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Greening the 'Green Shoots' of Recovery:

The Dangers of Crisis Myopia and the Need to 'Build Back Better'

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About Future Economies

Future Economies, a university centre for research and knowledge exchange based at Manchester Metropolitan University, brings together academics from a wide range of disciplinary backgrounds, alongside policy and business practitioners, to conduct research into local, national and global economic challenges, ranging from Brexit, financial crisis, devolution and local industrial strategies to mega-sporting events and trade governance. Future Economies has a particular expertise in political economy and behavioural economics, and also encompasses Future Economies Analytics, the Centre for Policy Modelling and the Sports Policy Unit.

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Introduction

The scale of the British state's economic response to the pandemic-induced downturn makes it clear that, temporarily at least, the Conservative government's antipathy towards economic interventionism and concerns over government debt have been shelved. In this context, the question is not one of the capacity to mobilise resources but rather the extent and character of the government intervention.

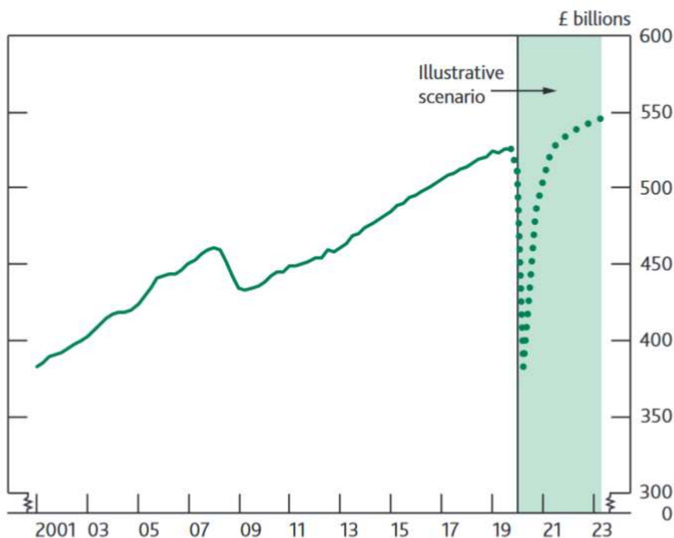
Whatever 'new normal' emerges, it will be strongly shaped by the economic interventions made by states during the Covid-19 crisis. The current crisis response being implemented by the Conservative Government is intended to preserve (at great cost) the economic status quo for the post-pandemic world. This approach, however, neglects the numerous parallel deep-seated pathologies characterising the UK economy. This includes rising inequality, low productivity and investment, Brexit-related disruptions, and the need to decarbonise the economy by 45% in the current decade to meet obligations enshrined in the Paris Accord. With these deep-seated challenges in mind, the resources being mobilised during this downturn should not simply be focused on preserving the economic status quo, but rather situated within a broader strategy of transformation. This raises a series of key questions which will shape the UK economy for a generation. Can crisis interventions ensure people's livelihoods but also tackle other deep-seated challenges facing the UK economy? Can crisis interventions form part of a 'just transition' towards a greener economy?

Episodic capitalist crises present opportunities for radical transformation as well as restoration. It can perhaps be seen as fortuitous that the scale and interventionism of the existing crisis response we have witnessed is close to what is demanded by the climate crisis. This paper sets out some key elements of the policy agenda for a crisis response that is attuned both to the short-term crisis of Covd-19 and the looming crisis of climate change. It seeks to decarbonise the UK economy whilst remaining attentive to the need to ensure the provision of basic needs and equitability for both current and future generations. The agenda is comprised of four elements. First, a green fiscal stimulus in the nascent low-carbon economy. Second, subjecting companies seeking state aid to an assessment of its economic, social and environmental impacts to determine the extent and type of support offered. Third, taking equity stakes in companies when state support is extended, which are then used to inaugurate a UK Sovereign Wealth Fund. Fourth, reversing welfare retrenchment in order to provide the robust safety net required during

the downturn and the potentially turbulent sustainability transition. These strategic and conditional interventions would ensure that public money is used to create value for the state and simultaneously enshrine a greener directionality and understanding of value in the economy recovery.

