Written evidence submitted by Positive Money (PEG0268)

Positive Money welcomes the opportunity to respond to the Business, Energy and Industrial Strategy (BEIS) Committee's Post-Pandemic Economic Growth inquiry.

We are a non-profit research and campaigning organisation working towards reforming the money and banking system to support a fair, democratic and sustainable economy. We are funded by trusts, foundations and small donations.

Our submission makes the following key points:

- The government should prioritise social and environmental wellbeing indicators over GDP growth in the recovery from the pandemic, and implement policies that reduce the economy's dependence on GDP growth.
- The Treasury should make full use of its fiscal space, supported by the Bank of England's capacity for monetary financing, to spend the amount necessary to achieve human wellbeing within ecological limits.
- The Treasury and the Bank of England should urgently attach social and environmental conditions to the bailouts provided to big corporations via their multi-billion Covid Corporate Financing Facility (CCFF).
- The Treasury and the Bank should strengthen regulation of commercial banks and invest in public banking services, and thereby reform the banking sector to better support green and innovative economic activity.
- The Treasury should implement a job guarantee to train and hire workers in green sectors such as renewable energy and retrofitting of housing, as well as vital basic services like healthcare, social care, and education.

1. What core/guiding principles should the Government adopt/prioritise in its recovery package, and why?

1.1. There is one core guiding principle the government must adopt in its recovery package: the fostering of human wellbeing within ecological limits. Achieving this will require targeting social and environmental indicators and reducing the UK economy's dependence on GDP growth. The title of this inquiry implies that the pursuit of economic growth - conventionally measured using the GDP indicator - should be an underlying goal in the recovery package. Our submission challenges this premise with extensive empirical evidence, and proposes an alternative vision for the UK economy that places social and environmental wellbeing ahead of the pursuit of GDP growth. The UK's recovery should not entail a return to the growth-dependent economy that has long failed to meet basic human needs. Instead, the government must aim to fundamentally reform or outright replace economic structures, and move towards a new system capable of meeting the challenges of the 21st century: racial injustice, rampant inequality, high unemployment, runaway climate change, and ecological breakdown.

1.2. GDP growth frequently fails to enhance life satisfaction, alleviate poverty, or protect the environment.[1] In fact, the pursuit of growth is often counterproductive to achieving such goals. In the UK - as well as globally - a 1% increase in GDP generates an equivalent increase in material footprint,[2] exerting a range of negative environmental pressures including biodiversity loss, soil depletion, and pollution of air, water and land. Figure 1 shows an ongoing tight coupling between global GDP and global material footprint, as well as global CO2 emissions. Comprehensive literature reviews[3] find zero evidence to suggest the presence or even the possibility of a sufficiently large decoupling of economic growth from environmental pressures to avoid climate and ecological breakdown.[4] In this sense, the latest empirical evidence reveals that the term 'green growth' is a contradiction, and the pursuit of continuous GDP growth in any form by wealthy countries will only continue to intensify negative environmental outcomes.

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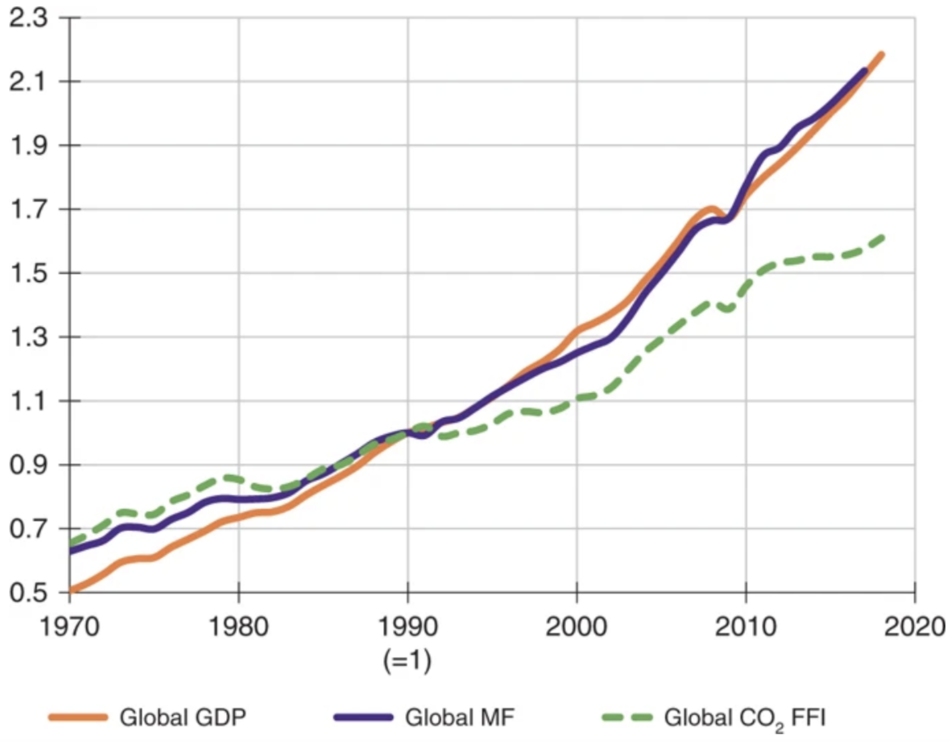
[1] David Barmes and Fran Boait (2020). Positive Money. The Tragedy of Growth. http://positivemoney.org/wp-content/uploads/2020/05/Positive-Money-Tragedy-of-Growth-Digital-Single-Pages.pdf

