecological goals of investment. Like in the Reconstruction and Fordit period, selectivity in credit and money creation is awaited. The most straightforward is to think of a distribution of “easy money” by European Investment Bank, oriented by green criteria, with the possibility for EIB to refinance these credits at 0% rate near ECB.

### **D. A labour-intensive technological paradigm**

In general, “mobilised economies”, that is semi-public demand-driven economies, are extremely job-creating because the inclination to consume and invest is close to 1, or above 1 (that is precisely a debt-economy !). Studies had been made for a typical green program in EU (reduce by 30% CO<sub>2</sub> emission by 2020 and reaching a rate of 40% bio-food). Gathering evaluation of EU Commission and ETUC, P. Canfin [2009] estimated an increase of 10.5 million jobs (in EU) by comparison to business-as-usual path.

Typically: “creative destruction” through the green revolution in transportation would suppress 4.5 million jobs in the production of individual cars, while creating 8 millions jobs in collective transportation. Indeed, the new model will have to build tracks, rails, trains, metro, tramways, buses, and in addition... to drive all that, or control their automatic move.

A very interesting evaluation. First it confirms, “ecology is not the enemy of jobs”. More precisely, it indicates a decrease of apparent labour productivity in transport sector. In reality, this results from two factors.

- In general, historical gains in labour productivity were realised through increase of the coefficients of capital and “Nature”, Nature designating the free gifts of environment (“Land”, in classical economics). Through some Cobb-Douglas function, the more nature-saving, the more labour-intensive: a Green shift in the model of development will substitute labour to “natural” input (i.e. energy). And this labour will be less “industrial” (car assembly lines) and more “craft”, more “industrious” (shorter series of wagons, dedicated infrastructures, driving of buses). A very important move in the technological paradigm, inducing a mobilisation of the professional training system.
- More specifically, “Nature” (the External Conditions of Capitalist Accumulation, as Marx puts it) includes... free time of workers. The difference between cars and trams, for commuters, is that waged workers drive the trams, while commuting workers drive their car “freely” for their employers.

There is a hidden, unpaid labour within individual transports. The same occurs when a woman take care “freely” of children and of elderly persons in her family. A Green model will substitute this

hidden labour of reproduction within patriarchy by some form of social co-operatives. This an important remark: a Green Model will be intensive in jobs dedicated to care and personal services, subject neither to relocation nor to automation. That will have a cost and will need a form of social financing.

New studies by P. Quirion [2010a,b] translated the same EU “Green program for 2020”, first to French economy, then to Ile-de-France (Paris region), using an economic model combining input-output matrices - with a distinction between direct jobs and indirect jobs (investment, input) - and a second round of “induced”, Keynesian, effects of job creation (spending less money in oil, households create local jobs with their increased purchasing power). The study of variants appear to be very sensitive to :

–Oil price : clearly, a new, or rather permanent oil shock will be depressing on the rest of domestic demand , thus jobs induced by energy-savings would increase.

–Ambitions about the speed of transition to low-carbon economy. Of course, fixing a goal of - 40% CO2 by 2020 creates much more jobs than the present -20 % EU target.

–Availability of credit. A first variant implies no increase of public debt. A second variant makes the assumption that 50% of “post-Kyoto imperatives” investment may be borrowed at low interest rate. The second variant creates much more “induced” jobs, for, in the first variant, increases in taxes absorbs the reduction of households oil bill.

Here is again the problem of “new money” ! But first, what about international aspects ?

### ***E. A cooperative international regime***

Clearly, we need a Green Deal between North and South (South being itself split off between Emerging and Less Developed Countries). USA and China will soon discover the perverse aspects of their non-cooperative attitude regarding climate change. But we don't know when, and this is the major threat on the future of mankind. If they do accept to cooperate, a India and other emerging power may follow. The Deal could be the following.

- A sustainable endowment of quota of green-house gaz should be fixed for the horizon 2050, in proportion to the population of each country.
- Each country out-passing this “sustainability limit” should be obliged to join an international program of reduction.
- Within that frame (that is: once the yearly global emissions are fixed) trade of quota and Clean Development Mechanisms could be allowed for.
- Due to the “ecological debt” (the present stock of human green-house gaz was mainly emitted by old industrialized countries), the developed countries will help LDC to adapt their energy and transportation systems.

Now, regarding the capital-labour redistribution issues, it is clear that a global Wagner Act is extremely difficult to foster. Probably, we will have to wait for a major outbreak of social struggle in China and other recent Newly Industrialising Countries. It could be helped by social clauses on free-trade (and the same would be true for countries reluctant to join a climate change treaty).

