

Green quantitative easing could transform the UK. When ...

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My old friend, Professor Prem Sikka, who is now a member of the House of Lords, spoke in a debate on quantitative easing in that place a few days ago. This [is what he had to say](#):

Much of the money released by QE has been used to shore up bank balance sheets. A large part has also escaped into shadow banks, such as private equity and hedge funds—a sector that is now as big as retail banking, if not bigger, and is posing new dangers, especially as it is not regulated. There are no capital adequacy requirements or stress tests on their balance sheets.

Banks have not used the QE money to support businesses or hard-pressed households. Pre-Covid statistics show that lending to businesses has remained stagnant. In the post-Covid world of government loans, a recent survey—barely three weeks ago—showed that more than half of small and medium-sized enterprises say that they are holding back from investing to grow for the future as funds are taken up by debt repayments. Banks are not stepping up to support SMEs at all. In the era of QE, low interest rates, low corporate tax rates and low inflation, we have not seen any great investment in productive assets in the UK, either. The UK invests around 16.9% of its GDP in productive assets, compared to the average of 20.1% in the EU countries. Among major European countries, only Greece and Portugal have invested less.

QE should have been people-centred and used directly to improve people's lives. Just imagine what we could have done if £895 billion of QE had been used for the green new deal, building social infrastructure, creating energy self-reliance, clearing slums, writing off debts for graduates, starting production of generic drugs to prevent abuses by pharmaceutical companies, and much more. Life would have been transformed.

That is not what the Government chose to do. Instead, they chose to give money to speculators. QE did not cause an increase in inflation, as we have heard, so using it to rebuild the economy and help hard-pressed households perhaps would not have caused inflation either, but we would have had an entirely different country from what we have

today.

Finally, QE has sent a signal to the finance industry that, no matter how reckless it is, the state will always come to its aid. We have handed it an £895 billion subsidy, which has not only seen the bankers avoid punishment for numerous scandals but actually entrenched their financial advantage even more. Is that fair?

I did and the emphasis. What Prem was referring to in that paragraph is what I call green quantitative easing, which Colin Hines and I [have been promoting since 2010](#). **Our latest version, published last month by [Finance for the Future](#) is called *The QuEST for a Green New Deal- How do we pay for it?***

Prem Sikka is absolutely right in his analysis. If only quantitative easing had been used for the purposes of promoting the activities that he highlights we could have transformed society since 2010. Instead that money has been very largely used to promote financial speculation with the consequence that there has been a massive rise in inequality in the UK, a significant increase in personal debt, overinflated house prices and the potential for another financial meltdown. Colin Hines and I predicted all these things in our 2010 paper on green quantitative easing. All of this could have been avoided.

But, we are where we are and now the question is whether that is willingness to use green QE for this purpose now when it is so obvious that the need still exists?