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Rethinking the fiscal and monetary political economy of the Green State.

Dan Bailey

speri. Sheffield Political Economy Research Institute.

About the author

Dan Bailey

Daniel Bailey joined SPERI as Project Research Officer in September 2016, having previously worked as an Associate Lecturer at the University of York after completing his ESRC-funded PhD at the University of Sheffield.

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Introduction

There are many dimensions to the Green State, but its fundamental political economy characteristics can be defined as the fusion between the belief in de-privileging Gross Domestic Product (GDP) growth as a political objective and the utilisation of the state to ensure environmental protection (Eckersley, 2004; Christoff, 2005). Robyn Eckersley's conception drew upon the strong ecological modernisation school of thought concerning the evident ecological and social issues with GDP growth as well as the pragmatic appeal of employing the state's capacity and legitimacy.

In her seminal work on the Green State, Eckersley stated explicitly that she envisaged it to be largely post-capitalist. She posited that 'a deep and lasting resolution to ecological problems can... only be anticipated in a post-capitalist economy and postliberal democratic state' (Eckersley, 2004: 81). Her position on the topic later became more equivocal, as she herself conceded in response to James Meadowcroft, stating that 'I do not argue for the abolition of private ownership or wage labour but I do argue that the state should ecologically constrain and discipline capitalism in significant ways... But how much does public power need to take over from private power before we can describe the green state-society complex as post-capitalist? I'm not sure, and I'm not sure it matters' (Eckersley, 2006: 134). However, when pondering whether a 'full-fledged Green democratic state' would still be capitalist, she does explicitly designate an area where conventional capitalist practices would continue, namely, in the area of state financing:

> On the one hand, the green state would still be dependent on the wealth produced by private capital accumulation to fund, via taxation, its programs and in this sense would still be a capitalist state. On the other, securing private capital accumulation would no longer be the defining feature or primary *raison d'être* of the state. The state would be more reflexive and market activity would be disciplined, and in some cases curtailed, by social and ecological norms. The purpose and character of the state would be enlarged and therefore be different. In this respect, the green democratic state may be understood as a postcapitalist state (Eckersley, 2004: 83-84).

Growth is often depicted as an addiction, a myth or an unnecessary fixation by the green movement which tends to fix its analytical focus on the private rather than the public sector. Yet the de-privileging or ending of growth will also have ramifications for the fiscal capacity of the state (Bailey, 2015). This is because any suppression of economic activity – for that is what GDP is a measurement of – is a suppression of *taxable* economic activity, and there are thus consequences for the 'tax take'. The end of growth advocated by strong ecological modernisation theorists therefore threatens to circumscribe the capacity of the state whilst simultaneously proposing an 'enlarged' interventionist role for the state in protecting the environment. This constitutes a significant paradox for the putative Green State, if we are to insulate the constraints surrounding state financing from reform.

As such, the political economy of the state as we move beyond growth remains theoretically under-developed in the Green State literature. I will argue in this Paper that we need to go further than even Eckersley does in challenging the *ceteris paribus* assumptions of the capitalist system. Specifically, there is a need to re-politicise the capitalist concepts that constitute the constraints surrounding the Green State. This is necessary if the Green State is going to have the capacity presupposed by Eckersley and also Christoff in spite of de-privileging growth.

This trilemma between moving 'beyond growth', the presupposition of a large interventionist state and the constraints of state financing will therefore be the focus of the analysis in this Paper. I will argue that the notion of building an interventionist Green State is problematic whilst GDP growth is being de-privileged, as long as we remain deferential to the existing constraints surrounding state financing (as Eckersley has suggested). This has been under-theorised in the existing scholarship.

I will begin by outlining the gestation and defining political economy features of the Green State concept. Thereafter, I will deliberate the fiscal ramifications of moving beyond growth. Finally, I will utilise Eckersley's own 'critical constructivist' approach and interrogate the capitalist concepts and practices that constitute the constraints.

The rise of the Green State

The historically dominant ontological understanding of the state, at least amongst a certain wing of the green movement, is of a hierarchical mode of domination over both humans and the natural world. The state is perceived to be inextricably bound up with the interests of private capital and ecological destruction (Paterson *et al.*, 2006: 136). This understanding – influenced by both the anarchist tradition of thought represented by Bookchin (1980, 1982), on the one hand and orthodox and revisionist Marxism which interprets the state as little more than an appended superstructure to the infrastructure of capitalist production, on the other – has resulted in the tendency of green scholars to renounce the state.