This leads to the problem of “relocation “ of production. The contemporary argument has nothing to do with the 1930 wave of protectionism. It is NOT a question of reserving a shrinking national market to national (or even continental) production. The first reason for limiting the product circuit is environmental: limit the energy consumed and GHG produced in the life cycle of products. A good possible regulation is the proposition (now accepted by China) of evaluating the quota of GHG allocated to a territory, not through the emissions of its production, but through the

“footprint” (the GHG produced anywhere on Earth) of what it consumes locally<sup>10</sup>. The second reason is fighting social dumping: induce all countries to converge towards the same norms of repartition. There is no reason for protectionism between neighbour countries where wages are equivalent.

### ***F. Offset the insolvent Past.***

And now, back to finance. The problem is to cancel a part of insolvent outstanding debts without ruining the bank system. The best solution (in my view) is to accept, through international conferences, that some debt will not be paid for (at least before a long while), and cancel or reschedule these debts. Creditor (banks and funds) should not be cornered to bankruptcy because of that (else we would be back to 2008 !). The smoothest way is a “monetization of debts”, but with two obligations : freeze a part of the new money into the central banks in order to limit inflation<sup>11</sup>, and, second, use a part of the new money, in a compulsory way, to finance Green conversion. In EU, this could be a mechanism:

- The ECB buy a rescheduled outstanding debt at a discount rate taking into account the previous spread levied on these debts (the spread being an insurance on depreciation).
- 10% (for instance) of the euros granted in exchange are frost near the ECB, at a rate equal to price index (0 % real interest rate).
- 10% are frost in the European Investment Bank (at the same rate) and dedicated to a Fond for Green conversion of EU economy.

### **•IV. The difficult way to a Green Deal**

The possibility of a Green sober prosperity, leading to better environment and full employment with increased equity between human beings, does not entail its political feasibility. The best experiment we have about a Great Crisis of the kind we are facing is the experience of the Great Depression of the Thirties, because they share the global dimension and the economic liberalism aspects. In the Forties, Karl Polanyi explained that 3 ways out were possible to that kind of crisis : fascism, Stalinism, or social-democracy. The outcome of that crisis was Fordism, with social-democratic or market social economy, in the Fifties.

Unfortunately, between the Thirties and the Fifties, the world had to pass through a terrible world war. At the beginning of 1941, fascism was controlling major part of Europe, and Stalinism the rest of it. Only Great-Britain remained free, and has shifted swiftly from economic liberalism to mobilised war-economy, while neutralized Swiss and Sweden experimented some form of social-democracy. In the rest of the world, Fascist Japan was controlling a huge part of Asia. Only the USA of Roosevelt was experimenting on large-scale elements of social-democratic model, while “emerging countries” of Latin America were divided between pro-Stalinist Mexico and pro-fascist Argentina. The World was only saved from fascism because of the attack of Japan against USA and the attack of Germany against Soviet Union. And, at the cost of 50 millions deaths, the alliance of Social democracy and Stalinism defeated Fascism.

<sup>10</sup> When I was the reporter to the EU directive including air transport industry within the European Trading System of emission permits, China and USA were strongly opposing the obligation to “buy a quota” for aircrafts landing in Europe. In Copenhagen conference, China prosed to include the GHG produced in the production of Chinese exports within the quota of importing countries... A U-turn in its position expressing the new vision of China on its future international position : from main mill of the World to main market of the World.

<sup>11</sup> Many imagine that a wave of inflation would be a painless way to offset outstanding debts. The problem (well documented with the end of the great inflation of Latin America in the eighties) is that, in a LP model, wages are more weakly indexed on prices than financial profits are. Inflation an “euthanasia of renters”, but a deflator of the purchasing power of precarious and retired workers.

Could the world of the 2010s avoid such a costly *detour*? That was the great hope of the end of 2008: after the Lehman Brothers bankruptcy, while the whole financial system was collapsing and General Motors falling into pieces, the world elites seemed to turn Keynesian and even green Rooseveltian. Obama, Gordon Brown, Merkel, Sarkozy, Strauss-Khan, were disputing the role of Franklin D. Roosevelt, bailing out silly capitalism from the blind hands of self-regulating markets. Three years later, Cameron has replaced Gordon-Brown, in USA the Tea Party dictates its ultra-liberal economic law, and Sarkozy-Merkel try to impose to the rest of Europe a “Golden rule” of zero deficit. We are back to Hoover, Tardieu-Laval and Ramsay McDonald-Snowden deflationist policies. That is: 1932, which is coherent with benchmarking Lehman Brothers bankruptcy (2008) on Black Thursday (1929). Thus, before scrutinizing the enemies and obstacles in front of a Green Deal, let us recall briefly the sad history of the Thirties.

### ●A. A dreadful experience : The Great Depression

After eleven years of exhilarating investments, increase in productivity, slow increase in wage and outburst of profits, the “Roaring Twenties” ends up with Black Thursday, October 29<sup>th</sup> 1929. That triggers a huge wave of bankruptcies in banks (more than 5000 in USA) and all industrial sectors.