[2] Wiedmann T. O., Schandl H., Lenzen M., Moran D., Suh S., West J., and Kanemoto K. (May 2015, first published 2013). PNAS. The material footprint of nations.
https://www.pnas.org/content/112/20/6271

[3] For example: Jason Hickel and Giorgos Kallis (2019). Is Green Growth Possible?. New Political Economy, Volume 25.
https://www.tandfonline.com/doi/abs/10.1080/13563467.2019.1598964

[4] Commentators frequently claim that 'green growth' is happening in the UK because since 1990, the economy has grown by over two thirds while carbon emissions have fallen by over 40%. This statement is misleading for two reasons. First, this measure of emissions does not take into account the embodied emissions in the UK's growing volume of imported goods. While it is true that the UK's carbon emissions from domestic industry have declined, this has largely come as a result of the outsourcing of manufacturing to other countries. Second, even territorial-based emissions are not decoupling from growth fast enough for the UK to meet its climate targets.

Figure 1: Relative change in main global economic and environmental indicators from 1970 to 2017[5]



[6]

1.3. Instead of seeking to stimulate GDP, the government's recovery package should target social and environmental indicators directly. The Office for National Statistics (ONS) already has a 'National Wellbeing Dashboard' that tracks a variety of indicators such as life satisfaction, access to key services, and greenhouse gas emissions.[7] The Treasury should identify the highest priority wellbeing indicators within this dashboard, and target these specifically with its recovery packages. This process - as well as a review of the dashboard - should be guided by extensive public consultation and grounded in a coherent wellbeing framework.[8] The Wellbeing Economy Governments alliance - Scotland, Wales, New Zealand and Iceland - are leading the way on incorporating wellbeing indicators into their economic policymaking.[9] Finally, the city of Amsterdam has adopted Kate Raworth's 'Doughnut' economic model to guide its recovery, seeking to satisfy human needs within planetary boundaries.[10] Polling commissioned by Positive Money demonstrated a majority of the public support a recovery centred on wellbeing, with 6 in 10 Britons wanting the government to prioritise social and environmental outcomes over economic growth once the pandemic has subsided.[11]

1.4. The COVID-19 crisis has shown the extent to which the economy is dependent on GDP growth, and how this dependency can endanger public health and wellbeing.[12] After just a few

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[5] Wiedmann, T., Lenzen, M., Keyßer, L.T. et al. Scientists' warning on affluence. Nat Commun 11, 3107 (2020). https://www.nature.com/articles/s41467-020-16941-y

[6] 'Global MF' refers to global material footprint (i.e. global raw material extraction) and 'Global CO2 FFI' refers to global CO2 emissions from fossil fuel combustion and industrial processes.

