‘Treasury Control’ and the British Environmental State

The Political Economy of Green Development Strategy in UK Central Government

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“Treasury control is something that you live under, that you suffer from, that you profit by; and if you cannot define it, well – Lord Morley used to say that he could not define an elephant, but he knew it when he saw it, and you know Treasury control when you feel it.”

H. Higgs, 1924, p.122

Abstract

A growing literature uses the term ‘environmental state’ to refer to the new roles and institutional capacities that the modern capitalist state has acquired in relation to the environment and the unfolding ecological crisis. Green development strategies for the transformation of unsustainable accumulation models are an important qualitative and quantitative indicator of environmental statehood. Yet in Britain, the powers and policy priorities of H.M Treasury are proving a significant constraint on the articulation of such a strategy. I situate the Treasury’s obstructive stance in the broader history of the internal politics of the British state, arguing that it reflects a long-standing tendency for the Treasury to assert a position of power vis-à-vis departmental rivals in ways that undermine their capacity to conduct interventionist industrial policies. I analyse the post-2008 context

as a moment in which this regularity has re-asserted itself as the Treasury privileges a strategy of accumulation model repair over one of transformation. I illustrate the implications of this stance for the emerging British environmental state by examining two episodes: the containment and privatisation of the green investment bank, and recent incursions by the Treasury into energy policy. I conclude by considering the methodological and practical implications of the analysis.

Introduction

In recent years there has been a resurgence of interest in 'the state' amongst researchers of environmental politics. A growing literature conceptualises, charts, compares and typologises a new aspect of the modern state – the 'environmen[1]tal state' – said to have emerged as it has acquired new roles and institutional capacities in relation to the environment and the unfolding ecological crisis (Barry and Eckersley, 2005; Bäckstrand and Kronsell, 2015; Duit, 2014, Duit, Feindt and Meadowcroft, 2016; Paterson, 2016). The prefixing of 'environmental' to 'state' signifies a new set of functions alongside previous ones cumulatively acquired by the modern state, each of which are signified by their own prefixes: 'security state', 'prosperity' or 'capitalist' state, and 'welfare state' (Meadowcroft, 2012). In this respect, the environmental state represents the intersection of the modern state's environmental functions and policies with its existing social, security and economic ones. It is the practical expression of state managers' attempts to reconcile or trade-off the goals associated with each in the exercise of state power.

The environmental state literature highlights the continuing relevance of a long-established object of political inquiry: the application of state power in domestic affairs for public purposes, and the factors that shape whether and how it is so applied. In the context of the unfolding ecological crisis and its

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related looming catastrophes, a key public purpose embodied by the environmental state is green economic transformation: rapidly reducing the environmental impacts of the model of capital accumulation within the state's jurisdiction.[i] I refer to the expression of this purpose in public policy 'green development strategy'.

Much of the environmental state literature emphasises international comparisons and generalisations, with researchers frequently devoting their efforts to constructing ideal-typical typologies of different kinds of environmental state (for instance Duit, 2016; Sommerer and Lim, 2016; Christoff, 2005). Yet the environmental state concept has great potential as a tool through which to describe and analyse the domestic political economies of green development strategy in individual countries. I adopt such a perspective in this paper so as to examine the emergence of the British environmental state in its unique historical and political-economic context and identify certain contextually-specific barriers that are obstructing its capacity to deliver green development strategy.

My argument concerns the organisation of the British state and how this sustains the country's ecologically unsustainable and financialised accumulation model (Davis and Walsh, 2015). Significant direct and indirect powers are concentrated into a single government department – H.M. Treasury, Britain's joint economic and finance ministry. These add up to a tendential predominance in matters of policy formation in and beyond economic policy, known colloquially among British officials as 'Treasury control' (Haddon, 2014). Moreover, a set of historically enduring policy priorities continue to pattern the exercise of Treasury control – priorities that have historically reinforced the predominance of commercial finance capital in the country's accumulation model, and which are antithetical to the emergence of a green development strategy able to transform the country's capitalist model. The Treasury has historically demonstrated an obstructive and often hostile stance towards the kinds of transformative and production-oriented industrial policies that green development strategy implies (Ingham, 1984). During moments of economic crisis, it has exercised control over nascent initiatives of this nature by other government departments, sacrificing them to the goal of repairing (with as few adaptations as possible) the country's finance-dominated accumulation model. The pattern is witnessed in the post-2008 context, as it has been throughout the peacetime politics of the 20th century.

The twofold result is that commercial financial capital continues to be privileged in economic policy, whilst the British state fails to develop the kinds of institutional capacities necessary to deliver a transformative development strategy (green or otherwise) able to rejuvenate the productive economy. This is not to say that Treasury control alone explains the setting of economic policy objectives – the priorities of prime ministers, party factions, electoral coalitions and the myriad interest groups that comprise the British political economy all playa role, as do international political-economic forces. Nor is the Treasury control an invariant or omnipotent force, as the divisions over Brexit in the current government amply demonstrate. Yet such political-economic forces are refracted through the prism of the Treasury, which occupies a uniquely powerful position in the setting of British economic policy. For this reason, my overarching contention is that a better understanding of the mechanisms and directing factors underpinning Treasury control represents a vital intellectual objective for those studying the emerging British environmental state. It is by understanding such factors that conditions favouring a more positive role for the Treasury could be identified and debated.