The first reaction of economic liberalism is not to bail out financial sector. On the contrary, the rather young and inexperienced Fed reacts through tighter monetarist policy. This a typical mistake about economic dynamics: it is true that excessively accommodating monetarist policy permitted the bubble in stock exchange *before* the Black Thursday, but a tighter policy will not fix the problem. On the contrary, *at the moment* when bubbles burst out, accommodating monetary policy is required.

The second reaction looks also completely counter-productive: protectionism, with a race to protection triggered by Hawley-Smoot Act (June the 17<sup>th</sup> 1930). Since commodity-markets seem to shrink, it appears to be “fair” reserving national markets to national production. But in most industrial countries, the export-oriented sector was around one third of total production. When no mechanism is set in place to increase inner market, reductions in exports are recessionary. Yet, the contraction of world market is not due to protectionist measures, but to the previous contraction of demand in all markets (for instance “breakfast staple” such as coffee, which was nether subject to protectionism) and to the contraction of world money.

This last factor is very quickly acknowledged: world prices fall, reducing supply and activity, because *real* money (gold) is “too scarce”, and too scarce credits are granted. Progressively, “sound” moneys give up their connection with gold (London conference, 1933, but Sterling abandoned the convertibility to gold as soon as 1931, US dollar in 1933). Yet their was no alternative, no “Special Drawing Rights” on some IMF, and it is a serious difference with nowadays<sup>12</sup>.

On the other hand, consciousness that outstanding debts were a problem seems to have been more seriously taken into account than today. Insolvency of private debt provokes bankruptcy of banks, provoking domino effects, but it is then accepted, because the monetary mass issued by high street banks is not acknowledged as real money (just as credit), and because no single bank is considered as occupying a systemic position. But sovereign debt is considered as a real problem. Considering that Soviet authorities, while turning Russia to autarchy, had repudiated the huge tsarist debt, the main sovereign debt concerns Germany. Since all WWI, in the west, took place in France and Belgium, the Versailles treaty put the burden of reparation on German shoulders. By 1924 it was acknowledged that it was too much, but the first renegotiation, the Dawes Plan, was insufficient.

With the outburst of the Crisis, the recessionary nature of such an outstanding debt appeared

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<sup>12</sup> Introducing a gold-silver standard was considered then rejected.

clearly. On September the 1<sup>st</sup> 1930, the Young plan rescheduled German war debt until 1988. That provoked serious problems in France, and was not sufficient to bail out Germany. So the Hoover moratorium was approved in December 1932: Germany would stop paying for its debt to France and France for its debt to USA.<sup>13</sup>

But it was too late: in 1932, unemployment in Germany reaches 25-30%, the Nazi party 37.4 % in July. Its score reduces itself to 33 % in November 1932 but, at the time, socialists and communists were enemies and could not unite. At the same time, F.D. Roosevelt is elected (unemployment rate being the same as the German one), and both Hitler and Roosevelt take the head of their country in January 1933. Competition between fascism and social democracy begins. It will finish in a war.

Economically speaking, the economic superiority of fascism looks at first obvious, if we consider that the only answer to a crisis of economic liberalism is “pianism” (State oriented economy). Very quickly, the Nazi minister of Economy, Hjalmar Schacht, ends with unemployment with a combination of autarchy, public expenditures (motorways), and repudiation of War debt. Regarding inner money, it creates a pure credit money dedicated to financing a spotted sector (war industries): the MEFO bonds. Externally, it fixes up a system of swaps with Latin America. Clearly, such a program of extreme economic nationalism is consistent with a dynamic of war, but not for strict economic reasons. Hitler's bias to wars was inherent to the form of its national political leadership, not only to his economics.

Roosevelt, respecting democracy, has to deal with Republican opposition, with the Supreme Court, with the federalist nature of Union. Immediately, he succeeds in separating Main Street banks and Investment banks (Glass-Steagall Act, 1933). Credit Money as a currency and as a means of speculation are thus separated. A reform of agricultural regulation, and various programs of State financed creation of jobs are launched, but much smaller than in Germany. F.D. Roosevelt believes that job creation is the bosses' job, and that State's job is to create the macroeconomic conditions for it : effective demand. Public expenditures are a part of it, but, according to Ford and Keynes, the best component is a wealthy popular demand, and this means increase the wages. And in a free-enterprise country like USA, this means strong trade-unions. Yet the “Wagner Act” on industrial relations is adopted only in 1935.

Thus, in 1936, results of *New Deal* are poor by comparison to Schacht achievement. Yet, in 1936, Roosevelt is triumphantly re-elected, as are elected Popular Fronts in France and Spain. But, while Roosevelt is re-elected in 1940, social democracy in Europe have no time to prove its efficiency: with Spanish Civil War , the WWII has already begun, and war economics will occupy all the fields of the world.