[7] Office of National Statistics (October 2019) - Measures of National Well-being Dashboard. https://www.ons.gov.uk/peoplepopulationandcommunity/wellbeing/articles/measuresofnationalwellbeingdashboard/2018-04-25

[8] David Barmes and Fran Boait (2020). Positive Money. The Tragedy of Growth. http://positivemoney.org/wp-content/uploads/2020/05/Positive-Money-Tragedy-of-Growth-Digital-Single-Pages.pdf

[9] For more information about the Wellbeing Economy Governments Alliance, please visit: https://wellbeingeconomy.org/wego

[10] Daniel Boffey (April 2020). The Guardian. "Amsterdam to embrace 'doughnut' model to mend post-coronavirus economy." https://www.theguardian.com/world/2020/apr/08/amsterdam-doughnut-model-mend-post-coronavirus-economy

[11] Simon Youel (May 2020). Positive Money. "New polling: only 12% want UK to prioritise economic growth over wellbeing." https://positivemoney.org/2020/05/new-polling-only-12-want-uk-to-prioritise-economic-growth-over-wellbeing/

weeks of economic slowdown - enforced by social distancing measures necessary to protect human life - the global economy collapsed, with all of its structural weaknesses exposed.[13] A short-term reduction in GDP was an inevitable outcome of these protective measures, which had various positive side-effects on the environment, such as global emissions reductions temporarily reaching 17%.[14] However, the hit to GDP has also generated rising unemployment[15] and intensified poverty.[16] Therefore, the current crisis has exposed our problematic relationship with GDP growth: in our current economic system, a lack of GDP growth generates financial, economic, and social crises, but a return to GDP growth would result in climate and ecological breakdown and ultimately fall short on supporting our collective wellbeing.

1.5. Achieving a recovery that protects both the environment and public health requires transitioning to an economy that does not depend on continuous GDP growth. Therefore, the replacement of GDP with alternative social and environmental indicators should be accompanied by transformational economic policies that reduce the economy's dependence on GDP growth. For example, the expansion of universal basic services and forms of public or democratic ownership, provision of socially and environmentally useful work that is more evenly shared across the population, re-localisation of production and consumption, and structural changes to the money and banking system.[17] Such economic transformations would allow the UK to safely transition to an economic system that successfully meets human needs while reducing environmental pressures.

1.6. Crucially, the policies required to reduce dependence on economic growth and achieve positive social and environmental outcomes must not be designed so that they rely on market forces. While the government has engaged in relatively large-scale interventions, its policies have relied too heavily on cooperation from private players: the government relied on private banks to provide emergency loans to businesses, hoped landlords would show leniency toward renters, and called on private companies to maintain employment. This approach has evidently not been effective, given the multiple problems with emergency loan schemes,[18] reported financial struggles of renters,[19] and unemployment surging to 2.8 million before the furlough scheme has even ended.[20]

1.7. The government must accept that it has a responsibility to directly provide for the public's basic human needs,[21] and make sure all its recovery packages take this into account. Access to

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12 Julia Steinberger (April 2020). "Pandenomics: a story of life versus growth." https://www.opendemocracy.net/en/oureconomy/pandenomics-story-life-versus-growth/

13 Fran Boait (April 2020). Positive Money. "Coronavirus Exposes Deep Rooted Problems at the Heart of Our Economy." https://positivemoney.org/2020/04/coronavirus-exposes-deep-rooted-problems-at-the-heart-of-our-economy/

14 Le Quéré, C., Jackson, R.B., Jones, M.W. et al. Temporary reduction in daily global CO2 emissions during the COVID-19 forced confinement. Nat. Clim. Chang. 10, 647–653 (2020). https://www.nature.com/articles/s41558-020-0797-x

15 Phillip Inman (July 2020). The Guardian. "UK's hidden problem of rising unemployment may soon be exposed." https://www.theguardian.com/business/2020/jul/16/rising-unemployment-uk-hidden-problem-furlough-coronavirus

16 Henry Parkes, Clare McNeil (June 2020). Institute of Public Policy Research (IPPR). Estimating Poverty Impacts of Coronavirus Microsimulation Estimates. https://www.ippr.org/files/2020-06/estimating-poverty-impacts-of-coronavirus.pdf

17 David Barmes and Fran Boait (2020). Positive Money. The Tragedy of Growth. http://positivemoney.org/wp-content/uploads/2020/05/Positive-Money-Tragedy-of-Growth-Digital-Single-Pages.pdf

18 Andy Verity (March 2020). BBC News. "Banks under fire for coronavirus loan tactics" https://www.bbc.co.uk/news/business-52043896

