

**your job.** Liberal Democrats want to build an economy that is based on innovation and sustainability, where the infrastructure the country needs is in place for individuals and businesses to thrive.

## opportunities for all in a fair, green economy

Liberal Democrats want to build an economy that is based on innovation and sustainability, where the infrastructure the country needs is in place for individuals and businesses to thrive. Our aim is to deliver growth that lasts and is environmentally sustainable.

Decades of Labour and Conservative rule have created an unsustainable economy, preoccupied with the artificial wealth of inflated property prices rather than productive work and invention. They have been obsessed by the 'Square Mile' – the City of London – instead of supporting all 100,000 square miles of Britain.

To boost the economy and **create jobs for those who need them**, we will begin our term of office with a one-year economic stimulus and job creation package. To sustain jobs and growth for the long term, we will set up an **Infrastructure Bank** to direct private finance to essential projects such as new rail services and green energy, building the environmentally sustainable economy that is needed for the long term. And to ensure that the economy is never again destabilised by high-risk financial industries, we will **break up the banks** and build up diverse local and regional sources of business finance.

## sustainable finance for business growth

We have all learned an important lesson from the credit crunch and the recession: we cannot build an economy on financial gambling. Radical reform of the financial infrastructure is needed to create and sustain jobs, and move towards a sustainable and balanced economy where businesses in every town, city and region can grow.

That starts with banking reform. Banks must be made to behave responsibly. And we need to support and develop new ways of financing growing businesses, with equity rather than debt, and without relying too heavily on

the financial centre of the City of London. More diverse sources of finance will provide the funding needed to develop innovative new products and reverse the decline in the UK's manufacturing base.

**In order to put the economy on a new footing, we will:**

- Break up the banks, to ensure taxpayers are never again expected to underwrite high-risk banking. We would establish a clear separation between low-risk retail banking and high-risk investment banking, and encourage the development of local and regional banks. We will introduce a Banking Levy, so that banks pay for their tax-payer guarantee, until the break-up is complete.
- Get the banks lending responsibly again. The taxpayers' representatives on the boards of the banks the public own or part-own should insist banks lend to viable businesses on fair terms again.
- Ensure that the bonus system can never again encourage banks to behave in a way that puts the financial system at risk or offers rewards for failure.
- Support the establishment of Local Enterprise Funds and Regional Stock Exchanges. Local Enterprise Funds will help local investors put money into growing businesses in their own part of the country and support the development of new products from research to production. Regional Stock Exchanges will be a route for businesses to access equity without the heavy regulatory requirements of a London listing.

**creating jobs that last**

The new economy must be very different from the old if it is to be sustainable, not just financially, but environmentally too. If we start now, Britain can lead

the new green economy that the world needs. We recognise that strong businesses create and sustain jobs and a Liberal Democrat government will support them in doing so.

Liberal Democrats will begin our term in office with a one-year job creation and green economic stimulus package. We have identified £3.1 billion of public spending that can be used to create 100,000 jobs. This programme will be a first step towards our target for a zero-carbon Britain by 2050.

**Our green stimulus plan will create 100,000 jobs. It comprises:**

- Investing up to £400 million in refurbishing shipyards in the North of England and Scotland so that they can manufacture offshore wind turbines and other marine renewable energy equipment. As part of this scheme we will write off backdated business rates demands from before April 2008 for businesses in ports.
- Launching an 'Eco Cash-Back' scheme, for one year only, which will give you £400 if you install double glazing, replace an old boiler, or install micro-generation. If you choose micro-generation, you will be able to sell the energy back to the National Grid at a profit, with a more attractive feed-in tariff than under current government plans.
- Setting aside extra money for schools who want to improve the energy efficiency of their buildings. They will pay back the loan over time from energy savings, creating a rolling fund to help insulate every public building.
- Bringing 250,000 empty homes back into use. People who own these homes will get a grant or a cheap loan to renovate them so that they can be used: grants if the home is for social housing, loans for private use.

- Investing £140 million in a bus scrappage scheme that helps bus companies to replace old polluting buses with new, accessible low-carbon ones and creates jobs.

We will also create hundreds of thousands of opportunities for young people affected by the recession. A work placement scheme with up to 800,000 places will ensure that young people have the opportunity to gain skills, qualifications and work experience even if they can't find a job. Young people on the scheme would be paid £55 a week for up to three months. We will also fund 15,000 extra Foundation Degree places, fully meet the up-front costs of adult apprenticeships, and increase the Adult Learning Grant to £45 a week for 18–24 year-olds in Further Education.

To help the transition to a green economy over the longer-term, we will set up a United Kingdom Infrastructure Bank (UKIB) to attract private finance – essential to delivering the much-needed expansion of Britain's transport and energy infrastructure when public finances are tight. The UKIB will:

- Create a new route to provide capital, guarantees and equity to infrastructure projects, using public money to attract upfront private investment.
- Increase the funding available from the private sector by tapping into the funds of institutional investors, namely annuity funds looking for a home in the UK.
- Reduce the cost of long-term funding as compared with the Private Finance Initiative.
- Provide the opportunity for retail investors to save in safe long-term assets.
- Be a stand-alone public entity, independent from government but with

a long-term strategic remit. It would have the ability to reject or accept proposals based on whether they are financially viable or within its remit.

- Start with government seed funding which it can use as a capital base to borrow against. This seed funding could be raised from the sell-off of the student loan book or the Tote as the government has already proposed. In addition borrowing could be secured against or raised from government-owned assets such as the Dartford Crossing. We will investigate other ways of raising seed capital such as auctioning airport landing slots and parts of the radio spectrum.