Politically, by violence or conviction, authoritarian regimes has won nearly everywhere in Europe at the time, from Portugal to Finland. Since this fascist shift occurred before the middle of the 30s (except in Spain), it is clear that it is not an outcome of “better results” of Schachte by comparison to Roosevelt. The problem is that authoritarian regimes had ready made “solutions” to other fears and popular aspirations: nationalism or religion, fear of communism and migrants, anti-Semitism, the reach for immediate stability... Moreover, social democracy and Stalinism were rival until 1933, and compromises were to be accepted by French Popular Front with liberal democrats (inside the coalition, and outside with British government). There were oppositions within fascist camp (Nazi vs clerical dictatorships), but not sufficient to stop its resistible progress.

### ●B. *Obstacles to the Green shift.*

The warnings of the Thirties are very serious. First of all: a “good” solution for a crisis has not an

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<sup>13</sup> Due to Nazi victory and to the war, German reparations were eventually rescheduled to... October 2010, that is after the beginning of present Greek debt crisis !

eternity in front of it to impose itself. Other solutions may impose themselves before, such as authoritarian regimes. Today, in European Union, Hungary seems to take the lead in this direction, but everywhere in the world we assist an authoritarian radicalization of Right-wing parties, with Russia the most significant. These solutions are appealing, not because they are economically more successful, but for political or ideological reasons such as nationalism.

If we compare to the 30's, we notice that the first steps to a Green Deal, which were accepted in 2008, were interrupted by the problem of sovereign debt, while in 1932, no clear social-democratic alternative was on the table, but the sovereign debt problem was subject to serious bilateral negotiations ending with rescheduling (Young Plan, Hoover Moratorium). On the other hand, once a social-democratic or fascist program was adopted on a national basis, it could be implemented with no major problem from outside.

### ●1. The difficult jump to cooperation.

The reason for it is that, while the crisis of the 30s was “international”, the present crisis is directly “global”. We are no more dealing with various interconnected national economies experimenting similar crises, but with a global economy (with its ecological dimension) and its systemic crises stretched out on various national powers. Thus, political authorities appear “powerless” when not dealing at the world level. And there is no world government. We need a world Young Plan, a world Hoover Moratorium, a world Glass-Steagall Act and a world Wagner Act, but this appears impossible, because there is no agency for it. The G 20 and the IMF presented themselves as this agency in 2008-2009, but failed.

The Rooseveltian New Deal itself represented a structural increase in federal budget and legislation, against the autonomy of the States. It has been rolled-back by Reaganian counter-revolution, and today the radical Right (the Tea Party) want to go further. It is easy to understand the resistances to a form of transnational solidarity, with delegation of sovereignty!

Examples: Germany could accept a Young plan in favour of insolvent Greece. But that would provoke a liquidity crisis for major French banks. They would withdraw assets and reduce credits from the rest of the world, thus increasing the systemic crisis. Still more obvious : even if UE coordinates a major reduction of its green-house gas emissions, that would be quickly offset by the lack of cooperation of USA and China. The same is true for the outstanding alimentary crisis.

Thus, the first obstacle to a Green Deal is a problem of coordination. There is still room for local actions (and anyway the Green Deal requires the involvement of local and even individual agents), but the “locality” appears bigger and bigger when addressing problems such as finance or climate crisis. In many cases, national States are inefficient, and even EU may not be sufficient. Because EU is too small, and because EU lacks “upward federalism”, that is the subordination of the part to the wish of the whole.

Yet, as both individualistic or holistic sociology and political philosophy insist, a delegation of sovereignty to a wider “Whole” implies that the subordinated “Parts” find an interest to this delegation. Even if a federalist situation is objectively more favourable than the competition between local States (through fiscal, social, ecological and now prudential dumping), a “free rider “ strategy may seem more efficient for local interests.

Let us take the European example. EU experienced a debate in 2005 about one (limited but consistent) step towards more integrated federalism: the referendum on European Constitution Treaty. French citizens voted No because they thought that their social model would be best defended in local politics, and, during the next seven years, had to suffer the roll-back of their Welfare State by national governments. Irish citizens voted No to Lisbon treaty, before the outburst of the crisis, because they feared a federalist Europe would forbid attractiveness of the island

through fiscal dumping. Then they voted Yes after the outburst of the crisis, because they expected solidarity from the continent. But they did not reduce their fiscal gap by comparison with the continent, when Poland and other eastern countries joined the fiscal dumping strategy, thus reducing the budgetary gains of free-riding. On the other side of debt crisis, Ms Merkel, in charge of the richest country, Germany, fears that European solidarity with indebted countries (the PIGs) through Eurobonds would reduce German capacity of “skimming” low-rate credits. It is certainly true. But German tactics, waiting until the last minute before accepting the next step in mutualizing financial difficulties, could lead to a general bankruptcy of its main customers.