The growing movement to see the state instead as a potential site of environmental protection, given its legitimacy and unparalleled capacity to enact change as the conventional modality of power, has been spearheaded most significantly, as we have already noted, by Robyn Eckersley. Eckersley's 'Green State' conception sparked a revival of interest in the state as an environmental actor.[1] Meadowcroft (2005: 5), writing around the same time, also argued that states could be considered to be more or less green depending on the extent to which they monitor ecological factors, assess risk, deploy effective policies and finance green activities. Barry and Eckersley's (2005: 255) call to chart a course between 'naïve antistatism and naïve statism' which had both failed 'because they lack any sense of context and historical dynamics in the political economy' set the agenda for subsequent scholarship in green politics. The propensity to view the state as a potential environmental actor was catalysed by the 'global financial crash' of 2007/8 which instigated debates on 'green new deals' and 'green growth' macroeconomic strategies; shifting the analytical focus in green scholarship away from modernity, industrialisation, globalisation and capitalism (Saurin, 1996; Kovel, 2007; Smith, 2011). The analytical centrality of the state in green scholarly debate was recently reaffirmed by the special issue in *Environmental Politics* entitled 'Green Leviathan? The emergence of the Environmental State', in which Duit *et al.* (2016: 2) posited that state to be a 'central object of study for scholars of environmental politics'.

Eckersley thus put forward a pragmatic and instrumental approach to the state based on an immanent critique of actually existing practices of governance. The utilisation of the state to serve purposes of ecological protection reflects the approach of the German Green Party to 'march through the institutions' or, as Barry (2012: 150) puts it, to 'dig where we stand'. The theoretical development of the Green State's central features has been driven by Peter Christoff (2005), James Meadowcroft (2012), John Barry (2012) and Arthur Mol (2016), addressing particular issues of democratisation, sovereignty and the commitment to internationalism *inter alia*. Emerging from their analysis has been the criteria for environmental performance to which states should aspire and be measured (Christoff and Eckersley, 2011).

Peter Christoff (2005) developed the conception by establishing a typology of Green States. At the pinnacle of Christoff's typology were those Green States prioritising green goals, such as mitigation and adaptation policies, over any other governmental imperatives (including economic growth and welfare spending). He wrote that 'Green States, were they to exist, would be characterised by the predominance of types of state activity aimed at strong ecological modernisation' (Christoff, 2005: 41). As the Table below demonstrates, Christoff believed that the 'greener' states were, the higher the budgetary commitment would be to ecological issues and the higher the levels of state capacity.

Table 1: Extracted from Peter Christoff's typology of Environmental States (2005)

Type of Green State	Defining features	Examples
Green State	Strong eco-modernisation through: • High levels of state environmental capacity and intervention, and of integration of economic, social welfare, and environmental welfare policies • Strong cultural and political institutionalisation of ecological values • High commitment to human welfare environmentalism • Strong budgetary commitment to both human welfare environmental and eco-centric issues	None currently
Environmental welfare state	Weak eco-modernisation through: • Moderate state environmental capacity and intervention • Weak institutionalisation of ecological values, with human-orientated (social and environmental) welfare predominant • High commitment to human welfare issues • Moderate budgetary commitment to ecological issues	Sweden, Netherlands
Environmental neoliberal state	Very weak eco-modernisation through: • Weak state environmental capacity and intervention. • Strong market orientation • Moderate to high commitment to human welfare environmentalism • Weak to moderate budgetary commitment to social and environmental welfare	Australia, USA

Source: Christoff, 2005.

Christoff's benchmarking of high levels of state capacity and prioritisation of green objectives in budgetary decision-making echoes the writings of Eckersley (2004). These state qualities would enable a state to mitigate and adapt to climate change, manage ecological resources, pool socio-economic and environmental risks, establish means of redistribution aligned to notions of social justice, and be seen as broadly 'green'.

