

BEYOND THE AGE OF AUSTERITY



The Institute of Fiscal Studies cast a long shadow across Labour's £1.3 trillion rescue plan for the British economy. Their judgement was that it will saddle every household in Britain with an annual bill of £2,840 for a decade, in debt and interest repayments. It was a message laced with gloom and unremitting austerity.

The Treasury tried to respond by saying that the economy would recover much faster than the IFS believe. Growth would then be back on track, and 'business as usual' (with some tightening of financial rules) will be back in business. Both assessments are wildly misplaced.

All of those who long to get back to the world as it was should be made to watch the film 'The Age of Stupid' before throwing us again into the tyranny of their nostalgia. Everything that has driven the world into

this current mess would only drive us into extinction before the century is out. Today's crisis may be the last big opportunity to avert a global catastrophe. The opportunity, however, only comes in a radical change in how we live... and in a remarkably short timescale. The good news is that the current crisis is so bad that it is much easier to head for where we want to be than head back to where we left off.

There is no point in feeling depressed about the debt. The figures are so large they become almost meaningless. They need to be looked at in a different way. First, Britain is not a poor country, and we should not wring our hands to pretend so. Second, the debt does not compare to the level of indebtedness (as a percentage of GDP) that Britain faced in its post-war reconstruction programme in 1945.

Give yourselves a pinch and remember that this was when Britain had its biggest ever programme of redistribution in favour of the poor. It was when a Labour government founded the NHS, established the state pension, introduced universal education rights... and built houses as though there was a tomorrow. Today's redistribution needs to be just as profound, but this time it has to be in favour of the planet as well as the poor.

Sceptics would say that the difference is that in 1945 there were countries willing to lend when the UK needed to borrow. Now everyone is looking to borrow. The implication is that the UK might find itself reclassified as a sub-prime economy, unable to borrow except at exorbitant rates.

Get real. We have to put debt into a different mindset. People in Britain continue to put around £50 billion a year into their pension schemes. The problem is that pension (and insurance) schemes have nowhere to go other than into the same speculative markets that have pissed their savings up a wall built only of exotic (i.e. fraudulent) financial instruments.

Governments have to learn to stop bailing out the toxic debt of banks and invest into something else. My Budget proposal was for the government to put £100bn into a Green Infrastructure Bank and to issue

long-dated Green bonds that pension funds and insurance companies could transfer assets into. This would probably draft £1 trillion into a green infrastructure programme that could race Britain into a different future.

The transformation timescale is short. The critical year for all of us is 2015. This is the point at which the UK has to start seeing its total carbon emissions reducing, year-on-year, in a race to prevent global temperatures rising beyond 2°C. The urgency of the race, and the significance of 2015, is that there are a whole series of tipping points which, if we cross them, will offer no real way back. Such tipping points include the melting of the polar ice caps and the Siberian tundra, with the former reflecting large amounts of the sun's heat and the latter storing vast quantities of greenhouse gases. Getting past these tipping points requires a rapid transformation into a post-fossil fuel economy and a post-neo liberal mindset.

The difficult times ahead will require a heavily managed transformation of our economies. The critical issues facing people will revolve around food security, energy security and water management. The critical movement of goods will be dependent upon national and regional transport infrastructures far more than global ones. The good news is that these are all 'jobs-rich' areas of transformation.

Put aside the claims of big energy and big government that clean coal and nuclear will get us out of this mess. Neither will deliver anything towards the 2020 targets for renewable energy. Both revolve around big corporate interests requiring heavy subsidies that will have to be paid in direct or concealed terms. In the case of clean coal it is also premised on two big assumptions. The first is the notion that carbon capture and storage will work on a fail safe. The second is that those who have charged monopoly prices for extracting the fuel beneath the Earth's surface, will not charge monopoly prices for depositing carbon dioxide back in the same holes.

The purpose of a green infrastructure bank would be to force the pace of investment in renewables. Vespor, Britain's only major wind turbine manufacturer, has just announced its intention to close down UK production because of the absence of demand. Oil companies have withdrawn from similar renewables projects on the basis that they can make more money more cheaply elsewhere. The Government rests behind the somewhat misleading claim of being the world's leader in offshore wind generation. Whilst technically true, this amounts to only just more than half a gigawatt of electricity. We're actually 8th in the international league of installed wind power capacity, delivering 7 times less than Germany, 5 times less than Spain and less even than Italy and France. Denmark, with a population around 10% of the UK's, generates the same amount of wind power energy.

Civil servants in Britain have long been disinterested in whether the UK produces anything of its own renewable energy needs. The belief was that if we wanted the technology, we would just buy it from elsewhere. Young people in Britain who would love to be part of the skills generation that transforms the nature of our economy were simply jettisoned in a free market pursuit of cheap and disposable labour. The same applies to the pursuit of renewable heat or 'green gas' investment. Britain may be second to bottom in the European renewables league table, but if you look at the investment in a shift into bio-methane, we are bottom itself.

Heating is a more critical issue for the poor than electricity. Some 80% of the fuel costs of the poor are taken up by gas or other heating costs rather than electricity. Germany now plans to meet half of its gas

needs from recycling its own waste in bio-digesters and putting the gas back into the national or local grid systems. Given the cost increases in waste disposal itself, some of their companies are even offering to supply the gas at fixed prices for 10 years or 15 years, whichever is the length of the waste disposal contract.

None of the technology involved is rocket science. It has been on the market and in operation for up to 20 years. Across Europe, whole towns and cities are already delivering their heating needs (and running their transport fleets) on the gas from bio-digesters. Energy security, job security, stable prices and even fertilisers to go back to the land are all part of a different, holistic way of looking at relocalised economics. The pension funds, now looking for a safe home away from casino insecurities, could be the drivers of this change at the same time as securing the pension interests of those in work.

I only now admit to being a lapsed economist. Too many of today's orthodoxies need to be stood on their head if they are to have any relevance to the years ahead. Before I studied economics however, my granddad offered me a much simpler view of what economics was about. 'Just remember this,' he told me one day, 'behind all those 'highfalutin' theories, economics is really simple. It isn't anymore than a money-go-round. You just have to work out where the money gets on, where it gets off and how much the man in the middle is putting in his pocket.' Without any great training, my granddad wasn't far wrong.

Taking control of our own money-go-round would still make it possible to turn our society into one in which people could live decently and securely. To turn Britain's 25 million homes into ones which are both energy efficient and energy generating would take a lot of money and involve a lot of jobs. Those doing the work would pay taxes and spend their earnings in the local economies that created and supported other jobs, tax contributions and spending. It is a money-go-round that delivers common security and based on common interdependence.

The same logic applies to the more localised and regionalised sourcing of food. Elsewhere in Europe, you would have no difficulty in finding food cultures that take a pride in regional diversity, local accountability and much reduced food miles. In a world that is going to have to embrace post-oil agriculture, we're going to have to rediscover these virtues... and quick. Cuba, the one country on the planet that has already been forced down this path, is now self-sufficient in organic food and supplies as much of its own food needs from within its cities as from the countryside. It involved a fundamental rethink of the labour we put into food production and a fundamental reclamation of urban space. The interests of growers displaced the interests of developers.

These lessons, and more, are already available across a global landscape. There are thousands of communities beginning their own transition towards a different way of living in concert with the planet rather than in conflict with it. Each transformation brings its own difficulties and challenges, but they are not to be caricatured merely as an age of austerity. Somewhere in the process of living more lightly on the planet we can find security, dignity and fulfilment. It will be part of a process that rescues us from being lumpen consumers and restores the status of being genuine citizens.