

Bail out society and the planet, not just the banks

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This blog post was written by my Finance for the Future and Green New Deal colleague Colin Hines and was first published on the [Green Alliance blog](#) on 3 April:

Here we go again. A rocky international banking system is once again in need of help from governments and central banks. During the last banking and Covid crises in the UK this took the form of the Bank of England using quantitative easing (QE) to create £875 billion, without any borrowing, to provide money to prop up the banks and wider economy.

The problem was that 'Bankers' QE' did not lead to investments across the nation to compensate for the economic downturn. It was mostly used by the banks to inflate the assets of the already wealthy in property and shares. 'Covid QE' was a little more egalitarian, as some of the new money generated by the Bank of England was used to pay for furlough, via the Coronavirus Job Retention Scheme, at [a cost](#) of £70 billion.

QE has never been used in social or environmental crises

Neither of these QE programmes helped in any way to fund the kind of growth in economic activity the UK needs to rebuild its crumbling social infrastructure or adequately protect the environment. This will require hundreds of billions to be spent, to increase decentralised economic activity, which both reduces inequality and insecurity, whilst rebuilding social and environmental infrastructure. It will also be crucial that this is done in a way that minimises the throughput of energy and raw materials.

On Monday 20 March, the banking crisis was knocked off the top news slot by the Intergovernmental Panel on Climate Change (IPCC) [report delivering a "final warning" on the climate crisis. Trillions of dollars will need to be spent globally over the next decades to address this threat.](#)

To ensure this occurs, the gap between the scale of funding rich countries' central banks are prepared to create to save their economies from the

banking and Covid crises, compared with what they make available to solve the climate crisis has to be urgently closed. The way to achieve this was made clear over a year ago by Mia Mottley, the prime minister of Barbados, in her address to the COP26 climate summit in Glasgow. She made the crucial [point](#) that: “The central banks of the wealthiest countries engaged in \$25 trillion of quantitative easing in the last 13 years. Of that, \$9 trillion was spent in the last 18 months to fight the pandemic. Had we used that \$25 trillion to finance the energy transition we would now be reaching that 1.5 degrees limit that is so vital to us.”

The lessons of the last week must be don't just bail out the banks, bail out society and the planet, and that money is not the problem.

We have to challenge the myth of funding constraints.

In the UK, prior to this latest banking crisis, the government's justification of its refusal to adequately rebuild social infrastructure, to reduce regional inequalities and protect the environment was that, in these straitened times of Covid recovery and the Ukraine war, there is not enough spare money to fund such desperately needed improvements.

The major opposition parties have been incredibly cautious and have done little to adequately challenge this mantra. From the Liberal Democrats and the SNP very little has emerged in terms of funding proposals. Keir Starmer's disheartening promise was not to open a “[big government chequebook](#)” (*cue for the young to reach for Google dictionary*).

Given that, it will be very interesting to hear the opposition parties' response to the tens of billions being made available overnight, if needed, to prop up the banks again. If they support that move, this could open up the possibility for Labour to rethink its 'sound money' approach and free it and the other opposition parties up to make a credible case for how the next government can pay for the investment this country so badly requires.

The sudden re-emergence of 'money is no object' thinking by the Treasury and Bank of England to support the banks should also allow Shadow Chancellor Rachel Reeves to think back to her first job in Threadneedle Street, where she studied the quantitative easing programme in Japan, which she [described](#) as being “... so remote from normal economic policy but it turned out to be a pretty good grounding from what happened in the UK a few years after.”

A hopeful, alternative plan is possible

The hundreds of billions needed could be found from three [sources](#). **First, a huge programme of quantitative easing must be restarted. Second, the estimated £55 billion a year of tax breaks for pension savers and the tax subsidy on the £70 billion a year going into ISAs must be redesigned to [support](#)**

employment-creating investment with social and environmental goals. Third, increased revenue through a fairer taxation system where the wealthier contribute far more must be a goal.

Such an adequately funded, hope inducing, alternative plan should be at the core of all parties' manifestos. Unions, NGOs and political activists should make this 'money is no object' thinking the core of their lobbying until the next election and unite around a call for a 'Social and Green New Deal', funded predominantly by a third tranche of QE money. In short, make 2023 the year of QE.