

Making the City work for London

Green policies for the London 2012 Mayoral and Assembly elections



Successive governments and mayors have viewed the City as a cash cow. Let loose with too little regulation, it fuelled a rampant financial bubble that was encouraged so long as it provided the Exchequer with tax revenue. The ecological destruction it facilitated and the social cost of the speculative housing bubble were ignored.

While London's economy became ever more dependent on this mirage we lost hundreds of thousands of jobs in export industries. Now the economic consequences of the City's irresponsibility have come home to roost. Our economy is broken.

A real hope for a sustainable economy that spreads wealth to all Londoners lies in a renaissance of micro, small and medium businesses. For that to happen, we need a financial services sector that works for them.

The banks aren't lending

The Bank of England's latest quarterly Trends in Lending report laid bare the big banks' failure. They found that lending to small businesses actually fell by 5.1% in August. The Government based their upbeat claims about Project Merlin's success on misleading figures that include 'rollover' lending. This aims to stabilise existing business activity, not to stimulate new investment, growth and job creation.

The problem that Boris Johnson and the Government have tried to ignore is that the big banks aren't really set-up to lend to small businesses any more. They have dismantled their system of local managers and business branches, and too much brainpower in the City is focused on casino banking rather than useful business lending.

It's no surprise that banks like Sweden's Handelsbanken, which still empower branch staff to take decisions, have fast become popular with businesses. When Mervyn King encouraged banks to forgo bonuses and use their money to recapitalise and lend, he might have used Svenska Handelsbanken as an example. Staff with the right to make decisions on risky credit, market, liquidity and operational issues get good basic pay and no bonuses, so they make long-term investment decisions instead of trying to make a fast buck.

Corporatism grips the City

The City of London was once dominated by merchants and guilds, a counterweight to the powerful monarch. Today it is dominated by big corporate finance, and has captured three successive Governments. While every sector of our economy deserves its voice, the City projects the interests of big finance into the heart of Government through traditions such as their Remembrancer in Parliament, drowning out the needs of small business.

The effect of the City's lobbying has been the protection of offshore businesses and the widespread facilitation of tax avoidance. This has led to a steady stream of wealth to the super rich. This medieval institution has no place in the middle of a modern city.

A Green plan to make the City work for London

The Mayor of London and the London Assembly have very limited powers. We would use our voice to promote this radical vision for shaking up the City and the financial services sector.

- Abolish the City of London Corporation and replace it with a democratic London borough, using the City Cash and other funds to create jobs and investment in affordable homes and sustainable export-led industry.
- Work with the financial services to establish a tradable, credit-rated, long-term investment bond that would enable the Greater London Authority and Transport for London to invest in new infrastructure to underpin sustainable business growth, and in affordable housing to reduce the cost of living for London's entrepreneurs and employees. Also work with credit unions and community development organisations to help councils, energy co-operatives, housing associations and others follow suit with their own bond issues to access money from all kinds of investors.
- Tailor business support to help existing micro, small and medium sized businesses grow, including access to money from sources besides banks such as venture capital, business angels, public funds, research councils and crowd funding services.
- Support new institutions like local community banks focused on lending to small businesses and social enterprises, which could be capitalised by the Government through the bankers' bonus tax and/or the European "Robin Hood tax".
- Promote building societies and credit unions and lobby the Government to put its remaining nationalised banking assets into one of these models rather than a bank.

Better public banking

As Mayor of London, Boris Johnson has been a vocal supporter of the City of London and of big banks, occasionally expressing mock outrage at bonuses before returning to his business of lobbying on their behalf.

His most high profile partnership has been with Barclays, whose sponsorship of the Cycle Superhighways and the central London Cycle Hire scheme has given them an incredible advertising opportunity for £25m. But Transport for London paid out over £27m in bank charges to Barclays in the first three years of Boris' term.

Greens think the Mayor should be getting a bit more out of these sponsors and from the banking sector, given their huge importance to London's economy. Our simple pledge to London would be to:

- Try to ensure that the GLA group, and in particular Transport for London, only use the services of banks that are lending to small businesses.
- Only take sponsorship money from banks that are lending to small businesses.

For more information about our 2012 election campaign and our other policy priorities, visit Jenny Jones' campaign web site at: www.jennyforlondon.org