If we look now to the climate crisis, USA and China has been clearly playing the same non-cooperative game from the Rio conference. In game theory, this is called a “Chicken game”: try to be the last to accept cooperation and burden sharing. The outcome may be the ruin of both players<sup>14</sup>. In Kyoto conference, EU accepted to take the lead, that is to accept a binding cooperation in the reduction of GES emissions<sup>15</sup>. But, after the “No” of 2005, which reduced the bargaining power of European Parliament and Commission to the benefit of national governments, both Sarkozy and Merkel decided to abandon ambitious objectives for the Copenhagen conference, and gave up with European leadership in Climate negotiations, letting Obama and Hu play their chicken game : a rush to catastrophe for the whole planet.

So, we have a first block of obstacles : lack of confidence in cooperation, lack of transnational institution for decision-making, lack of leadership, preference for (national) free-riding and skimming, fallacies of composition.

But other obstacle exists, already active during the 30s. Some are in the side of dominant, some in the side of dominated social groups.

## ●2. The dominant interests.

The dominant social groups would oppose to a Green Deal for two different reasons. First, because they may believe that their *immediate* interest is to behave as they do, even when their “historical” interest is a shift for the deal. Second, because they may believe that they have no place (or a much reduced place) within the deal.

For instance, many industrialists did believe in Henry Ford preaches of the 20s: a wealthy labour class would secure a wonderful “effective demand” for their production. But, until it became a law, or a collective bargaining, an individual strategy of increasing wages would be defeated in competition, before the macroeconomic benefits (increased social demand) could be felt in their turnover.

On the contrary, the oil producers (both exporting countries and firms) consider that a world shift to “zero-carbon” economy would be their ruin, and they will finance “climate-sceptical” propaganda and lobbyism. This fear is exaggerated, but clearly their yearly benefits would be reduced. The same is true for nuclear industry in case of anti-nuclear shift. Such a shift is acceptable in Germany because nuclear plant builders (such are Siemens) are also interested in a “Green shift”, because they provides also green technologies (trains, wind turbines...)

Finance industry compound the two resistances. Before the crisis, its lobbyists refused any form of regulation or strengthening of prudential rules. During the first phase of crisis (2008-2009), they begged not only for public bail-out, but also for a compulsory regulation against their own “preference for risk” (with the classical argument of composition fallacy : “If it is not a general

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<sup>14</sup> For an illustration, see the famous Nicholas Rey’s movie (with James Dean), *Rebels without a cause*, where idle teenagers play the Chicken game, driving cars madly to a cliff : the last who jumps out, the « winner ».

<sup>15</sup> At the time, Socialist + Green coalitions were governing France, Germany and a majority of European countries, and Green ministers were in charge of Kyoto negotiation.



rule, my competitor will do it, and I will have to follow”).<sup>16</sup> But when the tempest seems to vanish, they return to opportunistic behaviour. On the other hand, more and more economists and politicians believe that a Green Deal implies not only a form of Glass-Steagall Act, but a large socialisation of banking system. So, their interest is probably to remain in the unsecured but amazingly profitable (for them) present situation, where they are covered by moral hazard : they benefit of risky behaviour, and, being “to big to fail”, they benefit a free State insurance. The weak existence of political Europe is a protection for their interests, that is why *Financial Times* and *Wall Street Journal* supported the No in 2005, and so did the Luxemburg financial sector.

But it would be naive to believe that popular classes are unanimous to “reject them all” and adopt a New Deal, and - more difficult – a Green Deal.

### ●3. Popular defiance.

In general, the dominant ideology is the ideology of dominant groups. Different situation did exist in the past, when working class was embedded in a collective counter-culture, with its parties, unions, mutual societies, celebrations. Then “Solidarity “ was a value to oppose to “Free Enterprise”. Nowadays this does not exist but in the heat of a struggle. Then develop a general acceptance of consumerism (the economic liberalism of the poor) and negative identities: “We do not trust in Them anymore” (Them being all politicians including French Socialist party or New Labour), “We do not like foreigners”, and more specifically “We do not like Islam”. While anticommunism and anti-Semitism are no more a big problem, islamophobia and nationalism are fuelling the success of Right-wing parties in desperate working classes and lower middle class. Thus, solidarity discourses emitted by middle class parties (including the Greens) are suspected for not taking into account the difficulty of “real life” in suburbs. And since the most spectacular of these difficulties are unrest and delinquency, it is easy for a right wing politics, though increasing difficulties and delinquency through its own social and economic policy, to present itself as the best defender of Security through a “zero-tolerance” discourse.