Meanwhile, there are ample reasons for the Green State literature to embrace the strong ecological modernisation commitment to moving beyond economic growth. For Eckersley (2004), this is derived from a political ecology critique of cornucopian assumptions and the fetishisation of material wealth. Even Meadowcroft (2012), who propounds a weaker version of 'Ecological Modernisation', asserts that the ecostate must spell the end for economic growth as it becomes seemingly incompatible with 'planetary boundaries'. Barry and Eckersley (2005: 260-263) went further and argued that not only should a Green State de-prioritise growth, but that the ingrained governmental imperative towards economic growth represented the major obstacle to the green state. The calls to de-prioritise GDP growth are substantiated by the empirical evidence suggesting that the commitment to *ad infinitum* economic growth remains incompatible with environmental sustainability (IPCC, 2014; Anderson and Bows-Larkin, 2012; Jackson, 2009; Rockström *et al.,* 2009). In spite of the dominance of politically appealing 'green growth' or 'sustainable development' narratives which purport to offer us sustainability from within the parameters of the economic status quo, these discourses continue to be based on little more than a faith in future technological innovations capable of 'de-coupling' economic output from ecological output to a greater extent than has so far been possible (Jackson, 2009; Latouche, 2009; Jackson and Webster, 2016). This is to say nothing of the evidence which suggests that growth no longer enhances social wellbeing in the post-industrial countries, and may even detract from it (Kasser, 2002; Layard, 2005; Sen *et al*., 2008; Wilkinson and Pickett, 2009). On this basis of this evidence, it is unsurprising that transcending GDP growth has become a central feature of the Green State concept.

However, the presumption of this fusion between large state capacity on the one hand and the de-privileging of growth is contradictory if the *ceteris paribus* the constraints surrounding state financing are to be insulated from critique, something which Eckersley explicitly advocates.[2] Whilst the work of Eckersley (2004) and Christoff (2005) has been pivotal in driving the debate on the extent to which more enlightened forms of governance could hypothetically play a role in facilitating environmentally-conscious behaviour in the citizenry through prioritising ecological goals, the political economy of the Green State nevertheless remains inchoate in the literature. Specifically, the existing literature has paid insufficient attention to the political economy of the state itself and the extent to which the fiscal capacity of the capitalist state – upon which the Green State's mitigation and adaptation projects would supposedly be predicated – would be compromised by moving beyond GDP growth. It is this to which I now turn.

Living without the 'fiscal dividend' of growth

Recognising the environmentally and socially problematic dimensions of economic growth and sensitising policy-making to alternative metrics is not imprudent. However, there are repercussions of de-prioritising GDP growth for the state, as well as for the practices of the private sector. Whilst those in the green movement have been vocal in their opposition to austerity and state retrenchment since the 2008 financial crash (Lucas, 2013; European Green Party, 2015), moving beyond growth *ceteris paribus* has severe and constricting ramifications for the fiscal capacity of the Green State.

As I have argued elsewhere (Bailey, 2015), any move 'beyond growth' entails a suppression of economic activity and thus *taxable* economic activity. The corollary of this is a flat-lining of the 'tax take' in the case of a transition to a 'Steady State Economy' and an incremental decrease in the 'tax take' in the case of a de-growth transition. As Paterson (2016: 479) notes, 'if the Green State is dependent on capital for taxes, and capital is dependent on accumulation for profits (out of which taxes would be paid), then how viable is a strategy of limiting overall accumulation?' Such an insight already problematises Eckersley's anticipation of 'enlarged' state capacity.

Yet the calls to move beyond growth come at a moment in time when the state is also facing escalating demands on its resources. This is partly due to the expansion of eco-investment by a Green State, but primarily due to rising welfare costs. Demographic changes mean that welfare budgets in the post-industrial world – which constitute one of the largest components of state spending as well as a budgetary priority of Green States (Christoff, 2005: 42) – are set to grow significantly in forthcoming years, particularly because of strains engendered by existing welfare commitments in the areas of healthcare and pensions. The effects of these demographic changes on welfare budgets are manageable as long as growth is maintained, according at least to welfare state scholars (Esping Andersen, 1996, 2002; Taylor-Gooby, 2013; Hay and Wincott, 2011). However, it is unclear how policy-makers are to meet existing welfare commitments when they demand ever greater monetary resources in a context where the 'tax take' is stagnating or diminishing. The post-war social contract 'was founded upon robust economic growth' (Esping-Andersen, 2002: 23), which has led Fitzpatrick (1998: 5) to conclude that 'social justice and ecological sustainability do not necessarily go together'. To compound matters, one could reasonably assume that a post-growth transition would have direct implications for other areas of welfare, such as demands for unemployment insurance, income support and private pension funds. It is important to avoid determinism here, but certainly a post-growth transition would impose severe fiscal constraints on state spending just as existing welfare commitments demand greater expenditure.