19 Lindsay Judge (30 May 2020). Resolution Foundation. Coping With Housing Costs During the Coronavirus Crisis: Flash Findings From the Resolution Foundation's Coronavirus Survey https://www.resolutionfoundation.org/app/uploads/2020/05/Coping-with-housing-costs-during-the-coronavirus-crisis.pdf

20 Phillip Inman (June 2020). The Guardian. "UK jobcentre claimants rise 126% to 2.8m since start of the lockdown." https://www.theguardian.com/business/2020/jun/16/uk-jobcentre-claimants-coronavirus-crisis-unemployment

21 Ian Gough (April 2020). Open Democracy. "In times of climate breakdown, how do we value what matters?"

quality healthcare, social care, housing, sanitation, electricity, water, food, transport, education, broadband and a payments system (all services that the government itself has deemed to be essential)[22] should be publicly guaranteed as they are necessary to satisfy basic human needs.[23] In order to provide these services, the government should engage in an ambitious job creation programme, creating new employment opportunities in sectors that secure environmental protection and would help deliver a low-carbon energy transition.[24]

2. How can the Government borrow and/or invest to help the UK deliver on these principles?

2.1. Despite the cost of the government's emergency measures, it still has far more capacity to borrow and invest without public debt becoming 'unsustainable'. It would be fiscally responsible for the government to take advantage of this capacity and invest in a sustainable future for the UK. Neglecting to do so because of a misconceived ambition to reduce the public deficit would generate more unstable private debt, unemployment, and insecurity. With the ongoing support of the Bank of England, the government can and should spend in the amount that best achieves the principles outlined above while avoiding any potentially excessive inflation.

2.2. The government's spending on emergency response measures has resulted in its total debt exceeding £2 trillion, equivalent to the country's total GDP.[25] The Office for Budget Responsibility has forecast that government borrowing for this financial year could reach £370 billion. These numbers have led some institutions and individuals, including the OBR itself, to suggest that a return to austerity may be necessary. This is heavily misguided. Austerity in the current economic context would extract money from the economy just when it is most needed. If the government does not continue to spend more into the economy than it is taxing back out of it, low-income households will face even more financial hardship, firms will continue to cut labour costs, and the private sector's only source of money will be commercial banks. Given that BAME individuals are more likely than their white counterparts to be in financially vulnerable positions, this would exacerbate racial inequality in the UK, as did the last round of austerity.[26]

2.3. There is no evidence to suggest that the UK's government debt is 'unsustainable'. Fears about rising government debt are misplaced.[27] Currently, nominal yields on government bonds up to a maturity of 6 years (and real yields on longer term debt) are negative: investors are paying to lend money to the government. This is partly due to the Bank of England backing government spending with 'monetary financing': creating new money to support increased government spending. The Bank of England was already doing so indirectly through 'Quantitative Easing' (QE): purchasing government bonds from non-bank financial institutions.[28] As a result, the

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https://www.opendemocracy.net/en/oureconomy/times-climate-breakdown-how-do-we-value-what-matters/

22 UK Government (June 2020). Critical workers who can access schools or educational settings. https://www.gov.uk/government/publications/coronavirus-covid-19-maintaining-educational-provision/guidance-for-schools-colleges-and-local-authorities-on-maintaining-educational-provision

23 Anna Coote (February 2020). New Economics Foundation. "The Case for Universal Basic Services." https://neweconomics.org/2020/02/the-case-for-universal-basic-services

24 Trade Unions Congress (2020). A new plan for jobs - Why we need a new jobs guarantee. https://www.tuc.org.uk/sites/default/files/2020-06/JobsguaranteeReport2.pdf

25 Chris Giles (August 2020). Financial Times. "UK public debt tops £2tn for first time on Covid-19 spending boom." https://www.ft.com/content/45163e43-1b21-4353-9a0e-ba03ee886075

26 Amelia Gentleman (June 2019). The Guardian. "Austerity has fuelled racial inequality in the UK, says UN expert". https://www.theguardian.com/business/2019/jun/14/austerity-has-fuelled-racial-inequality-in-the-uk-says-un-expert

27 Danisha Kazi (June 2020). Positive Money. "Government Debt and Covid-19 – Why There's No Need to Worry." https://positivemoney.org/2020/06/government-debt-and-covid-19-why-theres-no-need-to-worry/

Bank currently owns approximately a third - £745bn - of the government’s debt, alleviating any pressure to resolve those obligations. The Bank has never unwound a single pound of its QE purchases, and it is unlikely to start doing so anytime soon in the context of the current economic crisis.