As a result, social mobilizations tend to restrict to “anti” protests, like the various declinations of “*indignados*”: “*Que se vayan todos !*” in Latin America, or “*Dégage !*” in Arabian revolutions, wich proves the reality of the crisis of a model but does not express an alternative in favour of which one could mobilise.

Nowadays, these negative identities, when mobilized by extremist parties, are considered as “populism”. This label is justified precisely when it sticks to fears of “the people”, by opposition to the more complex alternative that theorists and activists may propose. The rational of these fears is yet the same as the one of dominant : first, sceptical attitude against cooperative solutions, second the idea that the alternative model could reduce some immediate interests.

The first aspect splits populism in two types of parties. Many individuals in difficult popular situations may believe that there remains room for more solidarity to their case, if and only if that solidarity is restricted to them, or a group close to them (white and culturally Christian people of their nation or region). So they would listen to a “We first” arguments. But the situations are different according to the “We”. Some popular layers are still relatively wealthy, and this is the basis to the parties opposing to solidarity with poorer countries or even regions of the country : the *Lega* of Northern Italy, the *UDC* in Swiss, the *PVV* in Netherlands, the *NV-A* in Flemish Belgium, the *Real Finnish Party* (who opposes the European plan to bail-out Greece)... These parties defend the “Part” against the “Whole”, and accept economic liberalism (“Let the better win”).

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16 As a member of Economic and Monetary committee of European Parliament, and rapporteur for the directive *Supervision and Prudential Rules for Financial Conglomerates*, the author had to listen to the two speeches of the lobbyists.

But some populist parties have a different constituency : when their social target represent abandoned or declining fractions of working class and lower middle class. This a very general situation in post-communist Europe but also in ex-dominant countries such as France, were the *Front National*, now led by Marine Le Pen , adopts social leitmotivs and claims for the support of the Nation-State... but restricted to “real nationals”. “French first”, that is: not immigrant, and above all not Muslim. These parties represent a “Part” requiring solidarity from the “Whole” but excluding other parts.

This split is good news, because, contrary to the fascists of the 30s, populists today are unable to form an alliance. Typically, in European parliament, the populists, which are all nationalist and anti-European, has to be scattered into 3 different parliamentary groups. Yet all of them are in capacity to black-mail classical Right-of-the-centre parties into an anti-federalist and anti-solidarity position.

When speaking more specifically of a *Green Deal*, popular resistances increase. Certainly, at the world level, the poorest are interested in a better environment, because the amenities they can secure (food, safe water, etc.) are mainly acquired from free environment. For that reasons, green leaders may obtain some important successes in the Third World. But it is not the case in industrialised countries, because popular classes considered as “social conquests” a precarious access to the consumption patterns of the riches, even when this very access is ruining their environment. They may perceive the necessities of the Green revolution as a prohibition of these conquests (free riding in cars, one steak a day...), and the very idea of “internalizing in prices the cost of pollution” is considered as an aggression against their purchasing power.

## •V. The Conquest of Majority.

Despite all these obstacles on the road to Green Deal, the Green parties has gain greater support in many elections (not all) since the beginning of present crisis. In some countries, they have conquest a form of cultural majority, in the sense that even other parties admit some form of Green Deal as being “the” solution (but “not so quickly, not so radically different”, etc.). In European elections, the list *Europe-Ecologie* obtained near equality (16%) with the Socialist list, behind the right-wing dominant party at 28%. In Germany, *Die Grünen* conquered the traditionally Christian-democrat land of Bade-Württemberg, thus inducing Ms Merkel to abandon nuclear energy. Yet the possibility that the next Chancellor of Germany be a Green remains real.

What are the conditions to achieve cultural hegemony ans transform it into political majority? From my own experience, ten recommendation’s.

***First and foremost, be clear about the project.*** The Crisis requires a lot of changes, and it is better to announce that these changes will happen. This thesis is neither a radicalist statement, nor “sweat, blood and tears” romantism. It would be much better if change was not so difficult, and, as we are going to see, there is not much, within the Green shift, to tear about. The insistence about the “commitment to change” is based on the previous analysis of difficulties. Many people, either dominated or dominant, would accept the change when everyone else will accept to change, that is : when change becomes “compulsory”. The “wait and see” attitude is based on former experiences of “stop and go” policies, as it has been the case since 1992 in the struggle against climate change.

This is a good example, since most of the other obstacles to Green Deal are present in the struggle against climate changes. And, for instance, the fact that a Green electoral national victory does not induce the neighbours to act accordingly. So :

**Second : accept and promote supranational cooperation, and specially federalism in Europe.** The highest score of French Greens occurred when they adopt the title *Europe-Ecologie* in European elections, just four years after the victory of the “No”. In 2009, even “No” voters were ready to accept the idea that any policy is more efficient when carried out at the European level. This does not mean that Green has to support the “wait and see” idea that nothing should be done until EU does it. On the contrary, it is possible to reduce labour time and increase investments in Green technologies at national level, once specific measures are taken to protect competitiveness<sup>17</sup>. Other arguments would rely on the advantages to be the “first runner”: when a European decision is an historical necessity, the first who locally “moves” gets an advantage in the competition. But it should be proclaimed that, within a European Council and parliament, a Green coalition will always propose more solidarity and cooperation, and when needed legislative harmonisation within Europe.

