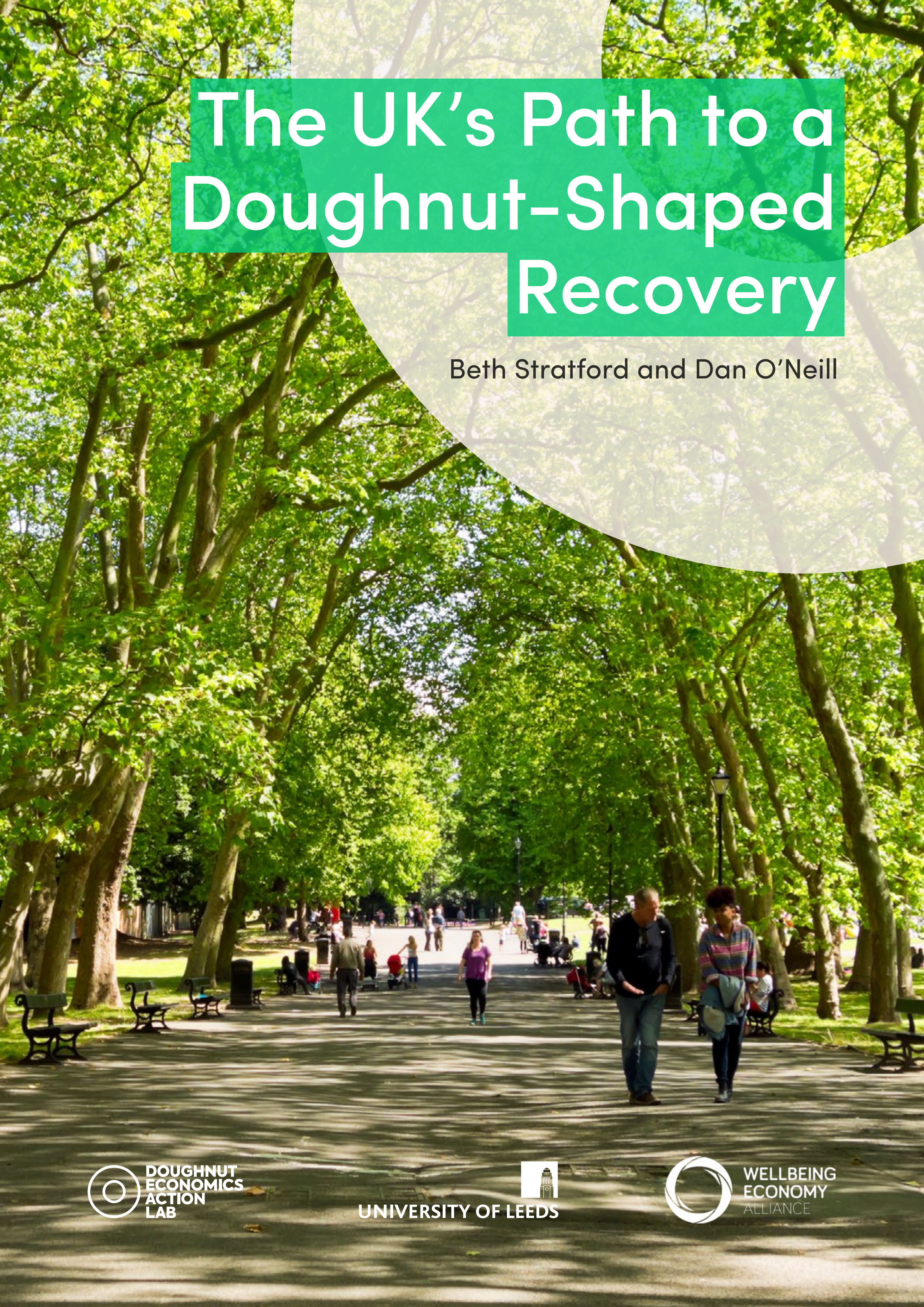
The UK's Path to a Doughnut-Shaped Recovery

Beth Stratford and Dan O'Neill



DOUGHNUT ECONOMICS ACTION LAB

UNIVERSITY OF LEEDS

WELLBEING ECONOMY ALLIANCE

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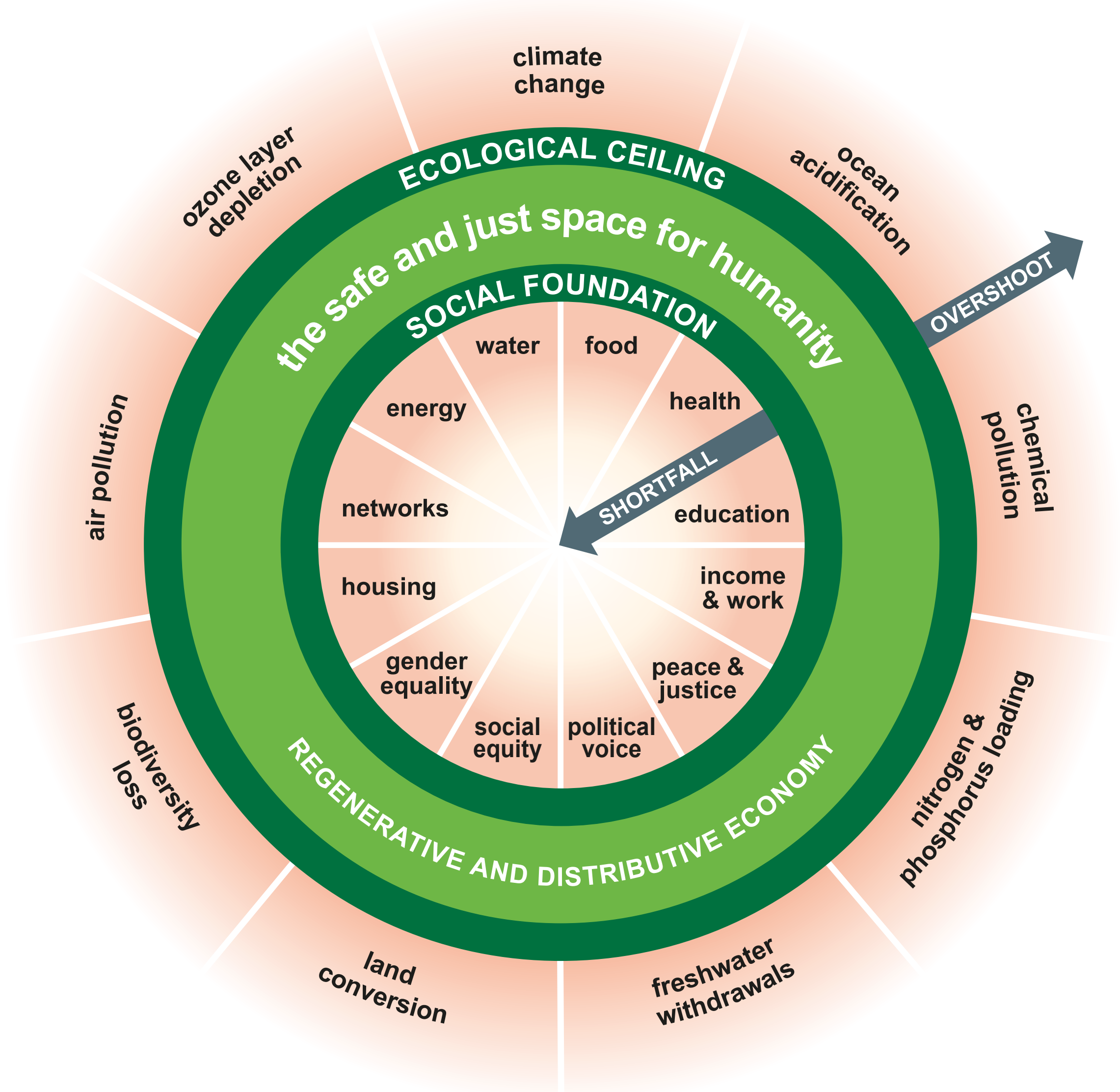
Executive Summary

There has been a lot of discussion about whether the economic recovery from Covid-19 will be V-shaped, U-shaped, W-shaped or L-shaped. The letters generally refer to the size of the economy over time, or sometimes just to the stock market. But there are other dimensions to a post-pandemic recovery that matter more for societal well-being than the market value of our output.

Is this a recovery that will put us in a stronger position to prevent and withstand future crises? Will it create opportunities for everyone in our society to live fulfilling lives? And will it do these things without jeopardising the ability of future generations, and people elsewhere in the world, to meet their basic needs?

These are the kinds of questions being asked now in cities like Amsterdam, where, instead of focussing narrowly on the rate of economic growth, policymakers have chosen a more holistic framework to guide and evaluate their response to Covid-19: the "Doughnut" of social and planetary boundaries.



The Doughnut of social and planetary boundaries, developed by Kate Raworth.
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The goal in this framework is to meet the needs of all without destabilising Earth's critical life-support systems. It is a compass for a *well-being economy*. But what if the policies needed to protect public and planetary health conflict with the goal of growing Gross Domestic Product (GDP)? Pursuing what might sound like a modest target of 2% GDP growth per year implies *doubling* the scale of our output and consumption every 35 years. The scientific data suggest a conflict between pursuing such growth in wealthy countries like the UK and preserving enough ecological space for poorer countries to meet their basic needs. In any case, the spectre of shrinking or stagnating GDP has repeatedly been invoked to block environmental policies. Most recently it has also been invoked to justify the lifting of Covid-19 restrictions in workplaces, in spite of the risks to public health. Two thirds of the British public want government to prioritise health and well-being over GDP[1]. So why do policymakers remain so preoccupied with this one economic metric?

Why is slowing growth such a frightening prospect?

Part of the answer is that our economy is currently dependent on growth to maintain economic and political stability. Our growth dependence expresses itself in at least four ways:

▶ The threat of unemployment

All else being equal, automation and other innovations gradually reduce the need for labour. Conventional economic wisdom says we must stimulate consumption growth to soak up the surplus labour. But there is an alternative and more environmentally sustainable way to maintain employment: share out the remaining work. Instead of using productivity improvements to drive down prices and sell more goods, companies could offer workers a shorter working week at a higher hourly pay rate. This is not a solution that profit-oriented companies are likely to deliver of their own accord. It will require coordination, and a shift in the balance of power in work places.