Responding with Fiscal and Monetary Expansion

The projected downturn in economic activity in 2020 could amount to 14% fall in UK GDP, alongside a 26% fall in business investment, according to Bank of England projections (Bank of England 2020a). The downturn is itself induced by government action to protect public health; the 'lockdown' that demanded a *de facto* supply-side shutdown of non-essential businesses as well as a dramatic upturn in unpaid work in the household for many. As has been widely reported, this constitutes the biggest slump in monetised economic activity since the 'The Great Frost' of 1708, and fear over a 'second wave' of contagion means there is great uncertainty on the speed at which businesses can re-open. Certainly, the Bank of England's expectations of a 'V-shaped' recovery can be deemed, at best, optimistic (Jacobs 2020).



Source: Bank of England (2020a: 3)

The crisis management policy responses from various agencies of economic governance in the British state have been extraordinary, with the possibility that what we have seen so far is merely the opening salvo against a virus for which there is no existing vaccine. Policy-makers

have conjured the repertoire of policy levers that were used (and in some cases, innovated) in the aftermath of the 2008 financial crisis on an even grander scale, and introduced several more that are novel to UK economic governance.

The fiscal expansion authorised by Chancellor Rishi Sunak has seen government borrowing increase significantly. Paul Johnson of the Institute for Fiscal Studies predicted that 'we'll be lucky' to keep the public deficit down to £200bn in the current financial year (IFS 2020a). This compares to the £163bn fiscal deficit carried by the UK government in 2010 (IFS 2020a).

The Bank of England meanwhile has lowered interest rates to 0.1% - with limited effects on borrowing or saving given that rates had been historically low since the 2008 financial crash. More significantly, it has also committed itself to a further bout of Quantitative Easing to the value of £200bn. The asset purchases comprising the Quantitative Easing scheme have partly consisted of investment in the private sector via the "Covid Corporate Financing Facility" (Bank of England 2020b), but also have also been used to support government spending via the purchase of Treasury debt. This supposedly temporary measure will see the Bank of England covertly finance fiscal expenditure, to an effectively unlimited amount, via the "Ways and Means Facility" (FT 2020a). Blurring the border between fiscal policy and monetary policy endows the state with far greater capacity, precisely in the way I have previously argued elsewhere was a predicate for a truly 'Green State' (Bailey 2018). This effectively means that much of the government debt accrued over this period will be indefinitely rolled over, eroded by inflation, or simply never re-paid. The acrobatics of Central Banking have become well-rehearsed since 2009 and their capacities will likely be drawn upon if the recession is prolonged, albeit the continued appetite in the capital markets for UK sovereign debt will minimise the need for covert monetary financing of fiscal expenditure in the near future.

The scale of the response is all the more remarkable when considering the last decade of Conservative governance. Since 2009, leading Conservative politicians have depicted deficit reduction as a non-negotiable and apolitical constraint on public policy. The Coalition Government purveyed the widely accepted misunderstanding of the 2008 financial crash as primarily one of public debt in order to justify austerity measures (Hay 2013). Whilst Theresa May in more recent years ridiculed ambitious progressive plans of fiscal expansion by patronisingly informing their proponents that 'there's no magic money tree' (BBC 2018). The consistent messaging throughout has been that austerity is required due to unshakeable fiscal constraints created by Labour Party recklessness. The pandemic has shifted the terms of the

debate dramatically. The 'Overton Window' has shifted so much that The Financial Times have published editorials on state responses to the coronavirus endorsing 'printing money', turning Treasury loans into equity stakes, radical reforms to the 'social contract' including wealth taxes and a universal basic income, and a green stimulus (FT 2020a, FT 2020b, FT 2020c, FT 2020d). The current political discourse and crisis management response may reveal the paucity of the austerity discourse which preceded it but, even more importantly, it has revealed a repertoire of policy tools that the UK state will have great political difficulty retreating from.

