

## Let America's radical socialists be a warning to British politics

Ryan Bourne

February 12, 2019

It is said that when America sneezes, the world catches a cold.

Let us hope that the American left's recent publication of its "Green New Deal" (GND) won't be contagious enough to infect Labour here.

Just over a week ago, [Jeremy Corbyn](#) had an in-depth phone conversation with Alexandria Ocasio-Cortez, the rising socialist congresswoman. The aim, it was said, was to "build a movement to take on the billionaires, polluters, and migrant baiters".

US politics is generally considered to sit to the right of the UK landscape. But Ocasio-Cortez's GND makes the 2017 Labour manifesto look like Thatcherism on steroids.

Consider how radical Labour's proposed policies seemed just two years' ago. The party pledged rail, energy and water sector nationalisation, and to reverse the privatisation of [Royal Mail](#).

It would have reintroduced or strengthened price controls, with an energy price cap, a £10 minimum wage by 2020, and private sector rent regulation. In energy, it would have banned fracking, but invested in nuclear and supported renewables to hit existing carbon emissions targets.

Now consider the GND, endorsed – unbelievably – by declared Democratic presidential candidates Kamala Harris, Elizabeth Warren and Kirsten Gillibrand. It would put the US on a national war footing to collectively achieve a net zero emissions society within one decade.

That requires gargantuan public investment to ensure that power demand is met 100 per cent by renewables within 10 years. The domestic transport system would be completely electrified, new high-speed rail built, flight availability curbed, and research programmes into sustainability and renewable technology funded.

Not content with this energy transformation to a near carbon-free utopia, the GND pledges a social transformation too. Vital in the fight against climate change, apparently, is free healthcare and higher education, a jobs guarantee for all who want to work, economic security for those who don't, family leave, extra resources for pensioners, and a family living wage.

One could well think of the GND's emissions-reducing veneer as a Trojan Horse for a progressive social policy wet dream.

The document is, for want of a better term, bonkers. But it is being treated as a serious proposal that must be assessed on its merits. The branding helps to insulate it from well-deserved criticism: if you're opposed to the "Green New Deal", then you want to kill the planet.

The truth though is that the GND goes far beyond reasonable carbon mitigation, completely denying the existence of trade-offs or the costs of programmes that it recommends.

While Labour's 2017 election manifesto would be supremely damaging to the UK economy, at least there was some economic reasoning in justifying Corbyn's ideas. With this radical new breed of Democrat, there is no acknowledgement that nationalising vast swathes of the economy could adversely affect growth by crowding out private activity. In fact, we are told the opposite, that it would make the economy stronger as well as greener.

Could such a programme ever gain traction here? One would hope not, but the lock on this radical worldview is currently being picked at by the British left.

Ocasio-Cortez and her cohorts are disciples of a new macroeconomic worldview called "Modern Monetary Theory" (MMT).

This postulates that governments with sovereign currencies face no financing constraints, and can spend as much as they like through new printed money. The only real constraint on spending levels is the capacity of the economy.

Even academic MMT-ers admit that if you pump in too much money when the economy is at full employment, inflation will rise, and will need to be choked off by higher taxes or spending cuts.

But political proponents of this kooky theory downplay this implication. In fact, they circumvent it, by claiming that, despite low unemployment, our economies are running significantly below their potential. This allows them to say that huge new spending could be financed by money printing without requiring higher taxes or resulting in rising inflation.

Labour hasn't succumbed to the allure of this model just yet. But the mood is shifting. Last week, John McDonnell's more mainstream fiscal rule – which would require a future Labour government to balance day-to-day spending over time – was sharply criticised by British leftists.

If Labour becomes starry-eyed about a GND-type agenda, there may well be a scramble to subscribe to a theory that promises to allow much more government spending without unpopular tax hikes.

For now, though, count your blessings. Unlike Ocasio-Cortez, Labour is not invoking climate change as the new Hitler to be defeated, nor promising to print money for social policy on a hunch that the economy is below capacity.

While reading the Democrats' Green New Deal, an alien emotion swept over me. For once, I was grateful for Corbyn and McDonnell's relative moderation.

*Ryan Bourne occupies the R. Evan Scharf Chair for the Public Understanding of Economics at Cato. He has written on a number of economic issues, including: fiscal policy, inequality, minimum wages and rent control. Before joining Cato, Bourne was Head of Public Policy at the Institute of Economic Affairs and Head of Economic Research at the Centre for Policy Studies (both in the UK).*