In the first two sections I lay out the academic and historical context for my argument, situating it amongst literatures on the environmental state, industrial strategy and British political economy. In the third section I examine evidence of how Treasury control is negatively impacting upon the emerging landscape of green development strategy in Britain. In the concluding section I draw out some of the implications of the argument for the environmental state literature and debates over state reform in Britain.

The Capitalist Environmental State and Green Development Strategy

The environmental state concept has emerged amidst a broader rediscovery of state power amongst researchers of environmental politics with diverse interests and perspectives. This rediscovery is likely driven by the diminishing timescales within which expansive symptoms of ecological crisis like global warming and biodiversity loss must be addressed, the lacklustre performance of existing experiments in 'market environmentalism', and the as yet uncertain impact of hybrid and/or voluntary 'transnational climate change governance' on environmental outcomes. Yet an unfortunate result (at least from the point of view of the non-specialist approaching these literatures) is the resulting array of similar-sounding but only partially overlapping conceptual adjectives appended to the concept of 'the state'. Among them are the 'green state' (an increasingly refined normative ideal prescribing the form that a state might take in in a truly ecologically sustainable social model, on which see Eckersley, 2004; Christoff, 2005; and Bailey, this issue) and the 'environmental state' (an analytical category describing how modern states are changing as a result of the acquisition of environmental responsibilities and functions).

These developments in the field of environmental politics parallel a similar rediscovery of state power among economists and policymakers. Industrial policy (defined here as *purposefully* coordinated policy interventions aimed at shaping the trajectory of economic development in pursuit of public purposes) is once more on the mainstream academic and policy agenda after decades of neglect (Mazzucato, 2013; Rodrik, 2010; Wade, 2012; Aiginger, 2014; Craig, 2015a; Berry, 2016). This rediscovery also reflects the failure of market-led development to deliver acceptable outcomes in an acceptable timeframe, namely the re-establishment of stable accumulation models able to deliver publicly acceptable rates of income and employment in the staid economic circumstances of the post-2008 context.

This distinct agenda underlines an important point: environmental states do not emerge in a historical vacuum. They develop in the context of pre-existing functions acquired by modern states, and in all but a few outlying cases modern states are *capitalist* states: they are enmeshed in, and dependent in multiple ways upon, a model of capital accumulation in their jurisdiction which their personnel attempt to administer through public policy. This imperative to facilitate capital accumulation arises because societies hosting capitalist political economies are dependent for income upon successful capital accumulation, whether it be directly (through individual participation in capitalist labour, product or asset markets) or indirectly (through public redistribution of private profits and incomes).

Viewed thus, the environmental state marks the intersection of the capitalist state's existing economic and social responsibilities, functions and policies with its more recently acquired environmental ones: it is the site upon which trade-offs and/or synergies between them are fashioned. The tension necessitating these trade-offs and/or synergies arises because those accumulation models able to support publicly acceptable levels of income have entailed economic growth, and such growth remains directly or indirectly 'coupled' to a range of growing ecological impacts (Craig, 2017). To be sure, certain countries can demonstrate improvements in certain ecological impacts of their domestic productive sectors, however this has often been achieved by simply importing those products associated with ecological degradation from other countries. In this sense, their accumulation models are no less dependent upon (or implicated in) ecologically degrading production practices. Consequently, a *capitalist environmental state* is one that – amongst other things – is orientated to the managing these tensions and trade-offs through public policy whilst allowing economic growth to proceed.

The way in which economic, social and environmental policy trade-offs are managed is an important qualitative indicator of the form of a given environmental state. In principle, the management of trade-offs could entail only the cleaning up of pollution after the event. However, as the scale and scope of ecological crisis has been increasingly acknowledged by policymakers, environmental and economic policies have become increasingly integrated around the goal of reducing the direct and indirect contributions made by domestic production and consumption to symptoms of the crisis such as global warming and biodiversity loss. This stance (however ineffectively or half-heartedly it is pursued in practice) implies the state-facilitated transformation of accumulation models so that they become capable of generating 'greener' growth and accumulation whilst minimising the negative impacts on of social policy goals.

Such a transformative stance amounts to a form of strategic 'green industrial policy', embodying purposefully coordinated state interventions in the productive economy intended. Policies ranging from subsidies for renewable energy production to grants for electric car battery research can be captured under this heading. Yet the technocratic hue of the term 'industrial policy' inadequately captures the environmental state's integration of multiple public purposes. Hence, I prefer the term 'green development strategy' – 'development' implying the state's social as well as capital accumulatory objectives, and 'strategy' implying purposeful intervention.

Precisely what green development strategy entails in practice is much debated: space here permits discussion of only the broadest contours. The rediscovery of industrial policy in economic and policy thought centres on the notion that policymakers *can and should* intervene to bring about a trajectory of industrial development that reflects public purposes, catalysing both public and private investment in the productive economy in order to bring about the development and growth of technologies and sectors related to those purposes (Mazucato, 2013; Rodrik, 2010; 2014). In the absence of this strategic and developmental role, the argument holds that such public purposes would simply not be achieved by market-led development alone. In the case of achieving a greener model of capital accumulation, this is to say that a market-led process of investment and industrial development would see an insufficient scale of investment allocated to the development and deployment of green technologies and the growth of related green sectors.