The Conservative Party were already reckoning with the effects of low levels of public investment in the NHS, the police and the economy. Covid-19 has exposed the under-funding of public services. Tragically, a decade of austerity measures not only resulted in a plethora of social costs but also weakened the capacity of the British state to respond effectively to an unexpected exogenous shock such as a pandemic.

Financing Preservation rather than Transformation

The fiscal and monetary expansion we've witnessed has allowed the government to introduce a startling repertoire of crisis management policies. The policies – which includes the job retention scheme, business interruption loan schemes, small business grant schemes, business rates packages, the self-employed income support scheme, the hardship fund and additional spending on public services *inter alia* - have cumulatively cost in excess £123bn at the time of writing (OBR 2020). This has revealed the paucity of the austerity logic and the blasé refrains of unaffordability directed at Green New Deal proposals in 2019, but it may only represent the opening salvo against a capitalist crisis resulting from a virus for which there is no existent vaccine.

These remarkable crisis interventions have re-drawn the relationship between state and markets but, crucially, Sunak's policy package seeks to keep the 'old normal' on life support. It seeks to prop up zombie businesses through the pandemic-induced downturn via a generous helping of state aid. It constitutes the construction of an emergency 'bridge', hastily erected to rescue the existing economic model.

This is reminiscent of the crisis management approach taken in 2008, where bailouts similarly sought to restore the pre-existing growth model via immediate injections of liquidity rather than transform it based on a recognition of its evident failings (Berry and Hay 2016, Craig 2017). The indiscriminate and unconditional use of public money in that period of crisis management should alert us of the need to be more strategic now.

Yet this is an economic model already suffering from significant deep-seated issues. The dismay at rising inequality, falling living standards, poverty levels (including child poverty and in-work poverty), declining social mobility, and failing public services should amply alert policy-makers to the dangers and iniquities of perpetuating the economic status quo. The inequities of contemporary UK inequality and poverty have been starkly revealed by Covid-19 in that those suffering from overcrowding and unable to work from home have been disproportionately exposed to the risk of contagion at the workplace and on public transport. It has also been exacerbated by the Covid-19 crisis insofar as the jobs of the poorest are more at risk (Resolution Foundation 2020) and the government's initial crisis measures have sought to primarily protect creditors and asset-owners rather than renters (Berry *et al*. 2020). Moreover, market trends prompted by 'lockdown', such as the monopolisation of markets by corporations using automated or precarious workers to deliver consumer goods, threaten to exacerbate structural inequality and unemployment even further (Klein 2020). These are inequalities with pronounced racial, class, gender, generational and regional characteristics. It is possible that the pre-existing acquiescence of inequality and poverty may ultimately be tested by its visibility and exacerbation during, and in the aftermath of, the pandemic. Certainly, the UK Government must be cognisant of existing inequalities, and the widespread dismay about them, when formulating economic responses to the downturn.

Deep-seated economic pathologies surrounding the low levels of productivity gains and investment in the last decade should further alert policy-makers to the dangers of rescuing business-as-usual (FT 2019). This has led to a long-term slowdown of economic growth, periodically punctuated by 'bubbles' created by temporary unsustainable injections of liquidity (Streeck 2014), which some have termed secular stagnation (Cowen 2011, Summers 2017). The expected disruptions caused by the UK's exit from the European Union and its associated trading blocs casts further doubt on the viability of existing supply chains and has further suppressed growth forecasts (IFS 2019).

The climate crisis only strengthens the economic headwinds facing the UK economy. The 2018 IPCC report concluded that limiting climate catastrophe requires global emission reductions of 45% by 2030 and 100% by 2050 (IPCC 2018). The consequences of not doing so include planetary warming, the depletion of natural resources, glacial retreat, rising sea levels, weather volatility and biodiversity loss, as well as additional unforeseeable risks resulting from subsequent geological feedback loops (IPCC 2018). These ecological trends would be hideously accelerated if hypothesised ‘tipping points’ are reached, whereby geological feedback loops would intensify many of these identified trends beyond linear projections (IPCC 2018).