2.4. The Bank has also offered to extend the ‘Ways and Means’ facility, the government’s ‘overdraft’ at the Bank.[29] Up until the year 2000, this overdraft was in frequent use, and there is no economic reason for the government to not make use of it again. It represents a more direct form of monetary financing that would avoid some of the negative repercussions (such as inequality) and costs of QE.[30] Another form of direct monetary financing would be for the Bank to buy the government’s bonds directly from the Debt Management Office, rather than from non-bank financial institutions in the secondary market. While inflation risk should be considered when evaluating financing and spending plans, current fears of high inflation are misguided. Increased government spending does not automatically generate inflation, and given the current economic outlook of high unemployment and low aggregate demand, deflation poses more of a risk.[31]

3. What measures and support will businesses need to rebuild consumer confidence and stimulate growth that is sustainable, both economically and environmentally?

3.1. A fundamental flaw in our current economic system, highlighted by the response to COVID-19, is commercial banks’ consistent failure to lend enough funds to businesses. Figure 2 shows that over the past three decades, banks have increasingly favoured lending into property and financial markets rather than non-financial businesses. Before the pandemic, approximately three quarters of outstanding loans from UK banks were to the real estate and the financial sectors. One of the key problems of the government’s emergency lending schemes was precisely that they depended on commercial banks increasing lending to businesses. Even though the loans were 80% backed by the government, banks still refused thousands of applications, charged excessively high interest rates, and requested personal guarantees.[32] When they were needed most, commercial banks stalled the extension of emergency money to the country’s flailing businesses.

Figure 2: UK monetary financial institutions’ loans outstanding by sector/activity[33]

[28] David Barmes (April 2020). Positive Money. “The Ultimate Magic Money Tree Has Been Unveiled – Don’t Let the Government Tell You Otherwise.” https://positivemoney.org/2020/04/the-ultimate-magic-money-tree-has-been-unveiled-dont-let-the-government-tell-you-otherwise/

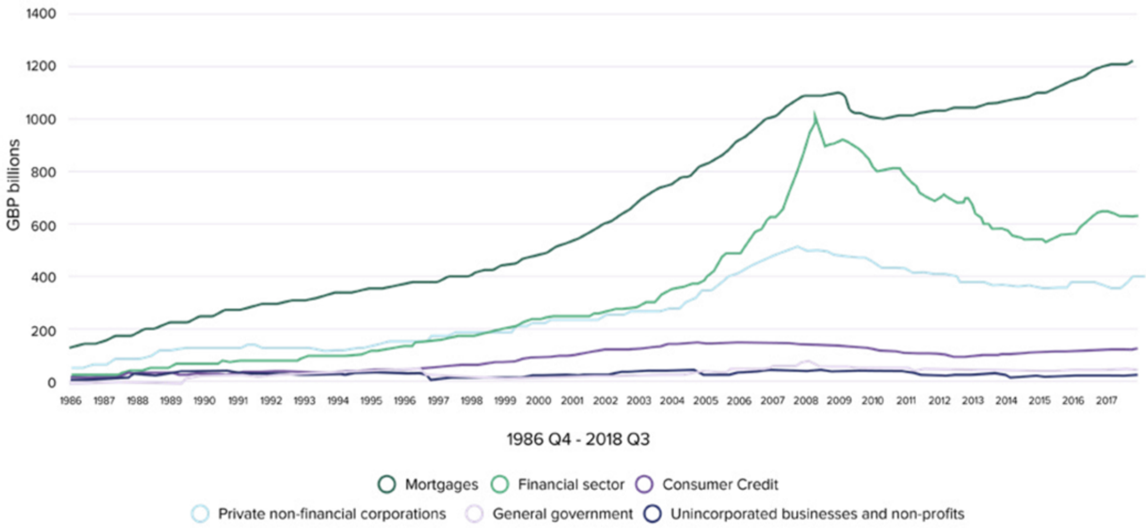
[29] Bank of England (April 2020). “HM Treasury and Bank of England announce temporary extension to Ways and Means facility.” https://www.bankofengland.co.uk/news/2020/april/hmt-and-boe-announce-temporary-extension-to-ways-and-means-facility

[30] QE effectively provides a subsidy to the financial sector. The Office for Budget Responsibility (OBR) suggested the market value of the first £435bn of QE (2009-2016) was £62.8bn greater than the nominal value bondholders originally paid for them. The Resolution Foundation also suggests that there will be a £30bn cost to the additional £200bn of QE announced in March 2020, based on the difference between the market and nominal value of bonds purchased.