▶ The risk of private debt crises

We are dependent on growth to maintain financial stability because our economy is heavily burdened with debt. Debts are promises to pay, often based on expectations about the future — usually of revenue growth or asset price growth. If those expectations don't come to pass, debt obligations can become dangerously destructive. Unlike equity investments that shrink or grow with the fortunes of the firm, debts are fixed in nominal terms, and if the interest cannot be paid, they grow exponentially. High levels of indebtedness can transform a modest fall in expected growth rates into a full-blown crisis. To make our economy resilient in the face of slowing growth, we must look for ways to reduce indebtedness, both for households and firms.

▶ The inequity of rent extraction

Growth is required to protect the privileges of landlords, financiers, monopoly interests, and other "rentiers". Rentiers do not create wealth; they extract the wealth that other people create through their control of monopolised and scarce assets. As long as the economic growth rate remains higher than the rate of rent extraction, this situation can continue. But when wealth creation stalls — while landlords, financiers, monopoly interests, and other rentiers continue to extract wealth and accumulate assets — the result is rising inequality. To prevent inequality rising as growth slows, we must diffuse the power of rentiers.

▶ The failure to safeguard basic needs

High levels of unemployment, indebtedness, and rent extraction are all-the-more dangerous in an economy like the UK, where essential goods and services like social care, energy, and transport are rationed by price — i.e. by ability to pay. In this context, the ability of the poorest to meet their basic needs is threatened by a fall in income, or a rise in prices. This is also why carbon taxes — which are essential to meet our climate obligations — are so difficult to introduce under the current system.

These four vulnerabilities are a straightjacket on democratic choice. They impede our ability to respond effectively to public health and ecological emergencies, and undermine our ability to live within the Doughnut of social and planetary boundaries. When certain forms of economic activity become dangerous to our health and well-being, or to the living systems upon which we depend, our governments must have the confidence to scale back those activities — without fear of triggering crises of unpayable debt, unemployment, or rising inequality. This confidence can only be achieved if we tackle the underlying causes of our dependence on growth.

Does Covid-19 present opportunities to reduce our growth dependence?

The Covid-19 crisis is exacerbating many of the economic injustices that underpin our growth dependence. But by exposing the vulnerabilities in our current system, the crisis also presents opportunities to tackle these problems head on. It offers a chance to redesign aspects of our economy to be *distributive by design* and *resilient to economic shocks*. To get on the path to a Doughnut-shaped recovery, in which the basic needs of all can be met within planetary boundaries, we propose four parallel policy strategies.

1. Safeguard basic needs

Due to Covid-19, millions of people now have first-hand experience of the inadequacies of Universal Credit, the flaws in our Statutory Sick Pay system, and the tragic consequences of under-resourcing our health service and care system. And yet we have also seen that where there is political will, very substantial public funds can be found to safeguard basic needs. There is now an opportunity to strengthen our social safety net and provide sustained investment in the social infrastructure upon which our lives depend. To safeguard basic needs, we need to:

- Introduce a Minimum Income Guarantee and better Statutory Sick Pay
- Provide comprehensive adult social care
- Reform energy tariffs to create a free minimum energy entitlement
- Invest in free and affordable alternatives to private car travel

2. Empower and protect workers

The pandemic has drawn attention to the low pay and precarious conditions that so many workers face, and to the moral bankruptcy of a corporate governance model which allows billions in public bailout money to be funnelled to share-holders while jobs are cut. To address these injustices, we must:

- Provide support to firms to cut hours, not jobs
- Create well-paid secure jobs through a Green New Deal
- Use equity-based bailouts to increase worker rights over the long term
- Raise the minimum wage and end insecure work
- Strengthen sectoral bargaining and democratise workplaces

3. Reduce exposure to debt crises

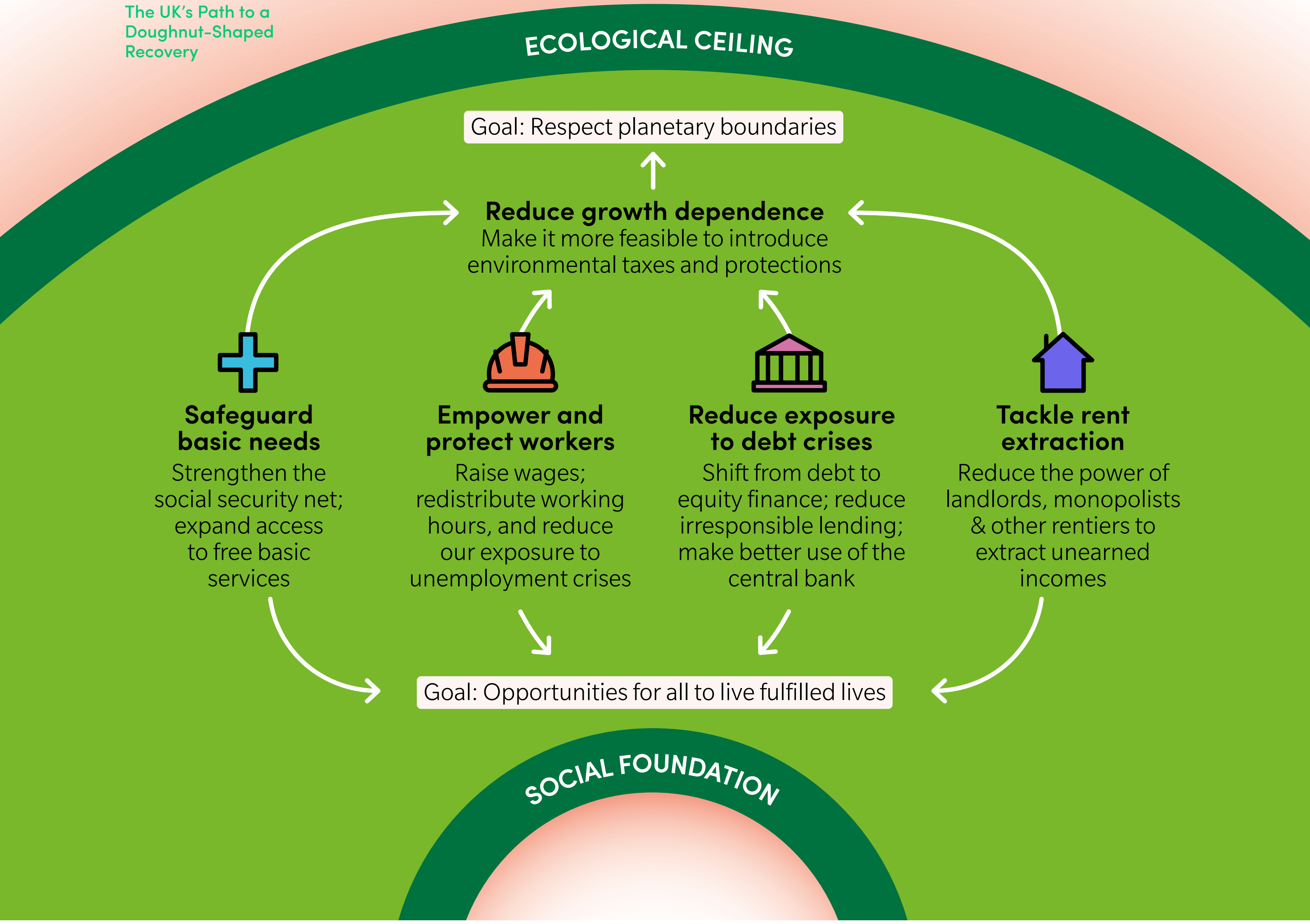
The unfolding crisis in household and business debt reinforces the need for structural changes that will reduce our exposure to debt crises over the long term. Unfortunately, there is a risk that public debts in the aftermath of Covid-19 could be used as a battering ram for a new campaign of austerity, which would force even more households into debt. To address these issues, we must:

- Make more extensive use of central bank financing of government deficits, to reduce the burden of public and private debt
- Facilitate interest holidays and debt write-downs for households
- Reduce the cost of borrowing for small and medium sized enterprises
- Shift from debt to equity financing, and prevent the use of debt for tax avoidance
- Use macro-prudential tools to discourage inflationary lending and reduce asset price booms and busts

4. Tackle rent extraction

Urgent measures are required to prevent a harmful consolidation of rentier power in the wake of Covid-19. The dramatic fall in tax revenues from employment and consumption creates an added incentive to improve the taxation of unearned incomes like capital gains, dividends, and monopoly profits. Mounting rent arrears reinforce the need to overhaul the governance and ownership of our land and housing systems. To stop rent extraction from driving up inequality post-crisis, we must:

- Prevent public bailout money being captured by rentiers
- Tax capital gains and property wealth more fairly
- Protect tenants and reduce rent extraction in the housing market
- Protect small and medium sized enterprises, while taxing monopolies



▲ Four parallel strategies for a Doughnut-shaped recovery.

As well as directly reducing the precarity and exploitation experienced by millions in our society, these four structural shifts would make our society much more resilient in the face of slowing growth and economic shocks. By reducing our growth dependence, we do not foreclose the possibility of greener economic growth, but we open up more room for society to manoeuvre. We give policy-makers the freedom and confidence to pursue a *well-being economy*, to respond decisively to public health emergencies, and to introduce tough environmental protections in line with planetary boundaries. Shedding the blinkers of GDP max-imisation, and adopting the Doughnut as a new compass to guide public policy, would allow us to focus on the health and well-being of all people, and protect the living planet upon which we depend.

Introduction

The case for a new compass

There is now widespread consensus that we need to do better than "return to normal" after the crisis. Scientists have been warning for years that our intensive model of agriculture and addiction to fossil fuels are both increasing the likelihood of pandemics[2] and storing up extreme weather events for the future. Economists have cautioned that, without systemic changes, the fragility of our financial system, the monopolisation of our markets, and the affordability of housing will only worsen. Frontline workers have raised the alarm about falling standards of care and education, and about vulnerable people slipping through an increasingly threadbare security net. A V-shaped "recovery" that pushes us back onto this path would be a return to a state of profound illness.

To step onto a better path we need a new compass for policymaking and a better set of metrics to measure our progress. Simon Kuznets, the economist who developed the system of national income accounts tha underpin Gross Domestic Product (GDP), famously warned "The welfare of a nation can scarcely be inferred from a measurement of national income"[3]. Among wealthy nations, per capita GDP is a poor predictor of health[4], well-being[5], and other social outcomes[6], but it does, unfortunately, remain a reasonably good proxy for carbon emissions and environmental impact[7].