**Third : Combine structural (institutional) reforms and substantial reforms.** People will not accept a stronger Europe if they have the feeling that this Europe works against them. They are not going to vote for federalism “just in case” or because “Big is beautiful”. One of the weaknesses of European Constitution Treaty was that it did not clearly take into account the oncoming crisis of LP model (though a “specialist”, but only a specialist, could compute it was going “in the good direction”, by comparison to the treaties of the time, Maastricht and Nice). Roosevelt increased the power of Federal State *in order to* regulate finance and foster workers' bargaining power, not the other way round.

**Fourth : Use Apocalypse with moderation.** The cultural hegemony occurs when the propositions of a party appears as “necessary” to the majority. Hence the frequent use of the argument “There is no alternative”. A famous British experience, those of Ms Thatcher at the dawn of LP model, shows that such an argument may work. Green activists strongly believe that the apocalyptic outcomes of LP models are already ratified in reality, and if not, in “hard sciences” predictions. Yet the TINA argument (“Green Deal or the End of World”) must be used with carefulness. It's main weakness is that it does not explain clearly what is the “alternative” and, when there is no clear perception of the Apocalypse being already present, it does not breach the “wait and see” strategy. Thus it is of better use for authoritarian politics (“Let me save you against yourself”). Yet there is no reason not to use the Apocalypse argument when Apocalypse occurs : it is a way to balance the “Fear of change” by the “Fear of no-change”. French Greens obtain an unclear success in 2011 local (“*cantoniales*”) elections, while German Greens were winning in Bade-Württemberg, just during the first weeks of Fukushima catastrophe. The French did not dare to use the Fukushima argument, as if it were “dirty” to use the misfortune of others as a warning for all of us. On the contrary, German activists used it intensively, and won.

**Fifth : Reveal the cost of “Not changing”.** A soft form of Apocalypse argument is the evaluation of present cost of “Wait and see” attitude. The problem with Apocalypse is that, at the beginning, it is not convincing, and when it is, it is too late. But all Apocalypses are not in the form of the wreck of Titanic. Most pollutions (local pollutions, industrial foods, and even climate change) send early signals. A good information on a these “crawling Apocalypses” would permit to reverse the burden of the proof of the cost of not-changing. The “Wait and see” attitude is also based on the idea that “A bird in my hand is better than two in the sky”. When the bird bites the hand, the balance may change. Hence the tendency of ecologist economist to foster the “internalization of the costs”, *à la* Pigou, in order to induce people to change their behaviour.

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<sup>17</sup> Example: reduction in labour time through increase of retired life is more « competitively » financed when financed through a general levy on all revenues than through a levy on wage of exporting sectors...

**Sixth. Use Pigou wisely.** Economists refer to Pigou [1912] as the inventor of incentive taxes in the protection of environment. An eco-tax permits to send informations on damages to third parties which, else, are ignored in a buyer-seller transaction. If you pay for one pond of gas, you should be aware that you pay also for the damage you do to the planet. But where does the tax go ? To the State, and, according to fiscal dogma, this tax should not be dedicated to any particular expenditure: the use of the tax is to warn the consumer, nothing more, and its “second dividend” (the revenue of the tax) is just a windfall for the State. This dogma revolts the “consumer-polluter”, and the economists should read Pigou text-book: he did not invent a non-dedicated eco-tax, but the insurance against damages to third parties with bonus-malus ! If it is to be accepted by the majority, a carbon-tax should be dedicated by priority to struggle against climate change, including in the Third world (Lipietz [1998]). This does not mean that it could ignore equity ad redistribution.

**Seventh. Combine social and environment measures whenever possible.** A major problem with Green politics is that, in order to prohibit excess in the use of a common good, it may deprive from the right to access the ones who need it the more : the poor, who may have no other access to their needs and pleasures. Hence the risk for a green policy to appear “anti-popular”. Thus, when a total quantity of common has to be redistributed through some form of cap-and-trade, equity should be secured from the first endowment. In general this idea is equivalent to : some universal access to a common (water, energy, atmosphere...) should be distributer freely, and the rest of it at a higher price. The same principle holds for ecotax : if the majority of its revenue is used to finance alternative supply corresponding to the same need (transportation...), another part should be used to increase the revenue of the poorest, at least in proportion to the ecotax they pay.