[31] David Barmes (May 2020). Positive Money. “Why Covid-19 Should Make Us Rethink the Concept of Inflation.” https://positivemoney.org/2020/05/why-covid-19-should-make-us-rethink-the-concept-of-inflation/

[32] Andy Verity (March 2020). “Banks under fire for coronavirus loan tactics.” https://www.bbc.co.uk/news/business-52043896

[33] David Barmes and Fran Boait (2020). Positive Money. The Tragedy of Growth. http://positivemoney.org/wp-content/uploads/2020/05/Positive-Money-Tragedy-of-Growth-Digital-Single-Pages.pdf



3.2. The question of how we get money to businesses will remain crucial in the recovery phase of this crisis. Britain's long-term economic recovery from the coronavirus pandemic may be held back by banks' unwillingness and inability to lend to small businesses producing goods and services. After the 2008 crisis, bank lending to non-financial companies collapsed in the UK (see figure 2), whereas countries with strong stakeholder banking networks, such as Germany and Switzerland, saw their local banks step-up lending.[34] The fact that Britain's banking system is particularly poor at providing funds to productive enterprises is a significant factor in explaining why the British economy has fared so poorly in comparison to other countries' in the years since 2008.

3.3. Moving forward, it is essential that the government reform the banking sector such that it better serves SMEs rather than the speculation of the finance, insurance, and real estate sectors. There are broadly two ways in which the government can accomplish this goal:

3.3.1. First, the Treasury and the Bank of England should impose tighter regulations on the financial sector that steer credit away from speculative activities and towards the real economy. A first step in tackling the excesses of the banking sector would be to ban securitisation, the process by which banks package loans together and sell them to third parties. This practice has resulted in asset price inflation and financial instability, and introduced the systemic problems behind the Global Financial Crisis in 2008. The Bank should also engage in credit guidance, placing limits on lending to finance, insurance, and real estate, and minimum quotas on lending to businesses.[35] The Term Funding Scheme with additional incentives for SMEs is a positive step in this direction.[36]

3.3.2. Second, the government should expand public provision of banking services. Currently, the government has a particularly good opportunity to do so by taking full ownership of NatWest (previously RBS), which is already 62.4% owned by the state. Doing so at the historically low share price (currently around 110p per share, less than a quarter of the 502p per share the government paid in 2008) would cost less than £5bn, representing strong value for money.[37] A fully nationalised and reformed

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34 New Economics Foundation ()2015. Reforming RBS: Local banking for the public good. https://neweconomics.org/uploads/files/141039750996d1298f_5km6y1sip.pdf

35 Bezemer D., Ryan-Collins J., van Lerven F., Zhang L. (2018). Institute for Innovation and Public Purpose. "Credit where it's due: A historical, theoretical and empirical review of credit guidance policies in the 20th century." https://www.ucl.ac.uk/bartlett/public-purpose/sites/public-purpose/files/iipp-wp-2018-11_credit_where_its_due.pdf

36 Bank of England (March 2020). "Term Funding Scheme with additional incentives for SMEs (TFSME) – Market Notice." https://www.bankofengland.co.uk/markets/market-notices/2020/term-funding-scheme-market-notice-mar-2020.

