



PUBLIC FINANCE FOR A JUST, GREEN TRANSITION

LABOUR
FOR A
GREEN
NEW DEAL



Demand 1: Public Finance for a just, green transition

In the UK, coronavirus has caused tremendous damage to a national economy already enfeebled by a decade of austerity. Through a combination of successive governments' refusal to invest in strategic infrastructure; low demand from struggling, increasingly indebted households after years of no real wage growth; and cheap debt fuelled by the Bank of England's interventions to keep the economy afloat, British businesses were ill-prepared to face any crisis.

[Over one million businesses](#) are now receiving direct support from the Treasury to retain workers. Large corporations, including some of the worst [polluters](#), are drawing loans for hundreds of billions of pounds from the [public purse](#). The Bank has [extended](#) even more direct means of funding government spending than were revealed by the use of quantitative easing after the 2009 financial crisis. All of this demonstrates that cuts to the state and public sector over the past 10 years were not an economic necessity but an ideological choice.

The pandemic has shown the need to reprogramme the economy around long-term public value and wellbeing rather than extracting short-term private profit. Macroeconomic policy should be focused on accelerating a just transition to a low carbon economy [instead of GDP growth](#). To do this, Labour should press the Government to:

1. Bailouts for Workers and Planet, not Billionaires

- Identify firms in strategic sectors which might be bailed out through Project Birch, but which require significant downscaling to meet climate commitments. These companies should not be 'bailed out', but rather the Government should follow any loan support by taking a significant equity

stake. [Financial rescue packages](#) of this sort should become a [standard tool](#) to fight future economic downturns, on the condition that:

- Workers are either retained or are able to exercise [a right to retraining](#) - contrary to the behaviour of [Britain's major airlines](#);
- firms are not based out of tax havens, following the example of [Denmark, Poland and France](#);
- executive pay and dividend payouts are reduced and suspended, respectively;
- the government should take an ownership stake in fossil fuel energy companies and airlines, to actively manage their decline - for instance, by reducing domestic flights - consulting unions and workers throughout the process to support them into alternative employment through a national reskilling programme

2. Green Finance for the Many

- Retain [Labour's commitment](#) (p.13) to establish a National Investment Bank to fund inclusive, sustainable projects across the country at low cost. In each region of the UK the new bank should have a specific remit for financing rapid and just decarbonisation and investment in public good, informed by input from communities to identify areas of need. Supporting a just transition for industries and sectors that are hardest to decarbonise, as well as building the resilience of the most vulnerable communities, should be a priority.
- Conduct a review - last carried out by the Treasury in [2013](#) - of the Bank of England's monetary policy tools. As Covid-19 has made apparent, governments with their own currency-issuing central banks need not always rely on debt markets and taxation for increased spending. A review should assess how to facilitate closer monetary-fiscal coordination to achieve the strategic investments required in a Green New Deal.

3. Rewrite the Green Book

- Adapt [the Green Book](#) to ensure the costs of damage from climate change are considered when making decisions on public investment