If the global ecological footprint of human activity is not redressed, it is projected that ecosystems will decreasingly be able to sustain human civilisation. It will increasingly heighten risks of wildfires, flooding, the permanent submergence of major towns and cities, the rendering of large geographical spaces inhabitable, weather volatility including severe storms and heatwaves, soil degradation and forced displacement of populations (IPCC 2018). Indeed, we are already witnessing some of these impacts. As with Covid-19, the ecological crisis will trigger a series of economic convulsions that threaten people’s livelihoods. This is likely to include the exacerbation of shortages (including in agricultural production), disruptions to a plethora of precarious globalised supply chains, the abrupt re-evaluation of asset prices, financial disorder, and threats to the business models of companies not equipped to manage systemic risks (Christophers 2017; Lamperti *et al*. 2019).

The lockdowns have triggered the largest ever fall in carbon emissions, estimated to be around 5.5% less in 2020 than in 2019 (Carbon Brief 2020). This has prompted some on social media to rejoice that ‘the earth is healing’ as a result of the current economic slowdown, with some going further and declaring ‘us’ to be the virus. The Malthusian accusation that ‘we’ are the virus is, mercifully, belied by the fact that we (or at least most of us) are still here whilst various forms of ecological degradation are abating. This should serve to demonstrate that it is, in fact, not the existence of ‘us’ *per se* but rather the scale and character of economic activity which underpins the ecological crisis. This should have already been clear through an intersectional analysis of the driving forces causing climate change, with some of ‘us’ (the wealthiest in the Global North primarily) bearing far more responsibility than others (Oxfam 2015). As Jason Moore argued, it is a geological era better conceptualised as the ‘Capitalocene’ rather than the ‘Anthropocene’ (Moore 2017).

We are living beyond the thresholds of planetary boundaries due to the normalised operations of various economic sectors (Newell 2013, Pollin 2015). It is, fundamentally, a crisis of capitalism (Newell and Paterson 2010, Barry 2012, Brand and Wissen 2012). Accordingly, making the necessary 45% reductions to greenhouse gas emissions this decade, as stipulated by the IPCC if we are to limit climate change (IPCC 2018), entails challenging the entrenched patterns of production, trade, finance and distribution (Newell 2013, Bailey 2019). The task is nothing less ambitious than accomplishing a transformation of capitalism that reduces the economy's ecological footprint and simultaneously ensures the provision of basic needs.

Climate change is a monumental economic challenge but to ignore it, amongst other systemic failings, at a time of seismic government would be a costly mistake. Particularly so as incipient crisis measures threaten to preserve rather than reform the economic status quo. The UK faces not only a short-term period of disequilibrium, but also parallel threats to economic stability and livelihoods which are just as profound. This is no time for crisis myopia.

These deep-seated economic, ecological and social challenges intersect with broader philosophical questions about how we think about our economy and its purpose. Calls to eschew our obsession with economic growth have intensified recently, given its power to disguise unequal income distributions and unpaid work in the household as well as rationalise policies that exacerbate environmental degradation and societal wellbeing (Stern 2009, Wilkinson and Pickett 2011, Barry 2012, Bakker 2007, Skidelsky and Skidelsky 2012, Costanza *et al*. 2014). Proponents of doing so instead call for the prioritisation of inter-connected social and environmental indicators (Sen *et al*. 2008, Fitoussi and Stiglitz 2012, Juniper 2013, Sachs *et al*. 2018). These calls have been rendered all the more salient because Covid-19 and the climate emergency both seem to result from an inimical relationship between economic systems and the natural world (Carrington 2020a). Contemplating what we truly value, and thus what we want the economy to provide for society, is not only acute in the context of the public health crisis but also germane to the design of an economic rescue package (Mazzucato 2018, Steinberger 2020, Hoskyns and Rai 2007). A dashboard of indicators is offered by Kate Raworth's 'doughnut' conceptualisation of progress (Raworth 2017), which could guide our thinking on meeting basic needs within planetary boundaries and has already been adopted by the City of Amsterdam. Challenging the dogmas of the pre-pandemic age would change how we think about (and re-cast our ambitions for) any future economic recovery.