The means by which this strategic and developmental role could be accomplished in practice ranges from simple policy incentives (carbon prices, environmental taxes, and so on) to direct investment by public agencies. The economic orthodoxy holds the latter appropriate when 'market failures' impede private allocation of capital on the necessary scale within an acceptable timeframe (Rodrik, 2014).

What constitutes ‘necessary’ and ‘acceptable’ in this context is a deeply political matter, as environmentalist critics of cost-benefit analysis have long observed (Ackerman, 2008). Yet in the specific case of carbon emissions, a consensus exists between the major British political parties that an 80% reduction on 1990s emissions constitutes the necessary action, and that the acceptable timeframe to accomplish it runs to 2050. In light of this target, there has been acknowledgement by a range of interests within and beyond government that public leadership in the allocation of investment is required to accomplish a sufficient scale of investment (Holmes and Mabey, 2010; H.M. Government, 2011; TUC, 2014a).

The public allocation of capital in the productive economy implies the creation of institutions allowing the identification of investment opportunities, the allocation of capital, and the avoidance of capture by particular industries. Publicly owned investment banks have recently received renewed attention as a possible means by which such institutions could manifest in practice (Mazzucato and Penna, 2015; Holmes and Mabey, 2010; OECD, 2017). Yet despite public investment banks being a common feature of comparable advanced capitalist political economies, no such institution exists in Britain. Meanwhile, alternative mechanisms for delivering development strategy (green or otherwise) do not command comparable quantities of capital. As the following two sections show, this under-development of industrial policy capacities is no coincidence: it reflects historical trends in the British political economy centring upon the powers and priorities of the Treasury.

The British Post-2008 Context

Various distinctive accumulation models have prevailed in Britain over the course of the past century and a half, but with the exception of certain historically anomalous moments (namely, during the two world wars) they have had an important commonality: commercial finance has been the lead sector and has been systematically privileged in the exercise of state power (Ingham, 1984). Meanwhile, domestic civilian productive sectors (that is, those producing non-military goods and services) have featured less prominently in the priorities of economic policymakers.

The paucity of civilian industrial policy is a factor frequently invoked to explain Britain's relative manufacturing underperformance in comparison with other advanced capitalist economies over the 20th century (Berry, 2015). By contrast, at times of economic crisis the British state has routinely adopted economic policy positions that have reinforced the centrality of commercial financial businesses to its accumulation model. Historically, this has often taken the form of policies to maintain exchange rate commitments (the gold standard, and then the Bretton Woods system) through domestic deflation (Ingham, 1984; Silverwood, 2016). Thus, insofar as a 'developmental state' has taken shape in Britain, it has been one predominantly oriented to creating and defending the conditions for the prosperity of the City of London, rather than supporting the development and modernisation of the productive economy (Lee, 2010). At times of economic crisis, the latter goal has been subordinated to the former.

Following Britain's disorderly exit from the European Exchange Rate Mechanism in 1992 a series of contingent developments facilitated the emergence of a new accumulation model, which Hay (2011) terms the 'Anglo-liberal growth model'. As with its predecessors, commercial finance is at its core. Yet a number of features combine to make it distinct. First, growth is powered by domestic demand driven by credit rather than earned income (ironically summed up as 'house price Keynesianism' by Watson [2010], in reference to the role played by home equity release in bolstering aggregate demand within the model). This offset a stagnating picture of real wage growth (TUC, 2014b). Secondly, prior to 2008 regional disparities in employment arising from a rapid pace of manufacturing decline were offset to a degree by public sector expansion, in part facilitated by tax receipts from the profitable financial sector. Third, the financial business strategies that underpinned the previously mentioned drivers of growth and employment channelled capital into residential and commercial property lending in a bid to meet capital market demands for shareholder value, and were increasingly centred upon the generation of transaction fees rather than holding assets to maturity (Engelen *et al.*, 2012). The result played no small part in the build-up of systemic risk that gave rise to the global financial crash of 2008, to which the model's reliance on financial sector profitability left Britain particularly exposed.

In the intervening years (the 'post-2008 context') successive governments have attempted to repair this accumulation model with minimal adaptations, instead shoring up the conditions for credit-driven expansion through policies intended to preserve asset prices and encourage consumer lending. These include a suite of unconventional monetary policies and housing market interventions, such as 'quantitative easing', 'credit easing' and the 'help to buy' scheme. They have also done little to stem the wage-deflationary adjustment which followed the financial crisis, and have arguably stoked it through the constraint of government spending and reforms to the labour market and social security. The shifting of the burden of adjustment away from the asset-rich onto those reliant upon wage income, transfer payments and public services has earned the strategy the apt name of 'recovery through regressive redistribution' (Green and Lavery, 2015). Support to industry, meanwhile, has been a persistent target for fiscal consolidation (Craig, 2015b).

Between 2013 and the 2016 EU referendum result British politicians took to speaking about the economy as though a recovery had been achieved. In reality, the British economy was in a far from normal or politically sustainable state: interest rates remained at the historically low 0.5%, unorthodox monetary instruments continued to be deployed, a reduction in real wages of historical proportions was (temporarily) curtailed only by the crash in oil prices in 2014, and major public services entered a period of financial collapse. In many senses, the resumed narrative of crisis in the wake of the EU referendum is better considered as a new phase in a prolonged crisis conjuncture: it is far from clear that the dissatisfaction felt by the electorate with pre-referendum institutional arrangements could be separated from these broader issues (an impression only bolstered by the outcome of the general election of June 2017). This is not the place to disentangle these factors, however it is upon this basis that I refer to the entire post-2008 context as an ongoing period of political and economic – as well as ecological – crisis.