If we treat GDP growth as an end in itself then we risk what ecological economist Herman Daly refers to as *uneconomic* growth[8] — growth that does more harm than good. Instead, we need to focus our efforts on building a *well-being economy*[9] — an economy that meets human needs and improves quality of life, without destabilising the Earth systems upon which we depend.

The "Doughnut" of social and planetary boundaries, developed by Kate Raworth[10], offers a visual representation of that goal, and our progress towards it. The Doughnut's outer boundary represents the ecological ceiling: nine planetary boundaries that correspond to Earth's critical life-support systems, as understood by Earth-system scientists[11]. Humanity must live within these ecological boundaries if we are to preserve a benign climate, fertile soils, a protective ozone layer, sufficient fresh water, and biodiversity on Earth.

The Doughnut's inner boundary represents the social foundation, the minimum quality of life to which every human being has a claim. The twelve dimensions of the social foundation are derived from internationally agreed minimum social standards, as identified by the world's governments during the development of the Sustainable Development Goals.

Between the social foundation and the ecological ceiling lies a doughnut-shaped space in which it is possible to meet the needs of all people within the means of the living planet — an ecologically safe and socially just space in which humanity can thrive (Figure 1).

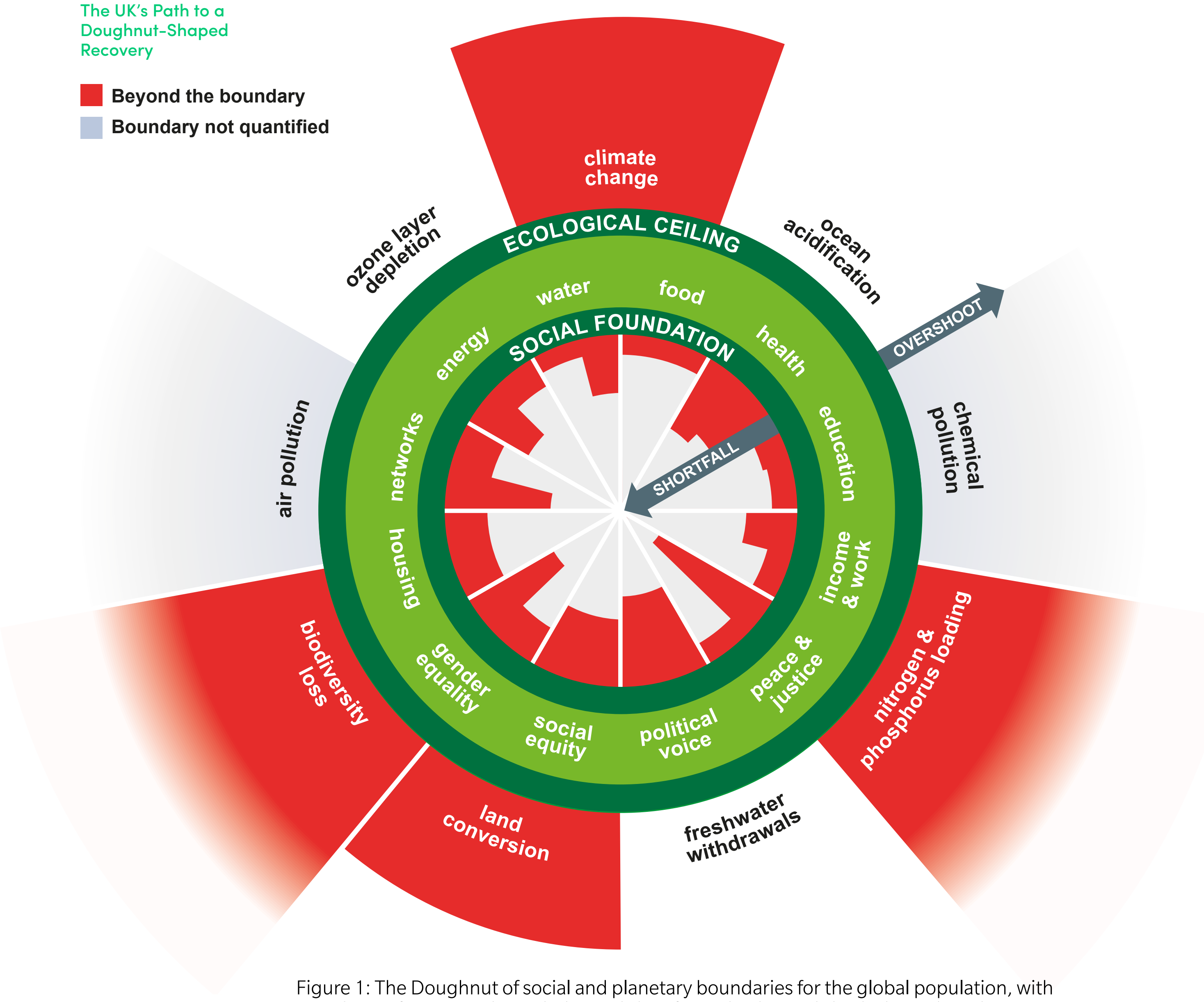


Figure 1: The Doughnut of social and planetary boundaries for the global population, with overshoot of planetary boundaries and shortfall on basic needs both shown in red.
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The case for ending our dependence on growth

To live within planetary boundaries whilst maintaining and improving quality of life we undoubtedly need to grow certain things, such as renewable energy capacity, public transport infrastructure, ecological restoration projects, and insulation programmes. But scaling up the good stuff is not enough. To live within planetary boundaries, we also need to *scale down* the damaging sectors of our economy.

To date, renewable energy has merely augmented rather than replaced fossil fuel use, whilst the benefits of ecological restoration projects have been negated many times over by the speed of habitat destruction. Not only have we failed to introduce regulations and taxes to constrain carbon emissions, or to halt the degradation of soils and loss of biodiversity, we have continued to pour public money into fossil fuel subsidies (£10.5 billion per year within the UK[12]), roadbuilding (£27 billion planned over the next five years[13]), and ecologically disastrous intensive livestock farming (£70 million for 2016–2017 alone[14]).

A key reason that governments of all stripes have failed to impose the regulations and taxes necessary to scale down damaging forms of economic activity is because doing so would likely make it very difficult to maintain growth as usual at an aggregate level. Pursuing what might sound like a modest target of 2% GDP growth per year implies *doubling* the scale of our output and consumption every 35 years.

To get to net zero global carbon emissions by 2050 whilst achieving this exponential growth would require us to roll out currently unproven negative emissions technologies at a scale and rate that many experts do not think is feasible[15], expand renewables at a rate that many experts do not think is physically possible[16], and achieve a net energy payback from that renewable infrastructure that many experts do not think is plausible[17]. A recent comprehensive review of the science concludes that it would be virtually impossible to get back within planetary boundaries whilst achieving historical rates of consumption growth[18].

This does not mean we should give up pursuing critical improvements in technology and efficiency. It just means that we should not expect such infrastructural change to do all the work for us[19]. The argument is not that we should foreclose the possibility of greener growth by attempting to set some kind of limit to GDP. Rather we should impose limits directly on resource use, pollution, and habitat destruction and *prepare for the strong possibility* that these ecological protections will constrain our output and consumption. Denying that possibility, and putting all of our eggs in the basket of "green growth" is profoundly reckless[20]. We cannot simply assume it is possible to reduce environmental impacts to a sustainable level while continuing to grow the economy.

That's why this document moves beyond the traditional terrain of environmental policy briefs (i.e. the case for taxing fossil fuel use, ending deforestation, designing products for longevity and recyclability, and so on). Instead, it focuses on one of the biggest obstacles that stands in the way of achieving such policies: our dependence on growth for economic and political stability.

This report explores four key strategies to alleviate our growth dependence (Figure 2). These are:

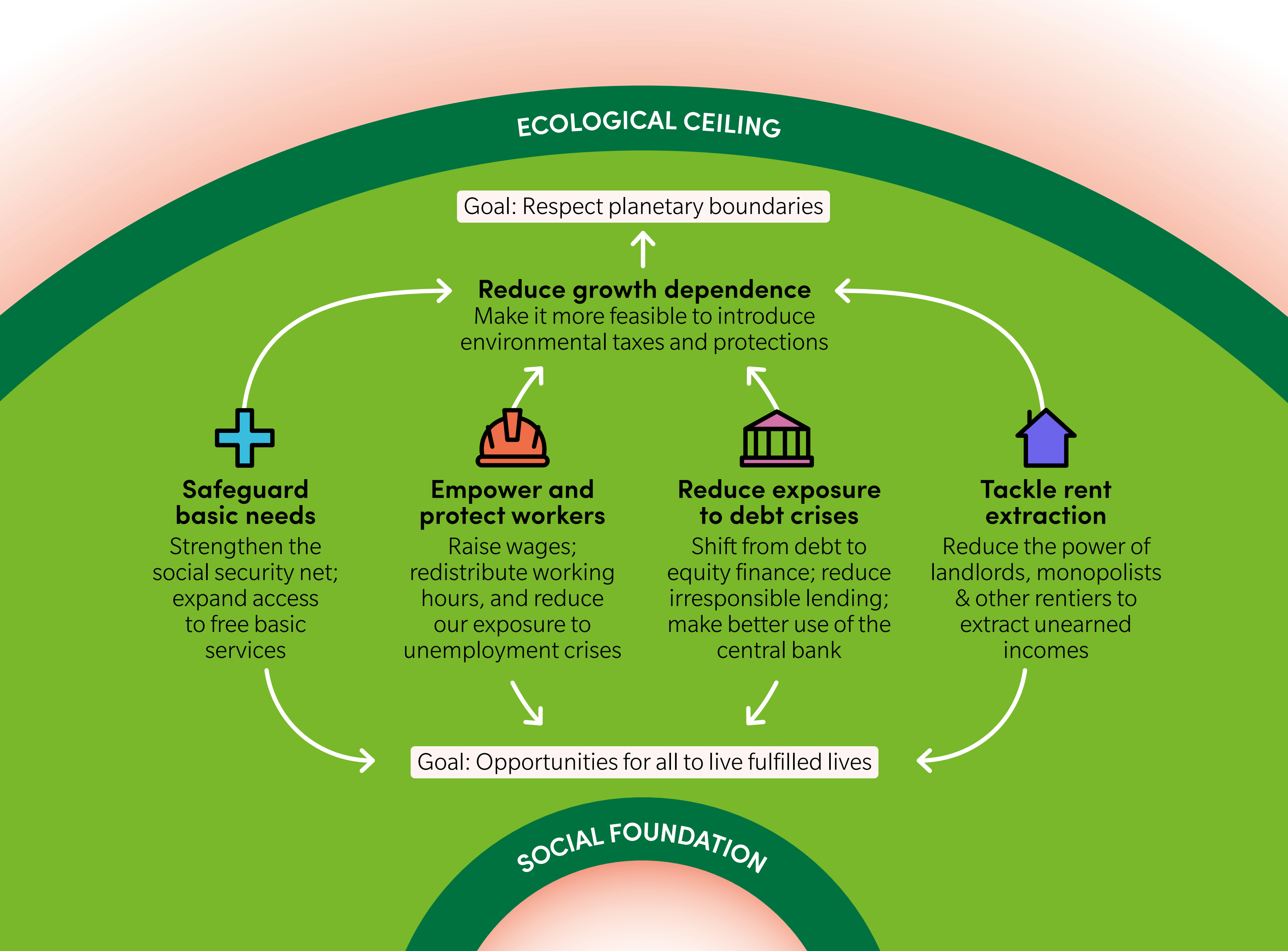
1. **safeguard basic needs;**
2. **empower and protect workers;**
3. **reduce our exposure to debt crises; and**
4. **reduce rent extraction.**

