LABOUR LEFT
Briefing
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GREENING THE CRISIS

My grandad used to tell us you should never waste the opportunities provided by a good crisis. The current one presents us with opportunities in abundance.

Those who are serious must begin by explaining the current crisis and its origins. Do this and we can avoid short-term solutions that would simply throw us back into a re-run of where we are now. This is not just about finding bankers to blame, Regulators to roast or political leaders to pillary. It is the system itself that is in crisis. Nationalising the banks may be a necessary step in saving ourselves from being thrown into a tailspin of collapse, but it does not mean that the state has a duty to save bankers or the financial architecture behind the current crisis.

Bank nationalisation is just the first stage of a transformation package. We are at the beginning of a crisis not the end of one. The 'crunch' in the real economy is only just starting to come through. As real order books begin to seize up so too will the jobs associated with the production of these real goods and services. Rising unemployment figures will soon pile misery upon misery for the year ahead. At whatever point we begin to emerge from this crisis, the next ones – of energy security, food security and climate change – will be sitting there waiting for us. What we have to have now is a clear vision about the transformational character of intervention itself.

Let's start with the financial crisis, just because this is what fills the obsessions of our television screens and newspapers. Britain and the US have to take responsibility for driving the world into the hands of financial sharks and speculators. We told the world that public debt was bad debt and private debt was good debt. In doing so, Governments gave a green light to the financial services sector to create tidal waves of personal credit debt. This drove the world into the asset price inflation that was to eventually implode upon itself. Governments forgot a basic tenet about the world of banking; finance can create profit, but it does not create value. We allowed ourselves to be deluded into believing the opposite.

Loads of people now understand far more about 'credit default swaps' than they ever wanted to. The financial services sector tried to pretend that this was just another form of insurance, but the swaps market was created by companies that do not have to keep reserves and were relying on transactions that were all 'off balance sheet'. It was the same sort of pyramid selling/fraud that Enron sunk itself into.

Actually the swaps weren't insurance at all. They simply allowed people to sell on risks in assets they didn't hold. It created a gamblers paradise, in which the most reckless gamblers became the most overpaid executives. It isn't just that we need to freeze bonuses until the end of the year, we have to go back to a system where bankers are just paid salaries, all transactions have to be on the books, secure deposits ratio are restored and 'shareholder dividends' are no longer allowed to force the race into ever riskier lending practices. All those who have been making money out of the system will scream about this. We simply need to remind ourselves that none of the

Building Societies that remained in mutual ownership have been thrown into crisis. It is the buccaneers that have created the buccin' mess.

The next lesson from history is an understanding of what rescues a recession from becoming a Depression. The answer is in the form of government policy that keeps public spending and public investment high and interest rates low. Gordon's 'golden rules' have to be thrown out of the window at this point. This is precisely what Roosevelt did in the 1930's. The borrowing which underpinned the whole New Deal paid itself back within a decade. People with real jobs paid real taxes as well as delivering real infrastructures upon which the economy was to rebuild itself.

Today's equivalent of a New Deal has to be a 'green' one. By 2020 we will have to have transformed ourselves into a post-fossil fuel economy. We have 25 million houses that need to be turned into sources of energy generation (and conservation) rather than just consumers of it. We have towns and cities that have to become decentralised hubs of renewable energy generation. We need a radically different approach to food security that can embrace 'agriculture without oil' and re-localise its assumptions about global markets, to shrink our carbon footprint.

The delusion that deregulated markets with a stairway to heaven has now well and truly burst. There has never been a better time for arguing that the debts needed to bail us out of the crisis need to be put on the books. There has never been a better time to argue that if the debts are owned by the taxpayer then so should the assets. In the most difficult times in our past, people were always willing to buy bonds to pay for the construction of these infrastructures of common security. Between 1817 and 1880, this was where our original energy companies, water companies and civic reconstruction all came from. It was referred to as the era of gas and water socialism.

The era that needs to begin today is the era of Green socialism. Grasp this and we might survive to celebrate its achievement.