'Treasury Control'

Recovery through regressive redistribution parallels the macroeconomic stances historically executed by British governments at times of economic crisis by privileging the profitability of commercial financial businesses and reinforcing their centrality to the accumulation model (Ingham, 1984). It does so by prioritising the support of asset prices whilst undermining the financial basis on which a project of state-facilitated accumulation model transformation would depend. In this respect, it is about accumulation model *repair* rather than accumulation model *transformation*. Green development strategy, by contrast, implies the displacement of this reparative tendency and its replacement with a transformative stance. Given the abiding nature of the regularity, it is useful to approach it through a historical perspective and to consider enduring factors in the organisation of political-economic life in the UK, as well as those that are specific to the post-2008 context. The focus of this paper is on one particular factor that has proven particularly prejudicial to the development of the kind of interventionist capacities that green development strategy entails: the constitution of the British state itself, the resulting distribution of power and resources amongst the different power centres therein, and the notion of 'Treasury control' to which they give rise.

It has been said that the British executive parallels a mediaeval barony: different ministries hold a high degree of operational autonomy from one another, whilst the head of government (the prime minister) has only a sparse and often blunt set of coordinating institutions through which to impose their will (Wilkes and Westlake, 2014; Corry, 2011). Capturing this reality entails a turn away from the convenient but ultimately obscuring tendency to analyse politics through the supposedly unified agendas of successive governments, and instead looks to the histories of the different departments and agencies that comprise the state. It asks how these histories shape, enable and constrain their personnel's (often competing) mandates, priorities and ways of thinking in successive conjunctures, and how these militate against the kind of transformational stance and capacities that a green development strategy implies. Yet if British government departments enjoy a degree of autonomy from one another and from the centre, they are not all equally endowed in this respect: the direct and indirect power and influence of the Treasury – Britain's joint economics and finance ministry – pervades government, with far-reaching consequences for the development of policy and the institutions of economic governance (Kerslake, 2017; Environment Audit Committee, 2016b; Wilkes and Westlake, 2014).

Throughout this paper, I use the term 'Treasury control' to signify an *enduring tendency on the part of Treasury personnel to construct, maintain and defend a privileged position of power vis-à-vis other government departments so as to pursue Treasury policy priorities*. This is a more encompassing notion than the merely quantitative financial procedures with which it is often associated, instead recovering the intra-state politics that earlier users associated with the term (e.g. Higgs, 1924). Yet the mechanisms through which it manifests in practice are very much related to the Treasury's historically accumulated powers to monitor and regulate public spending, which grant it an unparalleled ability to shape the priorities of other departments. During periodic comprehensive spending reviews the Chancellor caps the financial resources that each minister will have to pursue their policy brief over the review period, and then determines what additional resources will be available at each biannual budget. Beyond this, Treasury spending teams in each department monitor, and are required to sign off on, significant departmental spending projects. The Treasury-authored *Green Book* stipulates the terms according to which cost-benefit analyses may be conducted by public sector bodies when assessing spending projects. The Chief Secretary to the Treasury attends all cabinet committees (the nominal sites of cross-departmental projects and decisions-making) with a brief to assert Treasury priorities and oppose projects judged likely to become resource intensive (Corry, 2011). As this non-exhaustive list demonstrates, the influence of the Treasury penetrates far into government.

Treasury control is not a straight-forward ‘veto point’ or an invariant factor in British politics: it is continually defended and accomplished anew by Treasury personnel in the face of changing political and economic circumstances that sometimes bolster the ability of forces within and beyond the state to resist its policy priorities. (Ingham, 1984; Thain, 1984). Peacetime challenges have included reforming Prime Ministers; a trade union movement that has at times succeeded in resisting macroeconomic policy decisions (particularly throughout the 1970s); and, not least, the need of chancellors to factor the priorities of the electorate into their decision-making. In this respect, Treasury control ebbs and flows, and the relative power and influence of broader political-economic forces must always be taken into account. Yet the Treasury has proven adept at navigating these challenges and reasserting control, particularly at moments of economic crisis. At such moments, Treasury control is pivotal to explaining the tendency of British governments to favour accumulation model repair over transformation.

Any project of accumulation model transformation articulated through the British state risks encountering Treasury resistance. The Treasury takes an ambivalent and often obstructive stance towards attempts by other departments to build the necessary capacities within the British state for intervention and modernisation of the civilian manufacturing sector. At moments of crisis this ambivalence has turned to hostility, with the Treasury imposing ‘austerity’ recovery strategies that have undermined the viability of such institutions or the finance necessary for their effectiveness. These recovery strategies tend in turn to favour the profitability of commercial financial businesses and reinforce their centrality to the British accumulation model. This dynamic can be seen at several important moments in the 20th century. A pivotal case is that of the short-lived ‘Department of Economic Affairs’ (DEA). The department, established to oversee the mid-1960s Labour government’s national plan of industrial modernisation, floundered on the deflationary macroeconomic stance imposed by a sceptical Treasury in response to the 1967 Sterling crisis (Ingham, 1984). In the years between 1979 and 2007 there was an alignment in the policy priorities of the much-reduced industry ministry and the Treasury, with both advocating a minimalist form of industrial policy that eschewed large-scale public investment. This reflected the empowerment of the Treasury under Thatcherite economic policy doctrines, and the importation to the industry ministry of sympathetic ministers under the Thatcher government (Davis and Walsh, 2015). The post- 2008 context, by contrast, has witnessed an attempt by the industry ministries of two post-2008 governments (those of Gordon Brown and David Cameron) to fashion a more substantial industrial policy agenda (Craig, 2015a; 2015b). Yet the nascent attempts were heavily undermined by the Treasury's strategy of recovery through regressive redistribution. The department saw its expenditure limits reduced by 30% in the 2010 spending review and by a further 6% in the 2013 spending review (Ibid, 2015). The department also ceded around 4% of its budget during the 'emergency budget' of 2010. Moreover, important innovations in green development strategy at this time have been subject to a similar treatment, as the next section lays out in detail.