The evident failings of the economic status quo imply that transformation, rather than preservation, would benefit the UK economy's transition to sustainability and resilience in the post-pandemic era. This, however, requires the government to contemplate not only fiscal and monetary expansion but also a willingness to engage in the *de facto* orchestration of macroeconomic change. If these systemic pathologies are ignored when devising policy responses, public money will be used in order to rescue an economic model which is only paralysed in the short-term but at risk of decline in the medium-term. This would be a costly mistake. In this crisis, a response is required which combines fiscal and monetary expansion with a strategic understanding of how pre-existing economic failings can be addressed through selective and conditional interventions.

A Greener Economic Recovery

Clearly, Covid-19 and the climate emergency require separate and distinctive sets of policy responses. However, with climate change and Covid-19 both requiring urgent political responses, crisis interventions are required which combine fiscal and monetary expansion with a strategic understanding of how pre-existing economic failings can be addressed through selective and conditional intervention. What, therefore, would a response look like which was attentive to imperative of decarbonisation? Indeed, with the UK economy mired by an assortment of other pathologies and injustices, perhaps we should we ask the broader question: What would a crisis management policy package look like if it were part of a strategy of just transition towards a sustainable economy?

(a) Green Fiscal Stimulus

A Keynesian stimulus in industries that can be seen as viable in the post-pandemic era is now vital. This is no straightforward task given that future viability involves estimating the evolution of consumer preferences and the levels of demand over the period of lockdown. Nonetheless, in the context of the need for decarbonisation, certain industries are ripe for investment. After a series of missed opportunities, the time has arrived for investment in the nascent low-carbon economy.

A 'green fiscal stimulus' entails public investment in renewable energy production, the innovation and development of new low-carbon technologies, and the upgrading or

modification of infrastructure and systems of production in the automotive, manufacturing, agriculture, transport and service sectors. Investment in these industries – highlighted as strategically important in the recently revived Green New Deal and Green Industrial Revolution discourses (Bailey and Craig 2018, Ocasio-Cortez 2018, Lucas 2019, Gunn-Wright and Hockett 2019, Klein 2019, Bailey 2019) – must be urgently coordinated by the Department of Business, Energy and Industry Strategy and a revamped Green Investment Bank. A series of fiscal instruments could support innovation, infrastructural construction and growth in low-carbon sectors, whilst training and employing workers immediately will enable the schemes pertaining to this stimulus to mobilise at speed when lockdown restrictions are relaxed.

The green industrial policies deployed by the German, Danish and South Korean governments in recent years could serve as useful prototypes for the British state, albeit the UK would benefit from the experience of, and innovations yielded by, initiatives elsewhere. This includes the falling cost of renewable energy, which means the British state can go further and faster than neighbouring countries have in prior years. A series of modifications may also be apposite, including the advancement of community energy projects and other decentralised forms of ownership models, and investment in conservation and rewilding projects, tree planting and flood defences.

In addition to their contribution to decarbonisation efforts, these industries also present an opportunity to create well-paid jobs and educational and training opportunities in technology development, manufacturing and construction (Klein 2019, Pettifor 2019, Powell *et al*. 2019). A study from the University of Oxford – co-authored by Joseph Stiglitz and Nicholas Stern – found that government spending on green growth projects would yield higher returns on government spending than a conventional stimulus., based on an examination of 700 stimulus policies since 2008 and a survey of 230 senior officials from Central Banks and Finance ministries in 53 countries (Hepburn *et al*. 2020). As such, these are 'jobs rich' projects compared to other industries currently seeking bailouts, and promise jobs in 'left behind' areas to boot, meaning that investment in these industries offer a better return for policymakers seeking to suppress levels of unemployment (Powell *et al*. 2019, Pettifor 2019, Hepburn *et al*. 2020).

The dual benefits of a 'green stimulus' are the reason why EU Commissioners and Environment Ministers across Europe have been so effusive in their support (Simon 2020).

Political support has been offered by Macron and Merkel as well as the President of the European Commission, Ursula von der Leyen, who declared in April 2020 that the bloc's green goals should be "the motor for the recovery" (Erlanger 2020).