> "If we treat GDP growth as an end in itself then we risk what ecological economist Herman Daly refers to as *uneconomic* growth — growth that does more harm than good.

Pursuing these four strategies would bring us closer to an economy that is *distributive by design*[10]. It would reduce the risk of anyone falling short on life's essentials, and improve the resilience of our economy in the face of economic slowdowns. As such, it would enhance our ability to respond effectively to health emergencies, and put us on the path to a Doughnut-shaped recovery — a recovery in which the basic needs of all can be met within planetary boundaries.

> “ Between the social foundation and the ecological ceiling lies a doughnut-shaped space in which it is possible to meet the needs of all people within the means of the living planet — an ecologically safe and socially just space in which humanity can thrive.

Figure 2: Four strategies to reduce our growth dependence and achieve a Doughnut-shaped recovery.



1. Safeguard Basic Needs

How do weak social protections contribute to our growth dependence?

One of the key reasons that society is vulnerable to contractions in national income is the fact that many essential goods and services — such as transport, housing, energy, and care — are effectively rationed by price, i.e. by ability to pay. Declines in income (or increases in prices) can therefore compromise the ability of many to meet their basic needs.

There is nothing natural or inevitable about this reality. Land, water, raw materials, and energy resources are gifts from nature — common resources. But we have allowed private interests to profit from the control and exploitation of these common resources, while ordinary people are denied even the most basic share of this common wealth. Over recent decades, much of our publicly funded infrastructure has been privatised, leading to rising prices for essential services like energy[21], transport[22], and water[23–25].

As well as making society vulnerable in the face of slowing growth, this system makes it difficult to introduce the carbon taxes which are so essential to meet our climate obligations. The carbon footprints of the poorest members of society arise largely from the consumption of essential goods and services, not luxuries that can be forgone[26].

There are two broad approaches to address these vulnerabilities and safeguard basic needs. The first is to offer cash transfers to enable people to meet basic needs by buying goods and services from the private sector. The second approach is to improve and expand the range of collectively provided services to which everyone is entitled. In their book *The Case for Universal Basic Services*, Anna Coote and Andrew Percy argue for an expansion of the latter approach on the grounds of efficiency, fairness, solidarity, and employment[27]. The advantages of universal basic services are broadly accepted in the areas of healthcare and education. However, Coote and Percy argue the same advantages apply to services such as childcare, adult social care, housing, transport, water, and access to the internet.

The universal basic services approach is sometimes presented as being in opposition to a minimum income or cash transfer approach, since our ability to spend on welfare — while much greater than many economic conservatives suggest — is not unlimited. However, with changes to monetary policy and better taxation of unearned income (as proposed in Sections 3 and 4), our budget for welfare spending can expand to support *both* an increase in cash transfers and improvements in public services. For now, these should be understood as *complementary* and not mutually exclusive strategies for safeguarding needs. Indeed, without both approaches we will remain vulnerable to economic shocks — whether in the form of unemployment crises, contractions of national income, or increases in the price of fossil fuels.

Covid-19 and basic needs: risks and opportunities

The current crisis has thrown into sharp relief the inadequacies of our current systems for safeguarding basic needs. Millions of people have fallen through the cracks in the government's furlough scheme and now have first-hand experience of the Universal Credit system, one of the weakest employment safety nets among advanced economies[28]. Due to Covid-19, millions have also come to understand the flaws in our Statutory Sick Pay (SSP) system, and the pressure it creates for workers to ignore early symptoms and continue attending work.

Meanwhile, the catastrophic failings of social care provision have featured almost daily in our news feeds. Thousands of people have died because the care system was poorly coordinated and under-resourced, after a decade of cuts and three decades of privatisation.

Yet during the crisis we have learned that, where there is political will, very substantial public funds *can be found* to support collective action to safeguard basic needs. It has been clear that the damage wrought by the pandemic would have been much worse without the efforts of a wide range of key workers serving the public interest — from health and social care to public transport, food, schools, and police.

Now is the time to strengthen our social safety net and build better public services that meet people's basic needs. With care providers calling for public bailouts[29], there is an opportunity to de-financialise and democratise adult social care[30]. With customers going into arrears on their utility bills, and many transport companies in need of extensive public support in the wake of Covid-19, there is also the prospect of extending the principle of free basic entitlements to our transport and energy systems.

> "Now is the time to strengthen our social safety net and build better public services that meet people's basic needs.

Policy proposals

1. Introduce a Minimum Income Guarantee and better Statutory Sick Pay

Total out-of-work payments received by UK employees are around 34% of previous in-work income, the third lowest among 35 advanced economies[28]. And at 15% of average earnings, the main adult unemployment payment is worth less than at any time since the 1948 creation of the welfare state[28]. Statutory sick pay and social protections for jobless and self-employed people in the UK are so weak that they are in breach of legal obligations under European law[31]. Worse still, those forced to rely on Universal Credit are currently facing lengthy delays, due to the surge in demand since the crisis began.

To remedy these flaws, the New Economics Foundation have proposed the abolition of the benefit cap and an immediate increase in the generosity of payments through a "Minimum Income Guarantee"[28]. This guarantee would be a payment of £221 per week per working-age adult (around 70% of minimum wage income), based on the Joseph Rowntree Foundation's assessment of the amount necessary to maintain a decent living standard, excluding rent, mortgage, and childcare costs[32]. The income guarantee should be based on need and available to all, which means scrapping the "no recourse to public funds" rule, which leaves many migrants without protection. To prevent delays to urgently needed funds, the payment should not be means-tested at the point of access, and should be made through the advanced payment system of Universal Credit.

The Minimum Income Guarantee would still be substantially lower than most earnings, and thus it would not address the problem that too many workers are under pressure to ignore symptoms of infectious illness and continue to attend work. The solution to this is to raise Statutory Sick Pay and extend eligibility. We suggest that the government should increase the weekly level of sick pay from £94.25 to the equivalent of a week's pay at the minimum wage, immediately abolish the lower earnings limit for receiving Statutory Sick Pay (which currently makes 1.9 million people ineligible, most of them women[33]), and remove the waiting period for sick pay to ensure that it is available from the first day someone is sick.

2. Provide comprehensive adult social care

An entitlement to adequate, good quality, free or affordable social care should be a national priority, especially in the aftermath of so many coronavirus care home tragedies. One possible model is the German long-term care insurance scheme featuring universal social rights within a strong cost-containment framework, and implemented alongside preventive practices to ward off long-term dependency.

Local authorities have an essential role to play in licencing, regulating, standard setting, and coordinating, to reverse the declining standards that have resulted from deregulation and privatisation. Not only do private providers tend to have lower levels of training, higher staff turnover, and lower rates of pay, but they also perform worse on measures of care quality[34,35]. Many engage in short-term rent extraction on behalf of distant investors, via intentional indebtedness and the use of complex ownership structures to dodge tax[30]. This heavily financialised model, in combination with large funding cuts, has created profound instability in the sector[36]. Unionised care workers have a critical role to play in supporting the de-financialisation of the care system, and shifting power away from profiteering absent owners and towards local government, care users, and workers[37].

3. Reform energy tariffs to create a free minimum energy entitlement

The government has stepped in to suspend the disconnection of customers struggling to pay utility bills during the pandemic, but fuel poverty campaigners warn that more needs to be done, as the crisis continues into autumn and winter[38]. One option would be to mandate a new tariff system under which every household would be entitled to a minimum number of energy units for free. At present, with "standing charges" on gas and electricity, you pay more per unit of energy if you use less of it. If, instead, the first energy units were free, and there was an escalating tariff structure for energy use above the basic entitlement, it would reduce bills for the poorest households, whilst discouraging profligate and wasteful energy use.

At the start, the free allowance would need to be generous across all households. As the system was refined over time, however, the free allowance could be tailored to the number of people resident in the household and fixed characteristics of the property. It could also be tightened as regulation and investment improved energy efficiency. Landlords could be required to ensure their properties met a high level of energy efficiency. Moreover, as part of a Green New Deal stimulus, all homeowners could be offered a free or subsidised retrofitting service. Joined up policy like this could eliminate fuel poverty, and ensure that the burden of any energy price increases associated with meeting climate targets fell on the most profligate energy users.

4. Invest in free and affordable alternatives to private car travel

With transport companies in need of extensive public support in the wake of Covid-19, and widespread calls for transport investment as part of a Green New Deal, there is an opportunity for an ambitious transformation of our transport system. To ensure that mobility is not a luxury for the rich, and that emissions from transport fall rapidly, we must radically expand free and affordable alternatives to private car travel.

Private cars are an inherently inefficient use of space and resources, requiring one and a half metric tonnes of metal, plastic, and glass to carry an average human load of little more than 100 kilograms, and spending 96% of their time sitting empty and parked[39]. Moreover, when half of low-income households do not have access to a car at all, arranging our geography for the convenience of the motorist inscribes a structural bias against the poor into the landscape[39].