The notion of Treasury control invites the question of what the Treasury's priorities actually are. In response, it is common to recourse to the notion of the 'Treasury view': an enduring set of priorities said to shape the department's outlook and agenda when interacting with other departments. In a historically rich account, Geoffrey Ingham (1984) suggests that throughout the latter 19th and 20th centuries the modern Treasury inherited a tradition of thought and practice from the liberal reformers of the 18th and 19th century, who sought to challenge aristocratic patronage inside and beyond the state. This, he argues, has led the Treasury to consistently champion a liberal economic order at home and abroad, and to regard other government departments as suspect and vulnerable to the capture by special interests. This in turn is held to explain the Treasury's disinclination to finance transformative industrial modernisation or sanction the development of this capacity in other departments, as well as its tendency to impose deflationary responses to economic crisis. Crucially, the tendency for Treasury priorities to benefit the commercial financial sector is cast as a by-product rather than an intended effect: deflationary recovery strategies are pursued because they fulfil the Treasury's own policy priorities and increase its relative position of control within government, not because of any direct capture of the department by the financial sector.

It is perhaps more accurate to think of the Treasury view as an enduring set of themes rather than an unchanging or monolithic body of thought and policy (Thain, 1984).[ii] Yet when comparing the arguments of a recent permanent secretary to those expressed by Treasury personnel in the 19th and 20th century, one is struck by the enduring similarities (cf. Macpherson, 2014, Ingham, 1984, see Silverwood, 2017, for an extended discussion). An abstraction of these themes might go thus: (1) a scepticism regarding the ability of targeted public investment to achieve positive economic effects, leading to a generally accepting attitude towards market allocations of economic resources; (2) a scepticism of the ability of broader government to control spending, leading to a preoccupation with cost management, and (3) a preoccupation with a relatively narrow range of macroeconomic indicators and their assumed relationships, leading to an emphasis on immediate GDP growth over consideration of the long-term merits of particular developmental paths. Together, these aspects of the Treasury view reinforce a common outcome with deeply negative implications from the point of view of green development strategy: the Treasury concerns itself with the cost-efficient management (and, if necessary, repair) of the accumulation model immediately in front of it, rather than with orientating economic policy towards a long-term project of accumulation model transformation. In short, it eschews transformative development strategy.

This claim constitutes the basis of the most common critique made of the Treasury within and beyond government for over a century: that it is excessively ‘short-termist’ in its outlook and ambitions (Wilkes and Westlake, 2014; Berry, et al., 2016; Powell, 2014; Environment Audit Committee, 2016b; see Ingham, 1984 for historical critiques). From this perspective, the Treasury systematically fails to perceive the economic, social and/or environmental gains of long-term investments that might otherwise be possible through a development strategy targeting the broader productive economy, owing to its own narrow preconceptions concerning the appropriate form of economic policy and its reluctance to cede influence in this area to other departments.

There are, however, important exceptions to this tendency, namely where it concerns the defence manufacturing sector. This is highlighted by the 'liberal militarism thesis', which charts very extensive forms of state-initiated and directed investment, restructuring and development in the military manufacturing sector stretching from the 18th century to the present (Edgerton, 1991; Coates, 2014; Lee, 1997). Britain, its proponents argue, developed a strategy for international hegemony premised on the intensive use of advanced military technologies, allowing it to maintain imperial pre-eminence despite possessing comparatively small standing armed forces. Liberal militarism continued to be pursued long after the loss of the empire, reflecting 'imperial mindset' said to have infused elite decision-making across departments (Coates, 2014). Edgerton (1991) notes that during the 20th century the Treasury's stance on state support for particular military manufacturing industries became comparable to its hostile stance on civilian industrial policy only at the point that such industries' relevance to liberal militarist strategy was superseded by new technologies.

Whether the Treasury's acquiescence to liberal militarism holds in the austere fiscal conditions of the post-2008 context is beyond the remit of this paper, yet its past existence highlights something of importance from the point of view of green development strategy: the Treasury's liberal dogmas and suspicions of other departments are not unqualified. Under certain conditions it has permitted the development of the kinds of capacities necessary to affect development strategies, albeit only in relation to particular sectors. This point invites a further question: what factors account for the formation and ordering of Treasury priorities, and under what (if any) conditions might these be so arranged as to lessen the likelihood that it will resist green development strategy? Alas, this is not a question that the literature is presently well equipped to address (although I offer some provisional reflections in the concluding section to guide future research). Instead, I focus here on demonstrating in greater detail how the Treasury's orientation towards Britain's emerging environmental state in the post-2008 context demonstrates the enduring significance of Treasury control and the Treasury view that informs it.