This of course entails the UK government accepting an entrepreneurial role in the present malaise. As Marianna Mazzucato has long professed, the state long played a greater role in the innovation that underpins commercial profits than is widely appreciated and now it must accept a leading role in constructing a greener and more inclusive wave of growth (Mazzucato 2014, Jacobs and Mazzucato 2016). If it were to do so, it is likely to swiftly encounter a 'crowding in' of private investment that is currently dormant.

As was asserted by Frank van Lerven, Lukasz Krebel and Alfie Stirling in their remarkably prescient publication of January this year – 'Recession Ready: A Green Plan to Beat Tomorrow's Downturn' – "the policy response to the next recession should contain within it the largest green stimulus in zero-carbon infrastructure that is feasibly possible" (van Lerven *et al*. 2020). That recession has arrived. After a series of missed opportunities, we have now likely reached our final one. The environmental credentials of the policy response will now determine whether the UK meets it's legally-binding decarbonisation targets. A transformational green stimulus is vital to doing so.

A transformational green stimulus should thus be a centrepiece of the policy response. It promises to creating a new wave of jobs and industries whilst meeting the decarbonisation targets enshrined in the Paris Accord intended to mitigate future crises with the disruptive potential of Covid-19.

(b) Better Bailouts

Industries characterised by exploitation, extraction and pollution are using the pandemic to request government bailouts and the weakening of environmental and labour market regulations (Carrington 2020b). The threat of a further 'Shock Doctrine' wave of policy measures is palpable.

Eschewing this approach is essential for the British state to avoid 'locking in' a further economic wave of ecological degradation and warding off accusations of unfairness and profligacy. Not only can such an approach be seen as socially unjust, it rescues industries that will be unviable in the post-pandemic era either due to changing levels of consumer demand

(as already noted, projections of an immediate resumption of re-crisis levels of consumer demand and 'V-shaped' recoveries are extremely optimistic, particularly in certain sectors) and the need to reduce greenhouse gas emissions by 45% before 2030. Even if the Conservative government were to offer widespread bailouts to UK industry, demand-side forces (including increased unemployment and consumer anxiety) will ensure that the 'old normal' will not fully return. There is, as such, a need for smarter public investment.

Instead, a more selective and conditional approach must be adopted when offering support to private companies. This should be based on a strict 'triple bottom line' assessment of a company's economic, social and environmental impacts. Subjecting companies to this assessment will guide policy-makers thinking on whether companies ought to receive state support, the terms on which they are, and the form that state support should take. This calculi will lead to a more discriminatory approach to state subsidies. This may include companies being precluded from receiving state aid (e.g. if the company if registered in a tax haven), others receiving loans rather than subsidies, the staged phasing out of state support (allowing for a managed downsizing), or providing state aid on the proviso that specific business practices are changed (e.g. capping bonuses, suspending dividend payouts and share buybacks, employment guarantees, investment in low-carbon technologies). The Labour government which orchestrated the response to the 2008 financial crash placed very few conditions on the provision of emergency state support, which led to widespread criticism of injustice thereafter, but other governments of that era were bolder in doing so. More recently, the French finance minister, Bruno Le Maire, said that Air France would have to become "the greenest airline in the world" in return for a €7bn bailout; stipulations which supposedly include reducing the emissions of its operations by 50% in this decade and prohibiting flights of less than 150 minutes that compete with rail services (Reuters 2020). As such, being selective and imposing conditionality on bailout subsidies to re-shape production in ways conducive to the public good is not without precedent.

The adoption of this principle has already been hinted at by Andrew Bailey, the new Governor of the Bank of England, when asked about the possibility of excluding fossil fuel assets from the Bank's future bond purchases. He told a Treasury Select Committee in March 2020 that there is "a very strong argument" for recognising the climate-related financial risks in to Central Bank policy-making and altering the composition of the Bank's asset portfolio, and that he intended to make it "a priority" (Clarke 2020). It remains to be seen whether future

rounds of quantitative easing match this rhetoric, and the initial inclusion of oil firms' debts in the eligibility criteria of the Bank's bond purchasing schemes indicate that it won't (Jolly 2020). Nonetheless, the rhetoric may indicate that the adherence to the principle of 'market neutrality' - whereby asset purchases conform to the investment preferences of the capital markets despite the environmental consequences - is being challenged on Threadneedle Street.