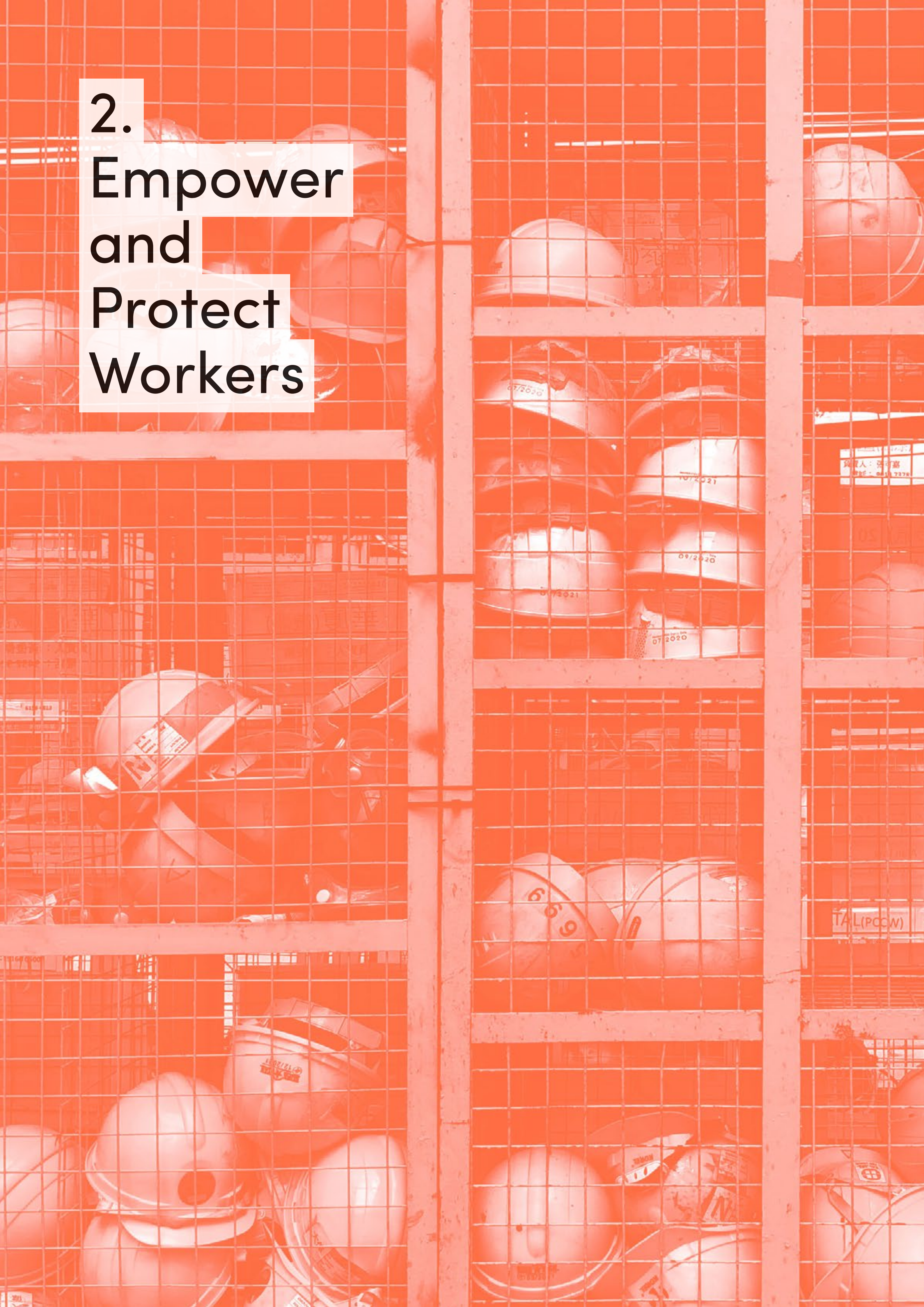
The key to ending this inefficiency and inequity is planning and public investment. The only region in the UK with a long-term trend of declining traffic is London, where the transport system remains under democratic ownership and control. Writing for Common Wealth, Ewan McGaughey proposes a "Green Recovery Act", which would give local authorities the power to regulate fares and timetables (as can be done in London), and would remove the prohibition on UK councils starting and running bus companies[40]. These powers could be used to create a universal entitlement to free bus travel, in effect extending the current Freedom Pass for over-60s to the entire population.

There are plenty of precedents for such a move: nearly 100 towns and cities worldwide already offer some or all of the public transport for free[41]. The proposed legislation would also repeal the constraint on rail ownership by UK governments, so that failing private companies could potentially be replaced by more efficient public sector entities.

Lastly, the government should also dramatically expand investment in infra-structure to support a shift toward cycling, walking, e-bikes, and e-scooters. Many people have already taken up these forms of travel during lockdown, with clear health and environmental benefits. Reclaiming road space from private cars for these more active forms of travel would mean safer streets, cleaner air, and more thriving communal spaces.

> “ Unionised care workers have a critical role to play in supporting the de-financialisation of the care system, and shifting power away from profiteering absent owners and towards local government, care users, and workers.

2. Empower and Protect Workers



How do weak worker rights contribute to our growth dependence?

Automation, economies of scale, and other innovations reduce the need for labour in the production process. Conventional economic theory tells us that the best way to prevent unemployment rising is to consume more, so that workers who would otherwise lose their jobs can instead be employed producing more goods. But continuously increasing consumption is not a sustainable solution in a world where humanity is already overshooting multiple planetary boundaries (as shown in Figure 1).

The alternative solution, which is advocated by many ecological economists[42–45] and progressive think tanks[46–48], is to gradually reduce and redistribute working hours. In practice this requires companies to share the benefits of productivity improvements with workers in the form of longer paid leave entitlements, or shorter working weeks at a higher hourly pay, instead of using productivity improvements to drive down prices and sell more goods. However, sharing the benefits of productivity improvements is not a solution that profit-oriented companies are likely to deliver of their own accord.

Historical reductions in working time were achieved through union bargaining and legislation, and they stalled when the balance of power in workplaces shifted away from workers[49]. Until about 1980, increases in productivity were accompanied by decreases in average hours worked per week[50]. But since then, the benefits of productivity improvements have been increasingly captured by managers, shareholders, and landowners. In 2018, executives at Britain's 100 largest companies earned 117 times the wage of their average worker[51]. Across wealthy countries, wages have failed to keep pace with productivity improvements[52]. Pay is so low that many workers want more hours, not fewer.

If workers are empowered, and if their pay better reflects the value they create, then working-time reduction becomes a much more feasible means to maintain employment — even in the face of automation and slowing growth.

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Covid-19 and worker empowerment: risks and opportunities

On the eve of the pandemic, 5.1 million UK workers were in low-paid, insecure work, including 1.3 million key workers and two million parents[53]. The pandemic has created huge risks for these workers. Many have experienced dramatic falls in their incomes. Many have felt unable to refuse unsafe working conditions, or to stay at home when they had symptoms of the coronavirus. The Covid-19 crisis has revealed how damaging this power imbalance can be, not only for those workers directly affected, but for public health, and economic resilience more broadly.

There is a risk that high levels of unemployment in the wake of Covid-19 will further embed a culture of low pay and insecurity. Alternatively, the experience of the pandemic, and the rise in union membership that it has stimulated, could create pressure for positive change. The experiments with flexible working and reduced hours during the pandemic may also hold lessons for how work could be arranged more effectively and humanely in future[48].

Policy proposals

1. Provide support to firms to cut hours, not jobs

As we come out of the worst stages of the pandemic, the government's Job Support Scheme should offer a powerful incentive for firms to cut hours, not jobs. For every pound of wages a worker would expect to forgo due to working reduced hours, the worker will receive 67p in support under the Job Support Scheme (up to a cap of £2083 per month), with employers required to cover just 5% of the cost of this wage top-up.

Workers would need to be working at least 40% of their usual hours in order not to experience a fall in income when transitioning from full furlough, under the current Job Retention Scheme, to work on reduced hours. The switch to the Job Support Scheme must therefore not happen prematurely. It is critical that support under the more generous furlough is available wherever and whenever public health regulations — whether local or national — cause business closure.

To support future innovation in working-time reduction, the government should also fund research and evidence-gathering to record experiences in workplaces currently experimenting with flexible working and reduced hours. Qualitative and quantitative data collection are needed to capture how changes are being organised, how organisational challenges are being overcome, and how productivity and staff well-being are being affected[48].

Unfortunately, the original Job Support Scheme announced in September had foreseeable design flaws[55–57], and many jobs are likely to have been lost before the scheme's reform, and before the eleventh hour extension of the furlough scheme. Support for the creation of quality jobs is therefore more critical than ever.

2. Create well-paid secure jobs through a Green New Deal

The government must do better than its promised £5 billion of stimulus spending on a "New Deal", which is 200 times less ambitious than Roosevelt's original New Deal[58]. We must grasp the opportunity to re-employ workers who have lost employment, whilst investing in urgently needed upgrades to our health and social care systems, housing stock, and green infrastructure.

A report by Transition Economics for the Trades Union Congress (TUC) shows that the government could create 1.24 million good quality jobs across the UK in the coming two years through an emergency clean infrastructure stimulus[59]. The analysis focuses on 19 infrastructure projects, totalling £85 billion in public investment that could be implemented rapidly. The proposed projects include retrofitting 40% of social housing to a higher energy performance standard, enhancing domestic clean manufacturing capacity, new social housing, cycle lanes and pedestrianisation to improve air quality, rural electric vehicle charging stations, plastic recycling infrastructure to enable an end to plastic waste exports, a 15% increase in UK forest cover, provision of flood defences in line with Environment Agency needs, and accelerated full fibre broadband.

This infrastructure investment would mainly create jobs in the construction and manufacturing sectors, which have had a high proportion of their workforces furloughed. Moreover, roughly half the jobs could be specifically targeted at held-back regions.

3. Use equity-based bailouts to increase worker rights over the long term

By reorienting the government's emergency support for firms away from loans, and toward equity injections, the government could create a lever for improving corporate governance over the long term. Both the IPPR and Common Wealth have proposed that equity stakes acquired as part of Covid-19 rescue packages ought to be transferred to a newly established "social wealth fund"[60,61]. The fund could use its shareholder voting rights to push for things like worker representation on company boards[62], full recognition of trade unions, fairer pay, an end to the focus on short-term share price performance, and investment in decarbonisation.