A transition to a 'Steady State Economy' rather than a de-growth economy would to some extent alleviate the constraints on state capacity, as the tax take would 'only' stagnate rather than contract. However, even in a context where growth was stabilised, current levels of state spending could be deemed to be fiscally unsustainable because the budget deficits being run in Europe today demonstrate that even present levels of state spending are not being financed by present levels of tax income. Already, state spending is outstripping tax income in a way that could only be acceptable when it is possible to anticipate future economic expansion. It is tempting to think of these budget deficits as being a post-2008 phenomena, but, with the exception of Canada, Norway, Finland and Denmark which have run budget surpluses consistently in recent decades, budget deficits have become remarkably normalised in many post-industrial societies since the 1970s (World Bank, 2015). Worse, the capricious reactions of the financial markets to a post-growth transition – should they be insulated from a Green State overhaul too – could also raise the cost of government borrowing and de-value national currencies, thereby making the existing fiscal arrangements of the state all the more unsustainable.

This is to say nothing about the repayment of the public debt accumulated by the budget deficits of previous years. Today, the repayment of public debt and the continuation of budget deficits can be justified as temporary counter-cyclical Keynesianism designed to revive the locomotives of growth through re-generating demand and capital investment projects. It is a moderate concern for most progressives as future budget surpluses enabled by growth will ameliorate the borrowing of today. This macroeconomic logic will be discredited by the end of growth (Bailey, 2015).[3] It is uncontested here that public debt has been fetishised since 2009, but in a post-growth transition the Keynesian macroeconomic logic which allows us to be sanguine about debt repayments and budget deficits no longer holds. With all this in mind, 'not only is future spending predicated on economic expansion, but current levels of spending are based on assumptions of future expansion as well' (Bailey, 2015: 798).

Domestic politics will play a key role in determining where remaining capital is allocated, but the structural fiscal constraints imposed upon Green State policy-makers in a post-growth context are clear. Debt repayments, welfare commitments and other areas of government expenditure will compete with environmental projects for scarce governmental resources in conditions of *pareto optimality* or state atrophy. Some forms of taxation may mitigate the growing gulf between the stagnating tax take – although there are significant limits to even progressive architectures of taxation when the *very point* of a post-growth economy is to circumscribe economic activity – but we could certainly anticipate severe consequences for the fiscal capacity of the state. In all likelihood the level of austerity demanded by a post-growth transition would far exceed the level of austerity experienced already since 2008 (Bailey, 2015).

For the Green State to be truly 'green' it may need to accept the strong ecological modernisation impulse to de-prioritise GDP growth (IPCC, 2014; Anderson and Bows-Larkin, 2012; Jackson, 2009; Jackson and Webster, 2016). Yet, simultaneously, the Green State will be difficult to operationalise without the fiscal capacity enabled by growth. How are the Green State's institutional mechanisms of effecting environmentally-judicious change to be financed?

This critique complements the scepticism about the state's ability to rid itself of its functional imperative to pursue the interests of private capital given the long-term evolution of the state's institutional set-up, articulated by Hay (1996), Paterson (2016) and Dryzek (1992). Their institutionalist analysis proffered the argument that the ideas embedded into state institutions – which are not immutable but are nevertheless fundamental to what institutions actually are – will continue to peripheralise environmental objectives. Paterson believes that 'detaching a growth imperative from the state is impossible to imagine', as the state and capitalism are co-constitutive, based on his ontological contention of a 'structural relationship between capitalism, growth and the state' (Paterson, 2016: 479).

As James O'Connor (1973) rightly acknowledged, the state's attempts to redress negative 'market externalities' through welfare expenditure and environmental projects (and secure its own legitimacy in doing so) have formed part of a governance strategy to manage these tensions. The paradox O'Connor identifies between the state's simultaneous commitments to promoting the interests of capital and assuaging the manifestations of its social and environmental consequences, does not however, disappear as much as mutate in the context of moving beyond growth. This analysis thus dovetails with the accusation posed by Paterson (2007: 549) that Green State scholarship takes the issues of capitalism very lightly. Certainly this analysis points to the precarious fault lines upon which Green States sit and the limits of capitalist relations.

The political economy of the state as we move beyond growth remains theoretically under-developed in the post-growth as well as the Green State literature. Many authors who depict a post-growth economy continue to posit a large and interventionist role for the state (Jackson, 2009: Victor, 2008). It is clear, however, that if we adhere to the *ceteris paribus* mechanisms and constraints of state financing, such a transition would have profound consequences for the fiscal capacity of the state. This would have direct effects upon the state's long-held status as being *the* instrument of progressive politics, a position echoed by Eckersley and Christoff.