There is a need to prioritise certain forms of economic activity over others, as only some industries will be able to lead a sustainable recovery and only some will remain economically viable in the wake of the pandemic. Offering state support to companies that offer value to the economy we want, rather than the one we have, is crucial to ensuring a 'just transition' to an economy which is more sustainable. Yet, the employment and public goods provided by companies that cannot must be acknowledged too. Accordingly, bailout decisions must be made in the knowledge that a just transition cannot be *immediate* but *phased*. The restructuring or downscaling of environmentally unsustainable sectors cannot significantly exceed the speed of expansion of the low-carbon economy if the provision of basic needs, livelihoods and social justice is to be ensured. As such, states must work with trade unions as well as businesses to safeguard a transformation of the economy which is environmentally and socially just.

(c) Establishing a UK sovereign wealth fund

The practice of distributing unconditional subsidies at great cost to the taxpayer, and the tacit acceptance that losses must be socialised whilst profits are privatised, is not a politically plausible option in 2020. The 'no strings' approach to the 2008 crisis was met with huge public outcry, allowed the discredited economic status quo to remain intact, and set the scene for austerity rhetoric subsequently.

Learning the lessons of 2008 means that, where state support is extended to the private sector, taxpayer money today must be used to take an equity stake in the ailing companies. Purchasing shares will allow the state to gain real value from its use of public money, thereby allowing the state to recoup its investment when businesses return to profitability and offering a revenue stream thereafter (Roberts and Lawrence 2018, Lonergan and Blyth 2020). As Mazzucato (2013) argues, an 'entrepreneurial state' must not only shoulder the burdens of risks and losses, but also benefit from future profits; like any other investor in the economy.

The shares purchased in this period of crisis would inaugurate a new UK sovereign wealth fund (the holdings of which could swiftly be diversified to include non-UK companies in order to

mitigate risk) which will create the sort of shareholder value that other countries (most notably Norway) have historically benefitted from. This constitutes a new form of government revenue for the 2020s that bolsters state capacity, mitigates the need for post-pandemic austerity, and democratises the national economy.

Moreover, this opportunity avails itself at a time when government borrowing is relatively inexpensive. The UK government can issue 10-year bonds at a yield of 0.5 per cent (even less when factoring in inflation) (Trading Economics 2020). This, combined with the reduction in share prices, makes the current moment opportune for asset purchasing. As Lonergan and Blyth note, ‘by issuing debt when interest rates are so low and, in effect, buying assets at very cheap prices, in the medium-term, the state will simultaneously ensure businesses survive, workers keep their jobs, and the state emerges an owner of significant assets’ (Lonergan and Blyth 2020: 2).

Crucially, the part-ownership of organisations in a democracy may also shift our understanding of what business practices comprising those organisations the general public is willing to tolerate. It potentially represents a further policy tool for the state to show leadership on transforming the national economy. This may entail the state exercising its shareholder influence to advance decarbonisation efforts or address other deep-seated issues facing the UK economy. There are numerous Sovereign Wealth Funds that explicitly have incorporated a ‘corporate social responsibility’ perspective into their operations, including those pertaining to Norway, France and New Zealand (Liang and Renneboog 2020). These greater steering powers could help ensure UK business become part of establishing a new social contract for the post-pandemic age.

(d) Welfare Renewal

It has become clear that a country’s capitalist model is a key mediating factor in ‘flattening the curve’, and the austerity measures taken since 2010 has the left the UK relatively unequipped to manage a pandemic on this scale and the economic downturn which followed.

The value of the services provided by the ‘Foundational Economy’ and the labours of the ‘key workers’ have been subject to a public re-appraisal in the midst of the pandemic, and it far exceeds the exchange value of their disproportionately low pay (Froud *et al.* 2018, IFS 2020b, The Foundational Economy Collective 2020, Davies 2020). This particularly includes the work

of those in the National Health Services and care services – core institutions of the British welfare state – which have been devastated by a series of public sector cuts since in the last decade (Taylor-Gooby 2016, Palier and Hay 2017).