Worker representation will be particularly important in the aviation and fossil fuel energy sectors, whose operations need to rapidly contract if we are to meet our commitments under the Paris agreement. By taking a majority stake in these sunset industries, the government would be in a better position to ensure that workers are not abandoned, like mining communities were under the Thatcher government, but offered good retraining opportunities and generous redundancy packages. A recent survey of 1383 offshore oil and gas workers revealed high levels of concern about job security within the sector. However, given the option of retraining to work elsewhere in the energy sector, more than half indicated they would be interested in renewables and offshore wind[63].

4. Raise the minimum wage and end insecure work

Politicians of all stripes have praised the care workers, nurses, shop workers, delivery drivers, cleaning staff, and other essential workers who have laboured to keep us all safe, fed, and cared for throughout the pandemic. But these public displays of gratitude appear hollow unless they are matched with real action to end the low pay and precarious conditions that millions of these workers experience.

Research by the New Economics Foundation reveals that one in six workers — including 1.3 million key workers — experience low pay alongside some form of insecurity at work[64]. These insecurities include volatile hours and wages, unpredictable shifts, and various non-permanent contracts, which push an unfair amount of risk onto individual workers. TUC polling shows that over half of zero-hours workers have had shifts cancelled at less than a day's notice[65]. Such practices makes it all but impossible for workers to make financial plans, or manage responsibilities such as childcare. Often those in insecure work miss out on key rights such as the right to request flexible working, the right to be protected from unfair dismissal, and the right to receive statutory sick pay and full maternity/paternity pay.

The new *Employment Bill*, which was announced in the Queen's Speech in December 2019, offers an opportunity for the UK to address many of these injustices. The following minimum standards should be included as a matter of priority:

- A raise in the minimum wage to £10 per hour. This raise would benefit 3.7 million key workers, as well as the 5.6 million other workers who currently earn less than £10 per hour.
- The effective abolition of zero hours contracts by giving workers the right to a contract that reflects their regular hours, at least four weeks' notice of shifts, and compensation for cancelled shifts.
- Penalties for employers who mispresent the employment status of their workers, and protections for the genuinely self-employed.
- The right for outsourced workers to challenge their parent employer over minimum wage, sick pay, and holiday pay abuses.

5. Strengthen sectoral bargaining and democratise workplaces

The proposals above would reduce the number of people suffering from unemployment and extreme exploitation at work. But a more fundamental shift of power in the economy is needed if workers are to be remunerated fairly for their effort and contribution. A good first step would be to increase the power of unions by (i) ensuring they have access to workplaces to tell workers about the benefits of collective bargaining, (ii) simplifying the process by which unions gain recognition, and (iii) reinstating the right to strike[66].

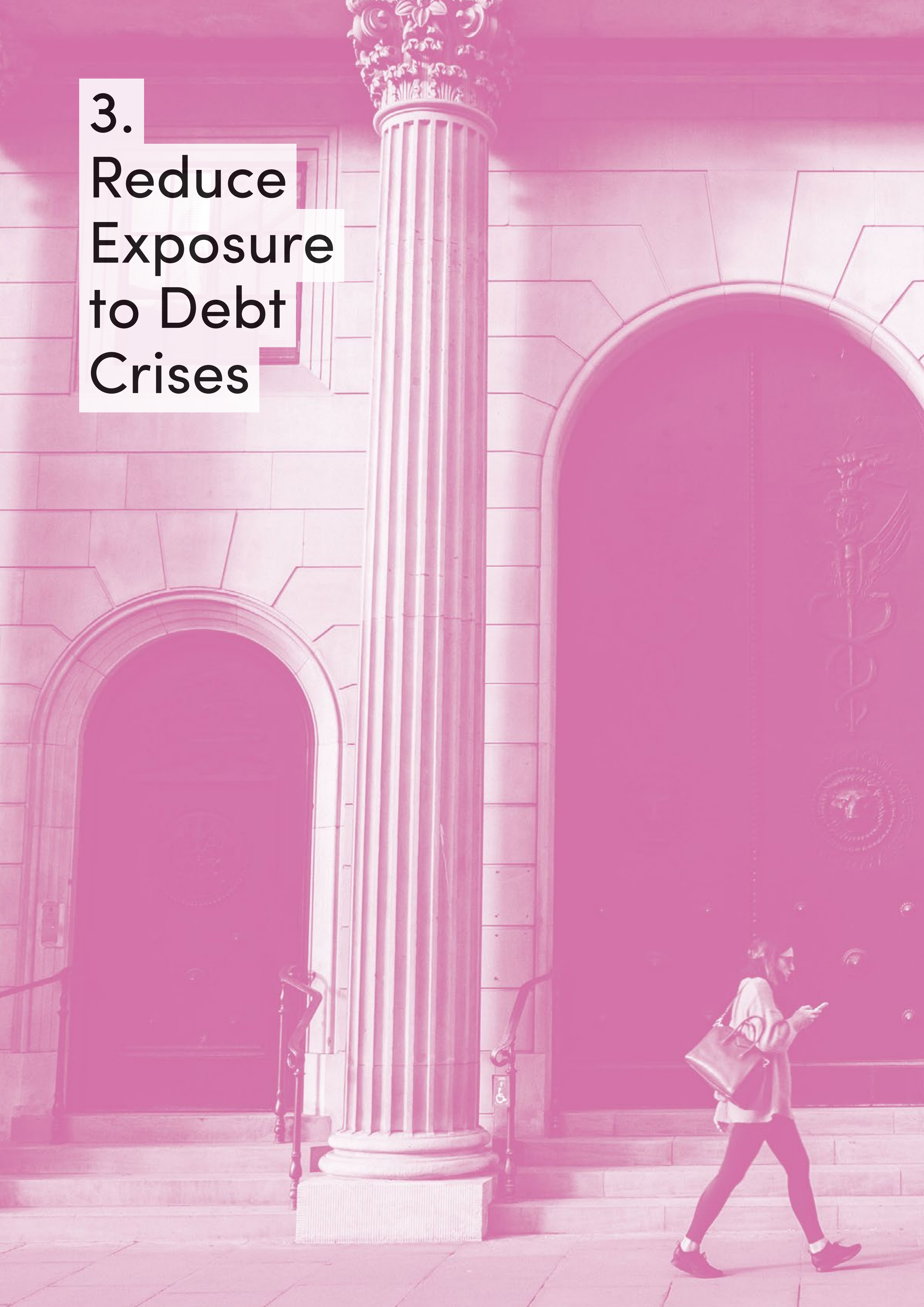
As a second step, we must shift control and governance within companies, so that those who invest their labour are no longer systematically excluded from decision-making. The following recommendations elaborated in Common Wealth's *Commoning the Company* report would empower workers to claim a fairer share of the wealth they create, and help make working-time reduction a plausible long-term strategy for maintaining employment in the face of slowing growth[61]:

- Section 172 of the *Companies Act 2006* should be amended to make the promotion of the long-term success of a company be the primary duty of its directors, rather than the maximisation of shareholder interest.
- Forty-five percent of a company board should be elected by the workforce, 45% by the shareholder body, and the remaining 10% selected to represent broader social and environmental interests. These changes would help democratise corporate governance.
- The outsized voting rights that monopoly shareholders currently enjoy at company meetings should be ended. Instead, all workers should have the right to be registered as a member of their company, and be entitled to a minimum of 25% of the total voting rights in their company.

These may sound like ambitious goals, but the response to this crisis has shown that such rapid institutional change is possible. Moreover, the way that many corporations have behaved during this crisis — funnelling bailout money to shareholders while firing workers[67] — demonstrates the need for a fundamental redesign of corporate governance.

> "We must shift control and governance within companies, so that those who invest their labour are no longer systematically excluded from decision-making.

3. Reduce Exposure to Debt Crises



How do high levels of debt contribute to our growth dependence?

Debts are promises to pay, often based on expectations about future earnings, or asset price growth. If those expectations turn out to be incorrect, debt obligations can become dangerously destructive — not only for heavily indebted firms and households, but also for the economy as a whole.

Unlike equity investments, debts are fixed in nominal terms when the loan is made, and they require interest to be paid. If interest payments cannot be covered, the outstanding debt will grow exponentially. Such is the nature of compound interest. The threat of compounding debt can force households to cut back on consumption, and prevent companies from investing, which in turn reduces cash flows to other businesses. Defaults can force otherwise viable companies to the scrap heap, exacerbating unemployment.

If too many debtors resort to distress selling at the same time, it can cause prices to fall across the economy, dragging down GDP as well. The result is what economists call "debt deflation" — a scenario in which the value of debt rises over time relative to prices and incomes, despite frantic efforts to deleverage (i.e. to pay down debts). Debt deflation is the mechanism that American economist Irving Fisher identified as the primary cause of the Great Depression[68], and we are in grave danger of slipping into debt deflation again today.

High levels of debt can transform a modest fall in expected growth rates into a full-blown economic crisis. In a high-debt economy, it is therefore understandable that policymakers would be nervous about implementing social and environmental policies that could dampen growth.

> "High levels of debt can transform a modest fall in expected growth rates into a full-blown economic crisis.

Covid-19 and debt: risks and opportunities

Problems with private debt accumulation pre-date the pandemic. Following the global financial crisis in 2007–2009, governments oversaw a new explosion of lending, including for unproductive purposes like mergers and acquisitions, asset stripping, share buybacks, and speculation on asset and commodity prices. The global outstanding stock of non-financial corporate bonds doubled in the decade after December 2008[69], as did the leveraged loan market (expensive, high-risk credit extended to already heavily indebted companies). This market stood at $1.2 trillion when the pandemic hit[70]. Meanwhile, thanks to a decade of wage stagnation and austerity in the UK, personal debt was also at its highest-ever level just prior to the Covid-19 outbreak, with over 9 million people in problem debt[71].

Responding to the pandemic, the government's bailout schemes have left the private sector even more dangerously indebted. One in six small firms now relies on government-backed debt[72]. The number of loans approved by banks for small- and medium-sized enterprises (SMEs) in the second quarter of 2020 was about 14 times higher than the average quarterly total of loans and overdrafts provided to SMEs in previous years[72]. The Office for Budgetary Responsibility assumes that up to 40% of bounce back loans (designed for smaller businesses) could default[72].