Treasury Control and the British Environmental State

Treasury control has proven a potent force in opposition to green development strategy in British post-2008 context, shaping and constraining the emerging form of the British environmental state. The Treasury's unwillingness to include the priorities of other departments in economic policymaking and its privileging of accumulation model repair has undermined such nascent green development strategy capacities that the British state has so far developed. A paradigmatic episode concerns the Green Investment Bank (GIB) and its subsequent privatisation in 2017. Ironically, the same emphasis on accumulation model repair that lies behind this episode has also seen the Treasury make encroachments into energy policy in ways that constitute an interventionist (albeit reparative rather than transformational) industrial strategy in and of itself – albeit one that is distinctly 'un-green' and focused on the oil and gas sector. In this section I explore these two issues in turn.

The GIB was a publicly owned and capitalised but operationally independent investment bank founded by the coalition government of 2010-2015. A statutory mandate committed it to invest in infrastructure projects that promoted a variety of environmental policy goals, among them the UK's commitments to carbon reduction. The GIB reflected a prominent view within the government that the re-orientation of private capital to these ends on a sufficient scale and pace to meet Britain's 2050 emissions targets would require public leadership in capital allocation, and that this would in turn entail a public body with sufficient expertise and insulation from political pressures to be able to allocate capital over long time horizons (H.M. Government, 2011). The significance of the resulting institution lay in its departure from the historically prevailing tendency in British economic policy to indirectly privilege the centrality of the commercial financial sector: it represented an interventionist conduit through which state power could be exercised strategically to draw capital away from commercial financial activities and into the transformation of the productive economy. It reflected, in short, an emphasis on accumulation model transformation rather than repair. The fact that such a novel departure should have also embodied environmental policy purposes suggests that green development strategy and the realisation of a more sustainable accumulation model was a real possibility in the post-2008 context.

There are striking parallels between the story of the GIB and of the industrial modernisation agenda of the 1960s Labour government from which the DEA emerged. Both originated in moments of economic crisis and the mobilisation of disaffected social forces against the existing accumulation model (Ingham, 1984; Holmes, 2013). A coalition of environmentalist campaigning organisations, green goods producers and policy research organisations who favoured the idea of green development strategy were mobilised by the environmental consultancy firm E3G in order to capitalise upon political appetite for counter-cyclical stimulus measures during the recession of 2009 (Holmes, 2013). Their key message was that the circumstances presented an opportunity for a 'green stimulus', for which a state investment bank would be necessary. The idea was rapidly taken up by all three major political parties at the 2010 election, and was duly implemented by the Coalition government.

Yet despite initial enthusiasm for the proposal from political parties, the institution (like the DEA before it) was soon subject to a crippling act Treasury control. The very rationale of the GIB dictated that it should leverage its public capital by accessing the capital markets. However, the Treasury resisted granting these borrowing powers, leading to a year-long standoff with the ministries responsible for industrial and energy policy. The stand-off became the object of newspaper intrigue as ministers from these departments appeared to brief against the Treasury (Guardian, 2010). In the 2011 budget the Chancellor put a decisive end to the stand-off by announcing that the GIB would be denied the powers to borrow until national debt was falling as a percentage of GDP. The GIB's capacity to *be* an investment bank was thus postponed until such a time as the Treasury's project of accumulation model repair through regressive redistribution was brought to fruition. In the meantime, it would amount to little more than a funding agency. In 2015 it was announced that the GIB would be privatised, on the basis that this would allow the bank to borrow (H.M. Government, 2016). Yet as the Common's Environmental Audit Committee (EAC) subsequently pointed out, this is an argument for privatisation only to the extent that opposition to granting the bank borrowing powers in the public sector is intractable (Environmental Audit Committee, 2016a).

The implications of privatisation for the GIB's environmental policy goals are likely to be substantial. The GIB's statutory mandate was conceded to be incompatible with its re-classification as a private organisation. Instead, a 'special share' with veto powers over changes to the Bank's green objective was created and granted to an independent trustee organisation. Even if this were to prove sufficient, there are reasons to be pessimistic about the scope for the privatised GIB to play a transformative role, for the simple reason that it is now subject market expectations of returns on investment and 'shareholder value' (avoiding these having constituted the core rationale for a public financial institution in the first place). Market expectations are significantly higher than the 3.5% that the government had required of the institution (Engelen, 2012; E3G, 2015; Mabey, 2015). They feature prominently in narratives of the under-performance of productive investment in Britain, which is often riskier and less liquid than more lucrative unproductive financial activities (Engelen, 2012). Another formerly public financial institution – 3i (formerly the Industrial and Commercial Finance Corporation) – responded to market expectations by withdrawing from its previously mandated role of providing growth capital to small and medium-sized businesses, instead becoming increasingly involved with unproductive mergers and acquisitions activities. A similar logic will very likely drive the GIB away from lending on projects with long maturities and higher risk profiles, undermining its ability to support accumulation model transformation (E3G, 2015).