The social insurance functions of the welfare state are similarly pivotal in the government response. This is partly in terms of managing the public health crisis insofar as a 'lockdown' cannot be effectively or fairly enforced without the extension of income protection and access to other benefits where necessary. The order to 'stay home' has, quite understandably, not been heeded by those not eligible for welfare benefits and with no alternative but to continue earning a livelihood in the marketplace. This includes the self-employed and workers on zero-hours contracts in industries closed on the basis of government advice.

Simultaneously, given the imperative of decarbonisation, this function becomes even more vital in navigating the (potentially turbulent) transition to a more sustainable economy. Shielding workers from the market volatility and disruptions pertaining to a low-carbon transition, via welfare provision, is essential to ensuring a modicum of equitability as well as the social sustainability of any green state project (Bailey 2015, Bailey 2017). The welfare state thus represents not only a set of 'macroeconomic stabilisers' (Hay and Wincott 2012), but also a key transitional mechanism (Bailey 2015).

This has reinvigorated debate around welfare provision, after various forms of austerity measures stretching back decades (Pierson 1994, Pierson 1998, Palier and Hay 2017). Spain have responded to the pandemic by introducing a Universal Basic Income for all its citizens (and the possibility of its introduction elsewhere) and momentum for similar social security provisions and Universal Basic Services is growing (Steinberger 2020, Stirling and Arnold 2020). Long-standing debates on 'sustainable welfare' and its emergent practices around the world also appear particularly germane to discussions of welfare reform in the UK (Koch and Mont 2016).

Given the spread of Covid-19 and the ongoing climate crisis, a set of institutions which insulate the poorest from market forces (which surely includes strengthened welfare programmes) are a vital component of the new social contract throughout the transition to a post-pandemic and low-carbon economy.

The agenda outlined is not by itself sufficient in ensuring a 'just transition' to a sustainable economy which will require subsequent phases of political action and economic change, borne

of a re-articulated vision of socio-economic progress and value, including carbon pricing and remedying the injustices of extractivism pertaining to green investment in the Global North (Paul 2020, Rehman 2019). Nor should it be considered a comprehensive progressive response to the downturn, which must soon include progressive proposals to stabilise public debt levels in order to counteract the looming second wave of austerity rhetoric. This may include a wealth tax in a subsequent wave of policy measures – as advocated by Nick O'Donovan (2020) – which would address UK public debt as well as the stratification of wealth and power inequalities in the British economy (Berry *et al*. 2020). Nonetheless, the agenda outlined here highlights four key components of a policy agenda that aligns responses to the dual crises of Covid-19 and climate at a moment of critical juncture in Britain's political economy. Furthermore, the outlined agenda, alongside new forms of bolstering state capacity (via covert monetary financing), signifies a cumulative shift in Britain's political and economic landscape conducive to economic democratisation and a rebalancing of power.

Conclusion

The panic of the present moment shouldn't disguise the fact that other economic challenges and priorities exist; not least the necessity of tackling the climate emergency. A more comprehensive understanding of current macroeconomic challenges and inequities should alert policy-makers to the dangers of financing the preservation of the economic status quo. It should also oblige policy-makers to question how a state project of resource mobilisation would be recalibrated if we were to respond to the multiple challenges facing the economy, and encourage them to formulate a more strategic and discerning use of the state's powers and resources at a time of fiscal and monetary expansion to engender structural change.

The broad agenda of a strategic response which seeks to green the 'green shoots' is put forward here. A crisis management response based on this policy agenda would enable a phased and just transition to a different kind of post-pandemic economy. It is a response that aligns the protection of livelihoods today, the creation of value for the state, and the promotion of more sustainable jobs and economic activity in order to mitigate the climate crisis. In other words, it represents an opportunity to 'build back better'. Moreover, the agenda is complementary with, and helps establish the political-economic conditions for, new and more ambitious economic programmes in the aftermath of the pandemic.

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