## enabling enterprise that benefits Britain

Liberal Democrats believe in the value of entrepreneurship and enterprise, recognising that thriving businesses are vital to create the wealth this country needs. We need to ensure a strong competitive environment by providing a level playing field for all businesses, encouraging a diverse, sustainable economy for the long term.

### Liberal Democrats will:

- Reduce the burden of unnecessary red tape by properly assessing the cost and effectiveness of regulations before and after they are introduced, using 'sunset clauses' to ensure the need for a regulation is regularly reviewed, and working towards the principle of 'one in, one out' for new rules.
- Put an end to the so-called 'gold-plating' of EU rules, so that British businesses are not disadvantaged relative to their European competitors.

- Reform business rates, creating a fairer system where rates are based on site values rather than rental values and are the responsibility of local authorities. We will make small company relief automatic and also seek to ensure that the burden is spread more equitably between small and large businesses.

- Reform Regional Development Agencies (RDAs) to focus solely on economic development, removing duplication with other parts of government and allowing substantial budget reductions. We will give responsibility for economic development to local authorities. Where existing RDAs have strong local support, they may continue with refocused economic development objectives. Where they do not, they will be scrapped and their functions taken over by local authorities.

- Ensure that takeover rules serve the UK economy. We will restore a public interest test so that a broader range of factors than just competition can be considered by regulators when takeovers are proposed and we will ensure that the outcome of takeover bids is determined by the long-term shareholder base. We will reintroduce the Operating and Financial Review, dropped in November 2005, to ensure that directors' social and environmental duties will have to be covered in company reporting.

- Support public investment in the roll-out of superfast broadband, targeted first at those areas which are least likely to be provided for by the market.

- Keep the tax regime and allowances that apply to the oil and gas industry under review to secure the maximum long-term benefit to the UK economy of the remaining North Sea reserves.

- Use the substantial purchasing power of government to expand the markets for green products and technologies.



## supporting mutuals, co-ops and social enterprises

We believe that mutuals, co-operatives and social enterprises have an important role to play in the creation of a more balanced and mixed economy. Mutuals give people a proper stake in the places they work, spreading wealth through society, and bringing innovative and imaginative business ideas to bear on meeting local needs.

### We will:

- Give financial regulators a clear objective of maintaining a diversity of providers in the financial services industry.

- Seek to turn Northern Rock into a building society.
- Give both Royal Mail and post offices a long-term future, by separating Post Office Ltd from the Royal Mail and retaining Post Office Ltd in full public ownership. 49 per cent of Royal Mail will be sold to create funds for investment. The ownership of the other 51 per cent will be divided between an employee trust and the government.
- Encourage community-owned renewable energy schemes where local people benefit from the power produced.
- Pass a new Mutuels, Co-operatives and Social Enterprises Bill to bring the law up to date and give responsibility for mutuels to a specific minister.

## creating a dynamic environment for science and innovation

Britain's future depends on a vibrant research base and the ability of innovators to exploit the country's intellectual capital to generate new home-grown high tech industries.

Despite Government rhetoric, overall public funding of science in real terms is no higher than it was two decades ago. Britain's Research and Development spend as a proportion of GDP remains near the bottom of the G8. There is no room for complacency.

In the current economic climate it is not possible to commit to growth in spending, but Liberal Democrats recognise the importance of science investment to the recovery and to the reshaping of the economy, making it less reliant on the City of London and creating new green industries instead. We will:

- Respect the convention that the science budget, once allocated through the Comprehensive Spending Review process, is not used for other purposes.
- Ensure that the decisions on the funding of research projects are made on the basis of peer review not Whitehall interference, while recognising the need for government to identify broad strategic priorities in a transparent manner.
- Ensure that all state-funded research, including clinical trials, is publicly accessible and that the results are published and subject to peer review.
- Reform science funding to ensure that genuinely innovative scientific research is identified and supported, instead of basing funding decisions on narrow impact factors.

We need to safeguard the future of the science and engineering workforce and break the vicious cycle linking fewer University science, engineering and maths applicants to fewer teachers with specialist qualifications. We will:

- Tackle the gender gap at all levels of scientific study and research to help increase the supply of scientists.

It is vital that policy, especially that relating to public health, criminal justice and environmental protection, benefits from being based on the best available evidence. We will:

- Safeguard academic freedom and the independence of scientific advisers by amending the Ministerial Code to prevent government from bullying or mistreating advisers and distorting evidence or statistics.

## fair treatment at work for everyone

Liberal Democrats want to build a society where everyone has the opportunity to get on in life. Most businesses do a great job of supporting their employees, but there is more to do to tackle discrimination on the grounds of gender, sexuality, age, race, religion or disability. We want to give employees fair opportunities to make the best use of their talents, and greater control over their working lives and conditions.

Women are still paid less than men. It can be hard to juggle work and family life. People from Black, Asian and Minority Ethnic communities are still more likely to suffer discrimination. And there are far too many barriers to work for people with disabilities.

### **We will change this by:**

- Extending the right to request flexible working to all employees.
- Requiring name-blind job application forms to reduce sex and race discrimination in employment, initially for every company with over 100 employees.
- Introducing fair pay audits for every company with over 100 employees to combat discrimination in pay, for example against women. We will also require all public companies to declare in full all remunerations of £200,000 per year or more.
- Giving disabled job seekers better practical help to get to work, using voluntary and private sector providers, as well as JobCentre Plus services. We will also reform Access to Work, so disabled people can apply for jobs with funding already in place for equipment and adaptation that they need.

Our policies on secure and sustainable energy are set out in the Your World chapter.