NatWest working in line with public purpose would help ensure increased access to affordable credit for the country's SMEs. Once under full public ownership, the government should also consider breaking up NatWest into a network of local banks, better positioned to serve local communities.[38]

3.4. In both approaches to reforming the banking sector - regulating private banks and creating public banks - policies should be aimed in particular at supporting green and innovative economic activities, such that the banking system can assist in the goal of meeting human needs within planetary boundaries. For example, higher capital requirements for environmentally harmful assets would discourage lending to those sectors, while green credit guidance would steer credit towards sectors of the economy that are sustainable and environmentally beneficial (or provide essential services with minimal environmental impact).[39]

4. Whether the government should give a higher priority to environmental goals in future support?

4.1. The answer to this question is an unequivocal 'yes'. Prior to the pandemic, the government was already not on track to meet its Paris Agreement commitments. The Committee on Climate Change's (CCC) 2019 progress report stated that the government's actions to date fell "well short of those required for the net-zero target".[40] Further, evidence that the UK's 2050 net-zero target is highly insufficient suggests that the government is falling drastically short of making a fair contribution to the aversion of climate breakdown.[41] Ecological crises, including biodiversity loss and soil depletion, are deepening at a rapid pace. The recovery from the pandemic represents a unique opportunity to change course, but the government's support schemes so far have undermined environmental goals and their 'green recovery' pledges.

4.2. For example, the Treasury and the Bank of England have provided over £20bn in cheap loans with no strings attached to some of the country's most environmentally harmful corporations using the Covid Corporate Financing Facility (CCFF).[42] As of June 24 this year, £10.3bn (56%) of the CCFF's outstanding loans were being held by companies in high-carbon industries, such as aviation, chemicals and oil and gas. Although just 19% of CCFF companies have disclosed accurate statistics for carbon emissions, energy, water and waste, and 6.9bn trees would need to be planted to sequester their reported carbon emissions for one year, there are no sustainability conditions attached to these bailouts.[43] Additionally, the Bank of England's corporate Quantitative Easing programme is disproportionately supporting carbon-intensive companies,[44] and environmental experts assert that the Treasury's spending plans are not aligned with a green recovery.[45]

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37 Berry C., Macfarlane L. and Nanda S. (May 2020). The Centre for Economic Justice, IPPR. "Who Wins and Who Pays? Rentier Power and the COVID Crisis."
https://www.ippr.org/files/2020-05/1589291707_who-wins-and-who-pays-may20.pdf

38 Lydia Prieg, Tony Greenham (February 2015). Reforming RBS: Local Banking for the Public Good.
https://neweconomics.org/2015/02/reforming-rbs

39 Rob Macquarie (May 2018). Positive Money. A Green Bank of England: Central Banking for a Low-Carbon Economy.
http://positivemoney.org/wp-content/uploads/2018/05/PositiveMoney_AGreenBankofEngland_Web.pdf

40 UK Government response to the Committee on Climate Change: 2019 Report to Parliament – Progress in preparing for climate change (Government response to the Committee on Climate Change2019 Report to Parliament – Progress in preparing for climate changeOctober 2019).
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/839556/CCS207_CCS0919071748-001_Committee_on_Climate_Change_2019_report_web_accessible.pdf

41 Tim Jackson (July 2019). Centre for the Understanding of Sustainable Prosperity. Zero Carbon Sooner. https://www.cusp.ac.uk/wp-content/uploads/WP18%E2%80%94Zero-carbon-sooner.pdf

42 Barmes D., Danisha Kazi and Simon Youel (July 2020). Positive Money. The COVID-19 Corporate Financing Facility: Where Are the Conditions for the Billion £ Bailouts? http://positivemoney.org/wp-content/uploads/2020/07/CCFF-Final-version.pdf

43 Ibid.

44 Dafermos Y., Gabor D., Nikolaidi M. and van Lerven F. (August 2020). New Economics Foundation. "Decarbonising the Bank of England's Pandemic QE: 'Perfectly Sensible."

4.3. The government must urgently change course and give far higher priority to environmental goals in its future support: ‘green’ considerations must feature in all of the Treasury and the Bank of England’s economic packages and operations. In order to meet climate commitments under the Paris Agreement, the government and the Bank cannot continue to prop up environmentally harmful business models and sectors of the economy. They must instead support economic activities that are necessary to build an economy that meets the needs of everyone within ecological limits (as outlined in section 1 above).