The Green State, of course, was partly a response to the anti-statist tradition within the Green movement; the most notable exponents being Murray Bookchin (1980; 1982), Alan Carter (2013) and Giorgos Kallis (2012). In some sense, this critique may be seen as reinforcing their antipathy toward the state. Indeed, although it takes a different analytical route, it may even provoke the same question posed by Thom Kuehls (2014: 243): does a truly environmental politics mean the end of the state? Is the very notion of a Green State in some sense oxymoronic? Yet Eckersley is right that the state – or at least some institutions within it – *is* a crucial vehicle for addressing environmental unsustainability, unrivalled in terms of existing capacity and legitimacy. Some state actors and actions not only can, but do, serve to mitigate ecological problems and facilitate the adaptation of societal structures to a greener age in ways which reflect green values of social justice, redistribution and regulation. As such, if there is to be an effective Green State as Eckersley envisaged it, it is imperative that moving 'beyond growth' does not entail the fiscal erosion of the state.

Interrogating the capitalist concepts constituting constraints

This proposition of an interventionist state that is moving beyond growth presents a contradiction for the Green State literature to contemplate. However, a way of transcending such a contradiction may have been signposted by Eckersley herself. Eckersley's 'critical constructivist' approach is relevant here as it shuns functionalist analyses and recognises the 'political and discursive struggles over the contested meanings, purposes and functions of social institutions' (Eckersley, 2004: 62).

It is an approach that provides an open-ended framework for interrogating deep-seated structural socio-economic conventions, and thus enables us to contemplate a degree of systematic transformation; quite in contrast to the weaker forms of 'Ecological Modernisation'. Critical constructivism, therefore, serves as a useful analytical method of contesting the *ceteris paribus* assumptions made in the prior analysis and rendering the aforementioned fiscal constraints mutable through re-politicisation and contestation. The constraints outlined in this analysis are, after all, not objective or borne of the material world. They are fundamentally ideational, even if they have long been de-politicised and accepted as economic necessities. It is important to insist that what constitutes the constraints in the prior analysis is simply a nexus of capitalist concepts, which can be subject to contestation.

Eckersley's view was that the Green State must be a post-capitalist one if it is to achieve a 'deep and lasting resolution' to ecological problems (Eckersley, 2004: 81). The analysis presented here re-affirms that view, but it also demands that we go further than Eckersley does in challenging capitalism's established conventions. To reiterate Eckersley's stance, when pondering the question of whether a 'full-fledged Green democratic state' would still be a capitalist one, she stated with clarity that:

> On the one hand, the green state would still be dependent on the wealth produced by private capital accumulation to fund, via taxation, its programs and in this sense would still be a capitalist state. On the other, securing private capital accumulation would no longer be the defining feature or primary raison d'être of the state. The state would be more reflexive and market activity would be disciplined, and in some cases curtailed, by social and ecological norms. The purpose and character of the state would be enlarged and therefore be different. In this respect, the green democratic state may be understood as a postcapitalist state (Eckersley, 2004: 83-84).

Eckersley, then, put forward a view of the Green State as broadly post-capitalist, but she posited that the conventions of state financing were to be elements of the existing capitalist set-up that were to be maintained. In spite of this, the state was to be 'enlarged'. In contrast, I contend that the critical constructivist approach must be applied to an additional sphere of socio-economic relations if the Green State is to fulfil the role that Eckersley propounded. I contend that the conventions of state financing – with the typical practices of money creation and the viability of existing debt relations in particular – must be re-politicised and challenged if we are to operationalise a state which is simultaneously robust enough to enable green change and move beyond GDP growth. De-privileging capital accumulation is a laudable aim of Eckersley's Green State vision and one which is cognisant of the existing empirical evidence on the relationship between growth and environmental sustainability, but without growth and under *ceteris paribus* conditions of state financing the Green State would suffer a fiscal contraction from the moment of its inception.

It is important to avoid drawing any prescriptive conclusions at this juncture, as there are numerous paths – all with differing degrees of post-capitalist radicalism – we can infer from the preceding analysis. I would suggest, though, that the insights of two bodies of scholarship are particularly germane, given the analytical focus on state financing, which together constitute a rather minimalist route forward. An engagement with both literatures promises to be fruitful given their potential contribution to a discussion on re-politicising the constraints surrounding the Green State.

The first is the emerging literature known as 'Modern Monetary Theory (MMT)' that provides a quite different account of a modern state's fiscal and policy space than orthodox economic approaches based on a critique of conventional money production. Private banks, contrary to the pervasive misconception, do not simply serve as intermediaries between savers and lenders, but instead create money *ex nihilo* through issuing credit at interest. This has been recognised by Keynes (1930), Hayek (1931), Schumpeter (see Michell, 2014), Minsky (1986), Wray (2012) and recently even the Bank of England (2014). Over 90% of money circulating in advanced capitalist economies today has been created by private banks (Di Muzio and Robbins, 2016) and is governed only at arms-length by Central Bank interest base rates which shape the profitability of private banks to lend (Ingham, 2004).