Yet at the same time, the interest rate on public debt is negative in real terms. Even if the public debt doubles (an outcome that far exceeds most forecasts), the cost to the taxpayer of servicing this debt will remain lower than at any time in the 20th century[73]. The risk, however, is that national coronavirus debts will be used by economic conservatives as a battering ram for a new campaign of austerity once the crisis passes[74]. A new round of welfare spending cuts would be deeply unpopular, especially now that people have seen how badly the last round damaged public health[75] and impaired our preparedness for the pandemic[76].

Such cuts would also be unnecessary and counter-productive. Government budgets do not function in the same way as household or business budgets. It may make sense for an individual or business to cut back on spending in order to pay off debts, but if governments cut back on spending and try to pay down debts during a recession it simply sucks more money out of the economy. Indeed, when the UK government tried to follow this logic after the global financial crisis, it was entirely self-defeating[77]. The UK's net public debt as a proportion of GDP went up significantly during the decade of austerity[78]. Fortunately, we have an opportunity now to defeat the flawed logic of austerity, by shining a spotlight on the state's power of money creation, and its potential to be used more effectively.

> “ We have an opportunity now to defeat the flawed logic of austerity, by shining a spotlight on the state's power of money creation.

Policy proposals

1. Make more extensive use of central bank financing of government deficits

The central bank's power to create money has the potential to reduce the burden of both public and private debt. Over the last decade, the Bank of England has used its power of money creation to buy £875 billion worth of government debt — a process called quantitative easing (QE) — with the aim of driving down interest rates to encourage more private borrowing[79]. But progressive economists have long argued that new state-created money could have far more socially and environmentally beneficial results if, instead of being pumped into financial markets, it was used to help households or directly fund new government spending (e.g. on green jobs or low-carbon infrastructure)[80,81].

In the long history of the Bank of England, the proactive creation of money to fund government spending has actually been the norm rather than the exception[82]. In April of this year, this norm was reaffirmed when the Bank of England re-opened an overdraft facility for the Treasury[83]. This facility allows the government to borrow directly from the Bank of England to cover day-to-day spending. When economists speak of "monetary financing of fiscal deficits", this is what they are referring to: the creation of money, by the central bank, to directly fund new government spending.

Strategic use of monetary financing can reduce the burden of debt in our economy in at least four ways. First, it can reduce the cost of servicing the public debt, in part because interest that the government pays to the central bank circulates back to the Treasury. Second, public debt held by the central bank is money that we owe to ourselves; it does not need to be repaid. As long as the state's power of money creation is not abused, public debt to the central bank can be rolled over indefinitely, without threatening the economy (as Japan has demonstrated). Third, directly injecting new money into the real economy, whether through a public investment programme or cash transfers to households, can help incomes recover. Finally, by helping incomes and spending to recover, strategic monetary financing is likely to lead to a rise in consumer price inflation. Some modest inflation at this time would be helpful, as it would shrink the real value of debt across the economy.

One important side effect of the central bank purchase of government debt is that it tends to push up the price of bonds held by private investors. Given that the rich tend to own assets, while the poor do not, the result is increasing inequality. The Bank of England's own report found that 40% of the value of quantitative easing undertaken after the global financial crisis went to the richest 5% of households[84]. It is therefore essential that government spending is targeted at support for the asset-poor, and that the unearned windfalls for the asset-rich are offset by fairer taxes.

2. Facilitate interest holidays and debt write-downs for households

The UK government's current attempts to alleviate the debt burden have included repayment holidays for those struggling with mortgages and personal loans. The problem with this approach is that it actually results in debtors paying more over the long term because interest continues to accrue over the payment-holiday period[85]. A more effective approach would be to implement a complete freeze on debt for those struggling due to the coronavirus, so that no interest accrues during the payment holiday. This is the approach taken with payday loan holidays by the Financial Conduct Authority (FCA)[86].

To limit the depth and severity of the current recession, the government also needs to facilitate some debt write-downs. Two years before the pandemic hit, the Jubilee Debt Campaign and Centre for Responsible Credit had already set out a persuasive case for a targeted package of loan modifications[87]. They proposed requiring lenders to bring the debt-to-income ratio down to a maximum of 30% for households that are caught in a debt trap and experiencing material deprivation. To penalise lenders for exploitative lending practices, the FCA could insist that lenders cover the costs of a write-down in situations where borrowers have already paid 100% of the principal borrowed. The government could also buy up "bad debts" from the secondary market, where non-performing loans are often resold at 90% discounts on their original value. These debts could either be written off, or debtors could be offered discounted repayment plans.

3. Reduce the cost of borrowing for small and medium sized enterprises

There is also a strong case for reforming the Coronavirus Business Interruption Loan Scheme (CBILS) and Bounce Back Loan Scheme so that SMEs can access the same favourable interest rates as large firms. While large companies have been able to access loans under the Covid Corporate Financing Facility at low interest rates of 0.2–0.6%, many SMEs have been forced to borrow at interest rates of up to 6%[88]. And while the interest rates on bounce back loans are set at 2.5% after the first 12 months, there is currently no cap on the interest rate or fees that can be charged by lenders under CBILS.

Under a comparable scheme in Switzerland, which has been widely praised for its effectiveness, the interest rate for the government-backed portion of all business loans is fixed at 0% or 0.5%. As highlighted by the IPPR, it is only right that "banks who are bearing no downside risk should be limited more strictly in the extent to which they can capture the upside of this lending"[85].

In the long run, the government must look at ways to cultivate a more diverse ecosystem of public and co-operative banks, to support the flow of affordable credit to SMEs[89–91]. The delays and failures associated with the government-backed loans for SMEs flow directly from the structure and incentives at play in our highly consolidated banking sector. Local relationships and local decision-making authority are needed in the sector[92].

4. Shift from debt to equity financing, and prevent the use of debt for tax avoidance

A further strategy for reducing private sector debt over the long term is to encourage a shift away from debt finance towards equity finance. Equity financing offers an easy answer to the question of how the benefits of an economic boom and the pain of an economic contraction ought to be shared: shareholders should share in both[93]. A move from debt to equity finance would substantially improve resilience and flexibility in the face of future shocks and slowing growth. A key step to encourage this shift would be to remove the preference for debt finance over equity finance in the tax system[94], and clamp down on the use of debt for tax avoidance purposes[95].

We also have an opportunity to reorient bailout programmes away from loan guarantees and cheap credit towards equity injections[60]. A recent *Financial Times* editorial makes the case for this approach[93]. With debt-based bailouts, the taxpayer and society at large are already taking the kind of risks that shareholders take. Many of these companies will fail and the loans will never be repaid[96]. But unlike shareholders, we cannot enjoy the potential upsides of a share in the profits when lockdowns end. With equity finance, however, the shares could be transferred to a social wealth fund[78], which would improve the distribution of asset ownership in the economy, and offer a means to influence corporate governance in the long term[60,61].

5. Use macro-prudential tools to discourage unproductive lending

Recent decades have seen a seismic shift in bank lending away from productive business loans and towards loans for the purchase of existing assets, particularly houses and financial derivatives. Growth in the latter type of lending tends to put upward pressure on the price of existing assets, attracting speculative behaviour[97]. By far the most significant driver of house-price inflation over the last quarter century has been the growth of easy mortgage credit, which triggered a boom in speculative demand from landlords and second home owners[98–100].

The feedback loop between the "exuberant" lending of banks and the speculative behaviour of house buyers explains why there is such a strong empirical link between mortgage credit creation and the onset of financial crises[101–103]. Easy mortgage credit is particularly dangerous because it leaves ordinary households exposed, both to a change in interest rates and to a fall in house prices. The more leveraged a household, the more likely it is to get trapped in negative equity and to need to make deep cuts in spending following a downturn in house prices[104].

To address the problem of debt-fuelled asset price booms and busts, we must look beyond the blunt lever of interest rates. Increasing interest rates may slow the pace of borrowing, but it can also deter investment in useful and strategic sectors and push general inflation too low. Rather than price-based disincentives for borrowing, the Bank of England should make use of macroprudential tools such as credit guidance, capital requirements, loan-to-income ratios, and loan-to-value ratios[105]. Up until the 1980s, most advanced economies used policy instruments such as these to guide where credit was directed in the economy. A more active approach by the Bank of England could help steer investment towards sectors and activities that contribute to living within the Doughnut of social and planetary boundaries.

> “ To address the problem of debt-fuelled asset price booms and busts, we must look beyond the blunt lever of interest rates.

4. Tackle Rent Extraction

How does rent extraction contribute to our growth dependence?

Most people have to rely on their labour to earn a living. Rentiers by contrast have the power to extract rents — a kind of unearned income that is extracted through control over scarce or monopolisable assets like land and housing, energy infrastructure, finance, and intellectual property. Rewards for rentiers inevitably come at the expense of those with less power — be they tenants, debtors, workers, suppliers, or customers. If rentier income is used to accumulate more assets and strengthen monopoly power, then rentier power will tend to concentrate over time.

As long as the rate of economic growth remains higher than the rate of rent extraction, the injustice of rent extraction can be masked to some extent. But if growth stalls, while rentiers continue to extract and reinvest wealth they haven't created, those with the least power in society will be pushed toward destitution.

Many of the growth dependencies discussed in this report can be seen as manifestations of this fundamental problem: the "rentier growth imperative"[106]. Proposals already discussed — on democratising workplaces, restructuring the banking system, reducing our reliance on debt, and overhauling our energy and transport systems — all contribute to the task of diffusing rentier power. But to make our society truly resilient in the face of economic slowdown, we must go further.

> Many of the growth dependencies discussed in this report can be seen as manifestations of the *rentier growth imperative*.

Covid-19 and rentier power: risks and opportunities

Without a dramatic redesign of policy, there is a risk that rentier power will be substantially strengthened by the crisis. First, government rescue packages have largely protected banks and landlords from taking their full share of the hit from Covid-19, as revealed by an important analysis for the IPPR, entitled *Who Wins and Who Pays?*[85]. Steps to lift the pressure on household expenditure have been limited to payment "holidays" on mortgages and personal debt. Since payments are being deferred rather than waived, they must later be repaid with added interest.

Tenants meanwhile have not even been given the right to this limited relief. While landlords are eligible for mortgage holidays, they are not required to pass this relief on to tenants (although we hope that many are doing so). And the government guidance is clear that even where rent holidays are agreed, the arrears must be fully repaid. In effect, some of the least financially secure in society have been expected to go into debt to protect the unearned incomes of some of the most financially secure. The authors of the IPPR report estimate that *up to 45%* of the net cost of the furlough scheme will be spent on rent and debt repayments. This amounts to an implicit bail-out for banks and landlords.