The hamstringing an privatisation of the GIB represented a victory for the Treasury in asserting its control of the economic policy over the priorities of other departments and agencies. Ostensibly, these priorities appear to reflect the Treasury's commitment to eliminating the 'structural deficit': at the time of the standoff, the government collectively maintained that Britain lay exposed to an impending ‘debt crisis’ necessitating fiscal austerity (Craig, 2015b). It was on this basis that the denial of borrowing powers to the GIB was justified. However, a straight-forward an equation of the Chancellor’s rhetoric on the deficit with the actual Treasury view is dubious: elsewhere, the Treasury has been willing to sanction significant public investment in the productive economy in ways that are far from fiscally-neutral. Nowhere is this clearer than in the bank bailouts, which were excluded from the deficit target on the basis that the bond markets would tolerate such nuanced accounting procedures. The asymmetry in the treatment of these two kinds of public liability lends credence to the view that the Treasury regarded accumulation model transformation as lacking credibility, but was willing to commit significant amounts of public investment to accumulation model repair.

An examination of the Treasury’s recent incursions into energy policy support this more nuanced interpretation. That the Treasury placed small priority on curbing carbon emissions is evident in the conduct of fiscal policy – shown, for example, in the counter-intuitive 2015 decision to subject renewable energy generators to Britain’s principal carbon tax. The timing of this decision, coming soon after the election, suggests that the demise of coalition politics has bolstered Treasury control over energy policy by removing the need for concessions to coalition partners in other departments. Perhaps more significant for the purposes of this paper is the lightening on the tax burden on the oil and gas sector in the post-2008 context. One example is the suit of so-called ‘field allowances’, which waive around 50% of the corporation tax of producers operating at those sites in the North Sea deemed strategically important. These allowances were worth around £3bn in the period between 2012 and 2014 (Friends of the Earth, 2016). More controversially, the Treasury has extended this kind of support to the onshore extraction of shale gas. In 2013 a new allowance was announced which allows shale explorers to offset 75% of their capital expenditure against corporate tax.

There is an obvious tension between Britain’s official emissions target and policies incentivising investment in capital-intensive fossil fuel extraction industry. The advisory body overseeing these targets has stated that the most feasible and cost-effective path to achieve these overarching emissions reductions commitments requires non-fossil fuel and/or carbon capture and storage-equipped plant to constitute 75% of electricity generation by 2030, with the bulk of new investment oriented to renewables over the 2020s (Committee on Climate Change, 2015a). One is left with the impression that the Treasury doubts the necessity of rapid domestic decarbonisation, and instead orientates its policies towards a future in which such a transition occurs at a slower pace, if at all.

By loosening the tax burden on fossil fuel extraction and generation, the Treasury makes deficit reduction more difficult in the short term. However, the move can be interpreted as supporting the broader project of repairing the existing accumulation model. The Treasury's stated objective is to: "when making judgements about fiscal policy… consider the wider economic benefits of oil and gas production, in addition to (fiscal) revenue" (H.M. Treasury, 2014, p.6). The industry is in fact of central importance to Britain's ailing accumulation model through its contribution to the balance of payments. A chronic current account deficit has been persistent feature of the model since the 1990s (ONS, 2016). Although a net energy importer, the domestic production of the oil and gas industry nevertheless remains a significant contributor to Britain's current account, contributing an annual average of around £31bn to the balance of trade since 2008 (an amount not far short of the average trade deficit of £37bn) (Author's calculations based on Oil and Gas UK, 2009; 2010; 2011; 2012; 2013; 2014 and ONS, 2015, Table 1.1). With fossil fuels entrenched in the British transport and energy infrastructure, and with Britain's manufacturing export sector in continual stagnation, a domestic supply of fossil fuels is an important matter of macroeconomic composition – all else equal, its absence would almost double the trade deficit. Thus, from a short-termist perspective that discounts the future costs of climate change there is a clear incentive to bolster the industry.

Energy needs could in principle be met through renewable technologies. However, at present the extension of Britain's predominantly natural gas-fired electricity generation infrastructure remains on average a more cost-competitive option (assuming that the resulting assets are allowed to work out their typically 30-year lifespan [DECC, 2011] and that the costs of climate change are excluded from the analysis). Gas power has been central to British generation since its rapid expansion in the 1990s. Environmentalist critics have argued that the Treasury's position on fossil fuel taxation constitutes a parallel energy policy incentivising a second 'dash for gas' (Powell, 2014). This much is quite coherent with the broader project of recovery through regressive redistribution: the technology requires fewer subsidies than renewable energy technologies in order to bring new capacity to fruition and remains, on average, the cheapest form of electricity to produce in Britain (BEIS, 2016).[iii] Because renewable energy plant subsidies in Britain are in large part financed by electricity consumers through their energy bills, a gas-centred strategy also equates to a lower burden on industrial and household income than would be the case if a more rapid transition to renewables were to be undertaken. This effect is likely bolstered by the (highly contested) possibility that a 'shale gas revolution' in Britain might deliver falling gas prices on the scale seen in the US. A gas-based infrastructure allows in principle for these and the savings from recent falls in wholesale gas prices to be passed on to energy consumers and registered as lower general production costs and higher consumer spending. It therefore holds the potential to ease the economic and political costs of the Treasury's strategy of accumulation model repair through regressive redistribution by supporting incomes and aggregate demand as public sector demand is withdrawn.