MMT has partly grown in popularity because of the banking crash of 2007/8. Scholars such as Wray (2012) and Bell-Kelton (2001) have drawn upon Minsky (1986) to contend that the *modus operandi* of money production is irrevocably dysfunctional given the destabilising effects of credit cycles in generating financial instability. Drawing on this tradition, as well as the belief that money ought not to be analysed as a commodity with innate value but rather as a 'social relation of debt and credit denominated in a unit of account' (Ingham, 2004: 12), a cadre of scholars has challenged the naturalised understanding of money production and questioned whether it could be reconstituted.

MMT scholars particularly invoked the insights of Knapp's (1924) 'state money approach' to argue that the state could adopt a more prominent role in producing capital to better serve the public good. The injection of money into the economy by state agencies is far from unprecedented, as the recent bouts of Quantitative Easing – the policy of creating new bank reserves from the purchase of (toxic) financial assets – in Europe instantiate. Policy proposals such as 'People's Q.E.' and 'Green Q.E.' (Blyth *et al.*, 2015; Anderson, 2015) both draw upon MMT ideas to advocate alternative injections of capital into the economy. In sum, the case for re-thinking the balance between the public and private sectors in money production so that it better serves social purposes is compelling.[4]

From a green perspective, re-equipping the state in this way can be seen as instrumental in bolstering investment in low-carbon infrastructure and energy systems, as it has been shown that private capital is tendentially attracted to unsustainable, carbon-intensive industrial sectors (Di Muzio, 2012). However, it is just as crucial to transform monetary policy for social purposes. As Martin Wolf (2014) notes, 'the new money would be injected into the economy in four possible ways: to finance government spending, in place of taxes or borrowing; to make direct payments to citizens; to redeem outstanding debts, public or private; or to make new loans through banks or other intermediaries'. A greater role for the state in the creation of this Polanyian 'fictitious commodity' would be conducive to the public good is unquestionably the position taken by the eminent green scholar Mary Mellor. She has drawn upon the work of Marx and Veblen to argue that realising an economy which is both democratic and sustainable is predicated upon tackling the inequities of finance (Mellor, 2002; 2010).

In light of the fiscal constraints imposed by a post-growth transition upon the state under *ceteris paribus* conditions, the notion of financing public expenditure not through tax receipts or by borrowing from financial institutions (which currently create money *ex nihilo*) but rather by the state itself is of great relevance to the Green State debate. The first option identified by Wolf would do much to address the trilemma explicated at the beginning of this Paper. Indeed, this is why Tymigne and Wray (2014) claim that fiscal constraints are entirely self-imposed by 'monetarily sovereign' governments.

A monetary reform of this magnitude would certainly encounter significant political obstacles, the most patent of which would be retracting the independence of, and enforcing a new remit for, Central Banks. Re-politicising the Federal Reserve in the United States and the Bank of England in the UK in this way would prove politically challenging, but the tackling the power of the inter-governmental European Central Bank in the Eurozone countries more difficult still. However, there is good reason to think that moving beyond growth – as demanded by strong ecological modernisation exponents – requires such a reform. The current theory of debt-based and interest-bearing money creation can be said to be predicated upon future economic growth (Douthwaite, 2006; Eisenstein, 2012; Farley *et al.*, 2013), and, as such, the very existence of a Green State which embodies both of its key political economy characteristics could rest on tackling such institutional arrangements and vested interests.

The primary economic criticism of MMT reforms are that nationalising the means of money production could produce hyper-inflation, with Weimer Germany and Zimbabwe in the 2000s typically cited as examples. Jackson and Dyson (2012: 302) contend that it is state corruption, rather than state-led creation, which is the historical common causal driver of hyperinflation and accordingly advocate the establishment of a Money Creation Committee (grounded in monetarist ideas of governmental control of the money supply) and a greater role for tax policy is warding off inflationary pressures. Nonetheless, inflation represents a significant threat to socio-economic stability and living standards particularly in the context of diminished economic output which a post-growth transition would necessarily entail. Furthermore, national currencies could depreciate because of these changes – raising the cost of imported necessities – making international coordination between Green States all the more important. These threats perhaps signify the limitations of employing MMT ideas to mitigate the fiscally contractionary effects of moving beyond growth on the state.