5. What conditions, if any, should [the government] attach to future support?

5.1. A lack of conditions attached to CCFF bailout loans has allowed corporations benefiting from this scheme to pay out £11bn in dividends to shareholders and lay off close to 43,000 workers.[46] Positive Money recommends that these bailouts have conditions requiring the protection of workers and the presentation of credible[47] net-zero carbon plans in line with the Paris Agreement. They should also be compelled to disclose climate risks - as recommended by the Task Force on Climate-related Financial Disclosures.[48] Finally, sustainability conditions on bailouts should not exclusively address climate impact, but also ecological impact. For example, chemicals giants BASF and Bayer have received £1bn and £600mn respectively via the CCFF. These companies dominate the pesticides industry and bear considerable responsibility for the collapse in insect populations that are crucial for the functioning of natural ecosystems.[49] Conditions should also require credible commitments to minimise such negative ecological impacts.

5.2. For particularly environmentally harmful companies, the government should consider taking equity in exchange for bailouts. Majority equity stakes in particular would allow the government to have significant influence in delivering a worker-led zero carbon transition in strategically important companies. In the most extreme cases, where business models are fundamentally incompatible with Paris Agreement goals - as is the case with oil and gas companies - the government should consider full-scale nationalisations in order to manage a just decline of these companies’ unsustainable operations.[50]

5.3. Finally, the BEIS Committee should reflect on whether conditions attached to bailouts should also be progressively extended across the UK economy, especially in sectors that are crucial for achieving a zero carbon economy. While it’s particularly important to ensure public funds are not used to enable environmentally destructive economic activity, regulation should not be limited to those companies receiving government support if being applied universally would be more appropriate and effective. Prior to the pandemic mandatory climate risk disclosure for UK companies was already being rolled out,[51] and robust arguments had been made in favour

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https://neweconomics.org/uploads/files/NEF-Decarbonise-BoE-report.pdf

45 Fiona Harvey (June 2020). The Guardian. “Environmental experts dismayed by details of Johnson's 'New Deal'.” https://www.theguardian.com/environment/2020/jun/30/environmental-experts-dismayed-by-details-of-johnsons-new-deal

46 Ben Charlie Smoke (August 2020). Vice. “Corporations Receiving Bailout Billions Have Laid Off Staff and Paid Investors.” https://www.vice.com/en_us/article/m7jxvn/corporations-receiving-bailout-billions-have-laid-off-staff-and-paid-investors

47 A credible plan in this context refers to one that does not rely too heavily on controversial carbon offsets and technologies that are non-existent, untested, and uncosted. For example, EasyJet’s net-zero carbon plan is entirely composed of carbon offsetting in the short-term and research into unproven technologies in the long-run. Failure to acknowledge the limitations of such plans severely undermines their credibility.

48 Final Report - Recommendations of the Task Force on Climate-related Financial Disclosures (June 2017). https://www.fsb-tcfd.org/wp-content/uploads/2017/06/FINAL-2017-TCFD-Report-11052018.pdf

49 Insect Atlas 2020: Facts and figures about friends and foes in farming. Published by the Heinrich Böll Foundation and Friends of the Earth Europe. http://www.foeeurope.org/sites/default/files/biodiversity/2020/insect_atlas.pdf

50 Alex Chapman (April 2020). New Economics Foundation. Bailouts: Creating the New Normal. https://neweconomics.org/2020/04/bailouts-the-new-normal

of the nationalisation of extractive industries.[52] The justification for these policies existed independently from the use of public money.

6. How can the Government best retain key skills and reskill and upskill the UK workforce to support the recovery and sustainable growth?

6.1. The best way to deliver jobs that support a fair and green recovery would be for the government to implement a 'green' jobs guarantee. Such a programme would offer public employment - including training where necessary - to anyone willing and able to work. The programme would focus on providing jobs necessary for the low-carbon transition, such as retrofitting of the UK housing stock, tree planting and nature restoration, and renewable energy projects. Universal basic services such as healthcare, education, and social care should also be considered 'green' jobs as they effectively meet human needs often with relatively little negative environmental impact.[53]

6.2. The economic benefits and fiscal feasibility of a job guarantee programme have been outlined extensively by economists such as Pavlina Tcherneva.[54] The scheme would act as an 'automatic' macroeconomic stabiliser, as it would increase government spending into the economy during downturns (when spending is necessary) as people get laid off by the private sector, and would decrease spending when the private sector recovers and starts re-absorbing some of the workforce. In the context of recovering from the COVID-19 crisis, a green jobs guarantee offers the dual benefits of bringing down unemployment and keeping to the government's pledge of 'building back better' towards a fairer, greener and more resilient economy.

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September 2020

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