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GREEN NEW DEAL: WHAT'S THAT? A NEW ECONOMIC THEORY?

By Steve Bakke  February 26, 2019



Here comes the “Green New Deal” (GND), a bucket list of glitzy proposed legislation intended to eliminate mankind’s needs and worries once-and-for-all. It was proposed by newcomer Rep. Alexandria Ocasia-Cortez (D-NY). AOC, as she’s been nicknamed, and fellow “travelers” are proposing bold programs that many consider to be socialism. But let’s not judge too quickly. First, what is the GND? Later, I’ll examine whether a legitimate “economic theory” supports GND.

Here are some proposals: *ban fossil fuels; eliminate nuclear energy; eliminate autos; clean energy retrofit for all buildings; virtually eliminate air travel using high-speed rail; government guaranteed jobs; free educational opportunities for life; government provided “healthy” food; ban meat; guaranteed “safe, affordable, adequate housing” for every American; and guaranteed “economic security” for all who are “unable or unwilling” to work.*

Presidential hopefuls have jumped on AOC’s bandwagon: Booker, Harris, Warren, and perhaps more to come. They dare not reject her too soon as they stand with a damp finger in the air to detect which way the political wind is blowing. But it’s clear that for many, these ideas are more than aspirational, and the “twenty-something” AOC is effectively setting the Democrats’ agenda, at least for the near term. If she were old enough to run for President, she would probably be a front-runner.

Many democrats fully intend to make good on the GND. Regarding climate issues, Kamala Harris stated: “Of course we can afford it.....It’s not about cost. It’s about an investment.” Candidate Amy Klobuchar isn’t totally on board, but hedges with this statement: “I think we can get close.”

Regarding the question of how to pay for GND, we first need to get accurate cost estimates. Preliminary estimates are surfacing and suffice it to say that the cost will be in the “tens of trillions” and indications are that all the wealthy people in the country couldn’t pay for it, even if we took all their earnings. Why isn’t it valid to insist on knowing how the heck we can pay for all of this? Is GND supported by an economic theory that’s now manifesting itself in these ideas and rationale?

Nobel laureate economist Paul Krugman scoffs at those who question the wisdom of claiming we can pay for these programs: “To the extent that it’s a public investment program, demands that its supporters show how they’ll pay for it show more about the critics’ bad economics than about the GND’s logic.” He’s also on record supporting the highest marginal tax rate being 80%. New York Mayor de Blasio showed which side he’s on when he recently stated “there’s plenty of money in the world.....It’s just in the wrong hands.”

Do they plan to just print money to pay for it? (Bite your tongue!) I recently read about something called Modern Monetary Theory (MMT). William Sullivan, writing in “American Thinker,” was connecting these outrageous left-wing spending goals with the MMT theory. He quoted Stonybrook University economics professor Stephanie Kelton proclaiming: “The federal government can afford to buy whatever is for sale in its own currency.” Professor Kelton acknowledged that this is, in effect, printing money.

Sullivan’s article explained that MMT assumes the government doesn’t actually have to pay back the debt because the principal and interest belong to the government anyway. Researching this myself, I discovered that this theory grew from an idea that money doesn’t have intrinsic value, and that governments can assign value to money. Both economists quoted above, Krugman and Kelton, clearly reflect this thinking.

That reminded me of a controversial policy of the Obama administration when we kept hearing about “quantitative easing” (QE). I recall thinking this sounded friendly and harmless – almost therapeutic, but it’s not. In simple terms, QE is a procedure the Fed can use to increase the money supply by flooding the nation’s financial institutions with capital, thereby increasing liquidity. If this action isn’t eventually reversed, it amounts to simply “printing money,” and our money supply is devalued. The fact that this policy is available must give comfort to GND’s proponents.

The Green New Deal is an organized system of thought supported by an old, irresponsible, economic theory. It’s even more dangerous than we at first thought.