The second body of scholarship with potential insights for the Green State literature in the light of the above analysis on the fiscal consequences of a post-growth transition concerns the continued viability of debt relations. David Graeber's seminal work, *Debt: The first 5,000 years*, traces the development of money as a means of quantifying and codifying debt. He outlines the varied cultural practices of debt across time, thereby contesting the depictions about the universality, objectivity and non-negotiability of debt in contemporary political discourse. This is a strand of research that has become increasingly germane as political discourse has been gripped by debt fetishism after 2008.

There is a strong relationship here between the proposals for an alternative system of money creation and the scholarship on the contingencies of debt in the sense that, as Graeber (2011: 372) puts it, 'money has no essence. It's not really anything; therefore, its nature has always been and presumably always will be a matter of political contestation'. He notes that it was formerly linked to the limited physical stocks of gold – widely seen as a precious commodity with inherent value – but the last vestige of the linkage between money and gold was eradicated by US President Richard Nixon in 1971 when he terminated the Bretton Woods Agreement (Graeber, 2011). Since then money has been backed by nothing but trust – what is known as fiat currency – and the implicit acceptance of the populace that it remains the most optimal method of appropriating resources. Since Nixon de-linked money from gold, 'it has become evident that it's *only* the wizard behind the screen who seems to be maintaining the viability of the whole arrangement' (Graeber, 2011: 363). As such, Graeber argues that the obligation to repay debts is underpinned primarily by pervasive moral and cultural norms.

Yet, despite the pervasive moral compulsion to re-pay debt, many scholars have understood debt relations as de-politicised mechanisms of exploitation and domination. Coming from the Marxist perspective, Susan Soederberg (2014) argues that the debt and the legal system buttressing it concealed and 'naturalised' the exploitative societal dynamics in the relations of production through monetary abstraction. Soederberg (2014) further contended that, since 2008, post-industrial states have transformed into 'debtfare states' in which a new form of governance has utilised credit instruments to keep capitalism on life-support through the provision of additional liquidity.

This body of work challenging the non-negotiability and apolitical depiction of debt is important here because of the pre-existing levels of indebtedness as well as the spectre of further budget deficits accrued by Green States. Ever high levels of government debt afford a greater role for the financial markets in economic governance and subject state finances to the forces of credit ratings, currency fluctuations and 'animal spirits'. This is why it is so important to explicate the constructed nature of this constraint on state action. As Andrew Baker has stated, 'we should think of money as a utility – a collective resource – created by human agency that can help us realise systemic visions of the future, as a response to the choices, values and priorities of society as a whole. This is what money can be for' (Baker, 2016). As Graeber (2014) has already suggested, the Bank of England's admission (2014) on money creation undermined the very basis of the austerity discourse.

The notion of 'debt audits' have already gained a degree of political attention in Europe in the midst of debt fetishism and the subsequent rise of far-right political parties (*Financial Times*, 2015). Molly Scott Cato (2014) has argued that 'odious debt' – a legal concept denoting sovereign debt which has been incurred in ways which do not serve the best interests of a populace – ought to be repudiated. Sandy Hager meanwhile, using the US as a case study, argued that the owners of public debt constitute the new 'financial aristocracy' who enjoy the upward redistribution of capitalising upon the state's financing of its budget deficits as a profitable revenue stream (Hager, 2015). In a post-growth context, public debt levels are posited above as one of the central reasons why even existing levels of state expenditure may be fiscally unsustainable, even as state borrowing is partly financed by commercial banks who create money *ex nihilo* (Hager, 2016). However, moving 'beyond growth' demands an even more intensive critical interrogation of existing power relations and inequities of institutionalised socio-economic relations.

We should not underestimate the profundity of this agenda for change. To challenge monetary policy and debt obligations in such a way is to re-imagine what the state actually is: not simply a site of capitalist contestation but an ontological separation from the capitalist market economy in its delivery of public goods. The insights of these literatures, therefore, must be connected to the scholarship on the Green State in order to address the tension between the proposition of familiar state capacity alongside the fiscal constraints wrought by moving beyond growth. This offers promisingly fertile ground for future research. However, it must be noted that such a shift – as radical as it is – would not necessarily mark the end of all financial constraints. It can be anticipated, for example, that policy-makers would still need to be wary of numerous economic variables, including inflation, which could no longer be realistically tempered by interest rate rises. There are no silver bullets, but – whilst being careful not to be too prescriptive – I would suggest that the above represents a minimalist route to challenging the constraints facing a Green State. Alternative and even more radical routes may also be deliberated in the context of this analysis, but the aforementioned constitutes a useful if open-ended starting point.