The Treasury's incursions into energy policy thus suggest a willingness to sacrifice environmental policy commitments to a short-term goal of accumulation model repair. However, they also suggest a more nuanced interpretation of the Treasury view than one suggesting an inflexible economic liberalism: ironically, the forms of Treasury control in energy and environmental policy examined here amount to an extensive and interventionist industrial policy, albeit one oriented to accumulation model repair rather than transformation. Thus, for all of its historic antipathy to past attempts by public officials to steer the course of economic development in ways that reflect public purposes, the Treasury appears to have itself 'picked a winner' on the basis of its own strategic priorities: the oil and gas sector.

Conclusion

An environmental state is one in which environmental policy becomes increasingly integrated with existing economic and social policy imperatives. Whilst the notion of 'green growth' is highly controversial, contemporary capitalist accumulation models are a long way from achieving even 'greener' growth. The practice of transformative green development strategy is thus a quantitative and qualitative indicator of environmental statehood.

The political economy of green development strategy raises a whole host of issues that have not been touched upon in this paper, include issues of policy design, domestic coalition building, international coordination and reform of international institutions (on which see Craig, 2017). Yet a vitally important issue concerns the structure of each state: as the British case shows, the intra-state politics to which this gives rise can be as decisive a factor in shaping the scope for green development strategy as the struggle of social forces beyond the state. Treasury control will continue to constitute a potential veto point facing proponents of green development strategy for as long as the British state is organised in the way that it is.

On the basis of this observation I make two reflections – one methodological, the other prospective. In relation to the first, there is a need for environmental state researchers to continually engage with the particularity of individual environmental states. An analysis based predominantly on generalisation and abstract typology lacks the purchase on the strategic terrain necessary to understand how and why a given environmental state is developing in the way that it is, or to identify those factors that are stunting its development. Insofar as the environmental state literature aims to be relevant to promoting the processes of state transformation that it studies, it will be necessary for comparativist researchers to enter into continual dialogue with country-specific experts.

In relation to the second, a better understanding of the factors that structure formation and ordering of Treasury priorities (the 'Treasury view') is required if conditions favouring its more constructive engagement with green development strategy are to be specified. Further research is required, yet the literature does contain a number of promising leads. In some accounts, the Treasury's priorities are explained in terms of those of its senior personnel, principally the Chancellor of the Exchequer (Thain, 2014). Such accounts suggest that the interests of incumbent politicians and their attitudes towards the environment are a crucial factor constituting the Treasury view. A related perspective attends to the attitudes of Treasury officials (more traditionally thought of as the location of the Treasury view). In particular, it is sometimes pointed out that Treasury economists share a narrow orthodox intellectual background, suggesting that a greater penetration of heterodox economic (and perhaps even ecological) knowledge into the organisation might lead to the use of different models and decision-making frameworks (Green House, 2016). An alternative and more structural explanation instead emphasises the nature of the Treasury as an organisation, including its mandated functions and the traditions of practice and identity that are maintained there (Kerslake, 2017). In this perspective, the individual attitudes of politicians and the Treasury's staff are less important than the organisational context which they must navigate when performing their roles. From this perspective, the counter-productive exercise of Treasury control could be curbed if the Treasury was unambiguously mandated to pursue *ecologically sustainable* development, and then held to account for its successes and failings in this regard (Friends of the Earth, 2016).

There is likely to be truth in all of these perspectives. Unravelling how these and other factors combine in the post-2008 context to reinforce the Treasury's short-termist prioritisation of accumulation model repair at the expense of green development strategy is an important task for researchers of the environmental state in Britain. Upon the answer to this question hinges the question of what reforms to the structure of the green development strategy implies. Advocates of accumulation model transformation continue to debate whether departmental rivals to the Treasury ought to be strengthened, or whether instead to preserve (or even extend) its mandate and deepen accountability for the outcomes (cf. Wilkes and Westlake, 2014 and Berry *et al.* 2016). The latter option may appear paradoxical given the arguments made here. Yet, if nothing else, the Treasury has proven remarkably effective at accomplishing its economic policy priorities. To the extent that these can be brought into line with green development strategy there is at least a possibility that Treasury control could become a factor militating in favour of Britain's emerging environmental statehood.

One of the first acts of the government of the Theresa May's government was to combine the energy and industry ministries into a single department: the department for Business, Energy and Industrial Strategy. It remains to be seen whether the combined department will prove a more effective counter-weight to Treasury incursions into environmental and energy policy than its predecessors, especially amid the political and economic uncertainty that abounds in Britain at the time of writing (July 2018). Either way, the factors shaping the conduct of Treasury control represent more than an interesting oddity of British political development: they are pivotal to understanding the scope for greening the British accumulation model.

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[i] A 'model of capital accumulation' or 'accumulation model' is akin to Jessop's notion of an 'accumulation strategy', referring both to a pattern of demand and supply that facilitates the profitable investment and accumulation of capital in a given spatial context, as well as to the supporting societal institutions that enable that pattern to be sustained (Jessop, 1983). I say 'greener' rather than a 'green' in this context because it is far from clear that any accumulation model able to deliver publicly acceptable levels of income and employment can ever be sustainable in the long-term (Craig, 2017).

[ii] Indeed, incoherencies among Treasury doctrines may also be a factor in its unconstructive stance towards development strategy, on which see Kerslake, 2017.

[iii] Claims by the Committee on Climate Change (2015b) that large-scale wind and solar power will be competitive with gas power after 2020 assume that the carbon price will be 'target consistent' path of £32 to £78p/t over the course of the 2020s. The same report in which these claims were made is less than optimistic that this will actually occur.