**Eighth. Present common interest as individual interest whenever possible.** To drive less and more slowly, to eat less meat, to put a jumper rather than increase the heat in a room (or the reverse in hot summer) is a necessity for the planet. But it is also to the advantage of anyone. Many objectives of reduction of the “ecological footprint”<sup>18</sup> are good for individual health, safety, and even purchasing power. While the “planet-concerned argument” is convincing for educated audience, it may appear as snobbism and anti-social to popular audience. There is no reason to underestimate the “well-understood individual interest” argument in the name of radical ecology. A mother prefers to cook good food for her children, why not take it into account when reforming the agricultural pricing system ?

**Ninth. Be fare.** Sometimes, not always but definitely sometimes, the reduction of ecological footprint, and more solidarity to the Third World, in the frame of a global Green Deal, will really reduce the purchasing power, in the “North” of the planet. That will be the case for the struggle against climate change, because the North consumes already the sustainable availabilities of 2 planets and half. Even the working class and the lower middle class will have to feel the weight of “burden sharing”. It is a condition for a world compromise. Now, the condition for such a compromise to be electable in the richest countries is that the riches of these countries take the largest part of the burden. If it is not the case, Green politics will be defeated by a more traditional forme of “social” policy, or more probably by populism.

**Tenth. No tears, but roses.** I do believe that, if no step towards global Green Deal is achieved y 2020, the challenges to the world will really require “sweat, blood and tears”<sup>19</sup>. It is not yet the case. Most reforms that should be implemented immediately to reduce inequalities and ecological

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18 Aggregate indicator of the “pressure” of an agent on the ressources of the Planet.

19 W. Churchill, nomination speech, May 13th 1940.

footprints are relatively minor, when the effects of crises will be more and more severe. But this line of argumentation is not sufficing, if citizens do not feel the mobilisation for the Green Deal, not only as a necessity, not only good for themselves and their children, but as a pleasure : interesting, passionating, and why not funny. Pleasure in participating to the safeguard of decent life in our Planet is not only a electoral necessity, but may respond to a deeper anthropological crisis of our time : too much individualism, not enough community. Hence the dramatic necessity of a strong Solidarity Sector within the Green Deal.

Remember that in the Thirties Hitler won when the Nazi celebrations appeared more appealing, exhilarating, than the socialist or communist ones. The black cause he exalted was a form of false community (the *Volk*). We, as economists and activists, are to outline that the Green Deal is a celebration of our common humankind.

## •CONCLUSION

The post-crisis model of development may not be reduced to a reform of finance prudential rules and supervision, even an ambitious one. Due to its common character with the Thirties, present crisis needs a more Rooseveltian New Deal between Capital and Labour. But this crisis is not a mere reproduction of the Great Depression. As in the “*Ancient Régime*” crises, the “Humankind/Nature” nexus is at the core of the problem, this time in a structural way. No New Deal could lead to a sustainable regime if it is not a Green Deal.

The Green Deal entails dramatic changes from the Liberal-Productivist model, but it could not be a revival of Good Old Fordism or Welfare State (even at world level), if by “Welfare State” we considerer a mere redistributive State. Ecological sustainability is now a decisive character required by any regime. Some sketches of the Green Model of development already appears :

A technological paradigm input-saving, labour-intensive, based on industrious, skilled forms of work with a negotiated involvement of workers.

A regime of accumulation distributing gains in productivity more generously to wage-owners, in priority under the form of free time, and driven by semi-public demand of green investment and common goods.

A mode of regulation based on more stable capital-labour relations, the development of Social and Solidarity Sector, with incentive environmental planning through Eco tax and tradable permits, and creation of money supply directly dedicated to green investments,

An international configuration based on cooperation between old an emerging powers in the promotion of social and environmental common rules, probably organised through continental-size economic and political blocks, with a super Marshall Plan towards LDC.

Some will think this sketch a fairy tell. Let us remember that Karl Polanyi, who identified correctly the Great Depression as a collapse of the “self-regulating market” that could only destroy Nature, Labour and Machines, correctly forecast that the alternative would be more interventionist. But interventionism could take three forms: fascist, Stalinist or social-democratic. Actually, in the third year after Black Monday, recessive economic liberalism remained untouched, with Hoover, with Laval... In the last years of the decade, interventionism had won everywhere, but in general under the most totalitarian forms, fascism and Stalinism. Only the anti-fascist victory permitted the triumph of social democratic market economy in the West, when Stalinism progressed in the east.

A direct jump too a Green New Deal is possible, avoiding the tragic detour of the Forties. But the demonstration of its consistency is not sufficient, for the lack of confidence and the weight of in-place interests will oppose to it.

A Green Model is necessary, but a democratic way to this achievement will need as more political subtlety than scientific demonstration. The basis of any step is : building confidence in the possibility to change things, together, through cooperation...

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