Many of course believe that moving beyond GDP growth would necessitate the end of all capitalist conventions. Wolfgang Streeck (2014: 48), Serge Latouche (2009) and Joan Martínez-Alier (2012) are amongst them. It is important here, though, to strive towards greater specificity, given Eckersley's position on state financing. The analysis I have presented suggests that, if the Green State is to maintain the capacity of the modern capitalist state, then it cannot remain deferential to these particular capitalist concepts in the midst of a post-growth transition.

Conclusion

My analysis – which focuses on the under-theorised implications of moving beyond growth for the political economy of the state – only affirms Robyn Eckersley's contention that a Green State must be post-capitalist, rather than one born of weak 'Ecological Modernisation' notions (Eckersley: 2004: 81). However, for the institutions of the Green State to fulfil their envisaged role what is required is a deeper re-politicisation of existing capitalist practice than even Eckersley advocated. Specifically, there is a need to interrogate the capitalist concepts that would constitute its constraints in a post-growth era. Such constraints – if left de-politicised – would bely any Green State's ability to enact environmental change as envisaged by its proponents.

The immediate concepts it is necessary to interrogate are those related to state financing; the means of money production and debt relations. Only when re-politicising these foundational capitalist concepts can we begin to discuss a Green State with the fiscal capacity to enact the environmental change envisaged by its proponents. In other words, re-politicising these concepts is the minimalist route to operationalising a Green State that has 'high levels of state environmental capacity and intervention, and of integration of economic, social welfare and environmental welfare policies' (Christoff, 2005: 42). If the notion of a reformist state acting to protect environmental public goods is to be validated in a post-growth context, then the profundity of the change needs to be recognised and the insights of parallel research agendas concerning the financing of modern states must be engaged with.

It is of course highly unlikely that any major political party will promise to enact a Green State transformation in the foreseeable future. However, the notion of 'moving beyond growth' seems decreasingly abstract in the context of the geographically-uneven and anaemic post-2008 economy. What has been referred to as 'secular stagnation' by the likes of Krugman (2013), Galbraith (2014) and Summers (2016) – in other words, a permanent slump as the 'new normal' – has cast 'radical uncertainty' on the future of economic growth (Gamble, 2014). In the context of the systemic tensions produced by secular stagnation, the constituent components of post-growth economics may gain increasing political traction as prospective fixes for its manifestations and as alternative modes of securing social sustainability and legitimation. Already, corresponding discourses centred on transcending the fixation with GDP, democratising finance, green Q.E. and debt audits have gained political prominence, and there is the potential for more far-reaching changes to be triggered. The concept of the Green State, once its fiscal and monetary political economy is developed further, would be well positioned to inform such a conversation.

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Notes

1. Another dimension of the Green State concept is its demand for a transformation in its understanding of sovereignty to encompass a more cosmopolitan responsibility to populations outside of their territorial borders. This Paper however, focuses solely on the political economy dynamics of the Green State.
2. This duality is posited just as problematically in the post-growth literature by scholars such as Tim Jackson (2009), Peter Victor (2008) and Peter Ferguson (2013) *inter alia*.
3. This may be an unproblematic insight for the exponents of weak 'Ecological Modernisation'. For these authors, 'green growth' is not seen as oxymoronic and can be achieved through technological innovations and a de-coupling of economic output and ecological footprint (Hajer, 1995; Mol, 2002). It we accept the position of techno-optimism as our starting point, as they do, there is little reason to move beyond growth to realise environmental sustainability. For these authors, this analysis will be far less relevant.
4. Others go further and advocate a state adopting a monopoly on money production, thereby eradicating fractional reserve banking and rendering banks simple intermediaries. The 'Positive Money' campaign in the UK, for instance, makes such a case. Fontana and Sawyer (2016) have recently offered a rebuke of these proposals, arguing that the inherent monetarism of 'Full Reserve Banking' will compound existing issues surrounding public expenditure, as well as fail to extinguish the financial crises that are endemic to capitalist economies and additionally shift power away from elected politicians towards unelected Central Bankers.

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Sheffield Political Economy Research Institute
Interdisciplinary Centre of the Social Sciences
219 Portobello
Sheffield S1 4DP

T: +44 (0)114 222 8346
E: speri@sheffield.ac.uk

www.sheffield.ac.uk/speri
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