Second, the government's decision to extend the recent Stamp Duty Land Tax holiday to buy-to-let properties and second homes makes it even easier for wealthy investors to out-bid first-time buyers[107]. This change could leave even more people trapped in the private rented sector. (Previously, landlords and multiple home buyers faced an additional 3% surcharge compared to those buying their main home.)

Third, there is a serious risk that the Covid-19 crisis will facilitate a further consolidation of market power, as smaller businesses go under or are purchased by larger competitors and forms of predatory capital. The government-backed loans available for SMEs through commercial banks have been notoriously slow and difficult to access[108]. To make matters worse, research by VICE has revealed that many large companies bailed out with public money — including some of the world's biggest polluters — have paid shareholders billions of pounds in dividends, while cutting tens of thousands of jobs in the UK[67].

The economic disruption of Covid-19 creates opportunities to tackle this destructive rentier power. Tax revenues from employment and consumption have fallen dramatically and the government is considering proposals to boost tax revenue through fairer taxation of capital gains, dividends, and monopoly profits. Mounting rent arrears could also create an impetus for a fundamental shift in the ownership and governance of land and housing.

> "Government rescue packages have largely protected banks and landlords from taking their full share of the hit from Covid-19

Policy proposals

1. Prevent public bailout money being captured by rentiers

We must ensure that future support packages are used to retain workforces and preserve productive capacity, rather than to facilitate further rent extraction by shareholders and senior management. In May 2020, The Bank of England and the Treasury asked long-term borrowers taking advantage of the Covid Corporate Financing Facility to commit to "restraint on their capital distributions and on senior pay" while the loan was outstanding, but announced no serious enforcement mechanism[109].

This voluntary commitment should be strengthened and backed with the threat of financial sanctions. We suggest that all companies benefiting from government-backed loans or equity injections should be prevented from issuing dividends or pursuing share buybacks for at least 18 months after accepting government support, and be required to pursue cost savings by curbing excessive executive remuneration before considering staff layoffs.

2. Tax capital gains and property wealth more fairly

The government's decision to review capital gains tax presents a major opportunity to better share out unearned windfalls that come from rising asset prices. The current regime taxes income from work at a much higher rate than unearned income arising from the ownership of assets (both capital gains and dividends).

The IPPR proposes that capital gains and income from dividends should instead be taxed under the income tax schedule — currently 20% for basic rate taxpayers, 40% for higher rate taxpayers, and 45% for additional rate taxpayers[110]. Besides simplifying the tax system and reducing opportunities for tax avoidance, the IPPR estimates these changes could raise £90–120 billion of additional revenue over five years.

The government should also reverse the recent Stamp Duty Land Tax holiday for buy-to-let properties and second homes, a tax giveaway that will cost around £1.3 billion in lost revenue and encourage a further concentration of ownership in the housing market[111]. However, rather than reintroducing Stamp Duty for main residences as planned, the government should take this opportunity to conduct a fundamental overhaul of our inefficient and unjust property tax system. Stamp Duty is a tax on transactions that penalises people for moving and downsizing, while our council tax system has come to resemble the unpopular poll tax it replaced: those living in £100,000 homes pay around five times the tax rate of those living in £1 million mansions[112,113].

Both Stamp Duty and council tax should be replaced with a Progressive Property Tax, proportional to contemporary property values, paid by owners not tenants, and levied at a significantly higher rate for second homes and empty homes[100]. Meanwhile, the unearned windfalls arising from the housing boom over the last quarter century could be better shared out by replacing our unpopular inheritance tax system with a Lifetime Gifts Tax, as advocated by the IPPR and Resolution Foundation[114,115].

3. Protect tenants and reduce rent extraction in the housing market

An estimated 322,000 private tenants have fallen into arrears since the start of the pandemic, and many could lose their homes now that the evictions ban has come to an end[116]. A suspension of rents would be a straightforward way to provide relief to tenants[117], and ensure that landlords take their fair share of the Covid-19 hit. The rent suspension could be implemented by ending section 21 "no fault" evictions, as the government has already committed to do, and stipulating that non-payment of rent during the period of the pandemic would not constitute grounds for eviction. As the New Economics Foundation points out, support could be provided to landlords for whom a loss of rental income would create real hardship[118].

Where tenants are forced to move through no fault of their own (e.g. where the landlord wishes to sell, or move in themselves), the landlord should be required to give at least four months' notice, and offer compensation worth at least three months of rent. These changes would help tenants manage the cost and disruption of moving, and discourage landlords from falsely declaring an intention to move in or renovate in order to get around the ban on no-fault evictions.

Before the rent suspension is lifted, rent controls should also be introduced to prevent landlords using rent increases as an alternative to no fault eviction. Rent controls are common across Europe[119–121], and polls show they would be extremely popular in the UK[122]. They would also be an effective way to reduce the £8 billion of public money that currently flows to private landlords every year in the form of housing benefit. These public funds would be far better spent building new social housing.

The strengthening of tenants' rights proposed here would prompt some landlords to sell, and would discourage new buy-to-let investment, which has been a major driver of house price inflation over the past 25 years[99,100]. A shrinking of the private rented sector would be a positive development as only 6% of people actually want to rent privately[123].

To ensure that tenants are in a position to buy the properties that come up for sale, and ameliorate the risks associated with a correction of house prices, a "Common Ground Trust" could be established[100]. This would be a publicly-backed but member-owned institution, which would allow the ownership of land and the ownership of housing to be separated. Land typically accounts for 70% of the total value of a property. By offering to buy the land underneath homes, the Common Ground Trust would enable those with modest savings to own their own homes, and enable heavily-indebted households to escape negative equity without losing their homes. The scheme would also allow for the redistribution of land rents that are currently captured by landlords and banks.

4. Protect small and medium sized enterprises, while taxing monopolies

Many SMEs are under extreme financial pressure, with the government furlough scheme winding down and rent payments due again at the start of the new year. Thousands of companies face being pursued by their landlords and lenders for debts they cannot afford to repay[72]. Without intervention, we could see a wave of insolvencies and hostile takeovers, leaving us with an even more concentrated business landscape.

In addition to reducing the cost of rescue loans for SMEs (as proposed in Section 3), the government should also consider mandating debt freezes and other forms of forbearance to prevent SME closures[124]. Commercial landlords should be prevented from taking action to wind up companies for non-payment of rent for at least another year. Josh Ryan-Collins and Andrew Purves have developed an innovative proposal that would solve any cash flow problems that arise for landlords, whilst paving the way for a commercial leasehold system, similar to the systems in operation in Singapore, Hong Kong, and South Korea[125]. These schemes allow the economic rent from commercial land value appreciation to be shared broadly, rather than be captured by private landowners.

Going further, a new "right to own" could enable employees of businesses at risk of closure to buy a stake in the business and run it as a worker co-operative[126]. A similar law in Italy has saved more than 13,000 jobs[127]. Where a worker buy-out is not viable, a publicly-owned holding company could purchase distressed but otherwise viable SMEs that request support, and safely "mothball" them until such time as they can be re-launched as part of the economic recovery[128]. State-owned holding companies were set up for this purpose during the Great Depression in the United States and Europe[129].

Finally, diversity and competition would be further supported by better taxation of monopolies. The pandemic has enhanced the rentier power of a handful of firms, whose competitors have experienced major disruptions to business. It may be time to pursue a tax on the offshore structures used by global tech monopolies[130] or an excess profits tax to share out the windfall gains made during these exceptional circumstances. Economists Emmanuel Saez and Gabriel Zucman note that an excess profits tax has been brought in during several moments of crisis over the last century to make sure "that no one could benefit outrageously from a situation in which the masses suffered"[131]. In 1918, all profits above an 8% rate of return on capital were deemed "abnormal" and taxed at progressive rates of up to 80%. Similar taxes were applied during the Second World War and the Korean War.

> "Without intervention, a wave of insolvencies and takeovers could leave us with an even more concentrated business landscape.

Conclusion

The Covid-19 crisis has revealed that the fear of a fall in consumption is a major impediment to the effective containment of a pandemic, just as it has proven to be a major impediment to effective climate policy. While we remain dependent on growth for economic and political stability, the prospect of living within the Doughnut of social and planetary boundaries — of meeting the needs of all people within the means of our living planet — looks unlikely.

The institutions and dynamics that make our society so vulnerable to a slowdown in economic activity are a straightjacket on democratic choice. By ending our dependence on growth we would open up room for manoeuvre. We would give ourselves the freedom to respond effectively to public health and ecological emergencies, without the fear of triggering crises of unpayable debt, unemployment, and rising inequality.

Ending our growth dependence requires an ambitious and long-term process of transformation. The economic ruptures of Covid-19 offer an opportunity to start that journey. With dirty industries forced to scale back, we have a rare opening to offer workers retraining and re-employment in green jobs. With the tax take from employment and consumption radically reduced, we have a chance to shift the tax burden back onto wealth and unearned incomes. With the need for workers falling, we have an opportunity to shorten the working week for everyone, while protecting jobs and providing more time for the important things in life.

This report has discussed these and other proposals to reduce our growth dependence and begin the transition to a well-being economy. We have argued that we need to: **(1) safeguard basic needs**, by strengthening the social security net and expanding access to free basic services; **(2) empower and protect workers**, to make working-time reduction a feasible solution to the threat of unemployment; **(3) reduce our exposure to debt crises**, to help achieve economic stability; and **(4) tackle rent extraction**, to prevent rising inequality.

These changes would improve the resilience of our economy in the face of future shocks. They would substantially reduce the exploitation and precarity experienced by millions under our current system. And they would make it far more feasible to keep fossil fuels in the ground and halt the destruction of our living planet.

Unfortunately, the Covid-19 crisis is on track to strengthen the power of rentiers, weaken the power of workers, and leave many households and businesses saddled with debt. Without a dramatic shift in policy, the pandemic will exacerbate many aspects of our growth dependence.

But we still have a chance to break with the trends of the past, and demand a Doughnut-shaped recovery that puts us on the path to meet the foremost challenge of the 21st century: achieving a good life for all within planetary boundaries.

> “Ending our growth dependence requires an ambitious and long-term process of transformation. The economic ruptures of Covid-19 offer an opportunity to start that journey.

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