Egalitarian Capitalism

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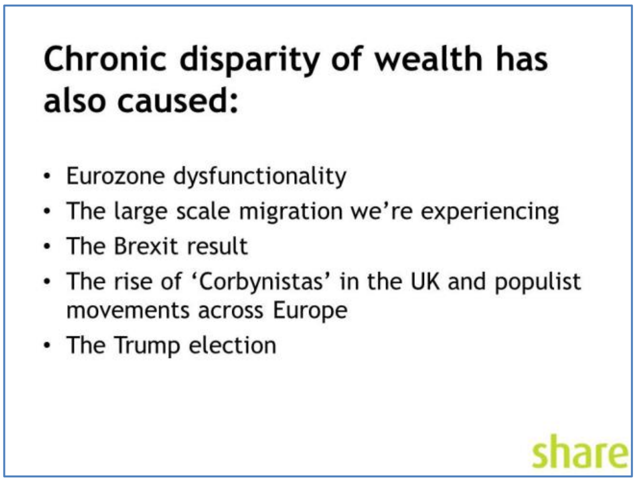
Introduction

Three days before the Brexit referendum we – that is, the three 'Share' enterprises that I've set up over the past 27 years - published this chart of household wealth distribution, with the caption 'Beyond the referendum, the real problem is chronic wealth disparity'. The two issues of Brexit and wealth disparity are inextricably linked: for example, there's a distinct correlation between areas which were firmly in favour of Brexit and those ranked low in the social mobility index.

Half the population has negligible amounts of wealth, and disposable assets are effectively restricted to just 30%. Wealth inequality cannot only be seen across the breadth of the population but also by age cohorts, with generations born after 1970 having significantly lower levels of home ownership. The average first time buyer age was 24 in 1970, 28 in 2000 and 37 in 2013



It's widely acknowledged that the Brexit result, the Trump election in America and the near election of Jeremy Corbyn in 2017, together with support for a raft for so-called 'populist' parties across Europe were the result of chronic wealth disparity and disenfranchisement. The political destinies of Europe, America and Britain are all being driven by huge polarisation of wealth. Well over half of their populations are either just about managing or not managing at all, and a slender 10% of households hold over 50% percent of wealth: with all the power and influence that it endows.

This is dangerous stuff. 100 years ago in October, polarisation of wealth caused the Russian Revolution and 70 years of communist dictatorship. Democracy may provide an escape valve today so that conflict is avoided, but unless we learn how to democratise wealth creation we will remain in the grip of the largest and most intractable economic problem to confront society.

The appeal of socialism and enforced wealth distribution remains strong because as yet no one has come up with a workable alternative. Yet we know that a society built on hand-outs, with no reward for enterprise and no encouragement for education and innovation, is bound to fail. Communism failed spectacularly with the collapse of the Soviet Union, but democratic socialism is also failing as public debt levels are driven ever higher by universal benefits and inadequate economic growth.

However raw capitalism is also failing to provide opportunity for all, and technology and globalisation - which could offer great opportunities - are instead accentuating the differences between the haves and the have-nots, particularly in 'developed' countries.

If it was simply a matter of wealth distribution, the task should be relatively simple. However experience has shown that wealth distribution, which tends to be driven by the politics of envy rather than those of logic, does not work: it simply squanders private sector capital, either in vanity projects or as public expenditure.

There is no doubt that capitalism and the market economy are at the heart of wealth creation, fostering enterprise and creativity and encouraging the best from people: and yet the rich get richer, the poor poorer and the average age of wealth increases: until something snaps and very large numbers of people with no hope say: "up with this we will not put". Then the pendulum swings once more.

Democratic capitalism which is not anchored by measures to give genuine equality of opportunity, particularly for the young, is doomed to experience dramatic reverses and to impose a serious degree of unhappiness. This is why the subject I am addressing is so important.

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Part 1: Financial education, and empowering the disadvantaged young

Firstly, we need to help people understand that a personal store of freely disposable assets is a central part of achieving economic freedom for all. Easily available credit may give the illusion of economic freedom but, as we have discovered over the past decade, it has no staying power: eventually the loans are called in. Political freedom and the ability to migrate are essential features in giving people respect and a sense of involvement, but lack of economic resources ties people into their circumstances as strongly as any physical chains. Building a store of disposable assets brings freedom, and helps make money work for you as opposed to you working for money, as in a treadmill.

Most people spend most of their lives working for money, trying to keep their income in line with ever-growing expenditure. Others learn the art of making money work for them, seeing their income-producing savings and investments build and give them increasing amounts of time for themselves.

It's now several years since financial education became compulsory in the school curriculum, but there is little evidence of it in educational qualifications. An analysis of GCSE and A level exams taken last summer shows that, with the exception of mathematics, it's necessary to go a long way down the list before finding subjects directly connected with life skills such as business studies and economics, and the only generally applicable financial education GCSE is not yet recognised by the Joint Council for Qualifications in schools: I am in discussions with its director general to achieve this.

Meanwhile the introduction of the new 'T' level exams next year is very welcome, but we have to wait until 2021 for 'Finance'; and subject choices in A levels, essential for university, are heavily influenced by university entrance guidelines – which do not include financial awareness. It is therefore no surprise that future teachers emerging from universities and teacher training colleges are not equipped to teach the next generation of young people in schools in financial education, in spite of its now compulsory status in the curriculum.

So here's what I'm asking for as a comprehensive and determined approach for improving financial capability:

1. **A mainstream 'Financial Awareness' GCSE, designed to test progress with financial education in schools – there's an exam offered by the London Institute of Banking & Finance which would fit the bill, currently being taken by c. 20,000 students, but it has no public profile as it's currently seen as a 'niche' product;**

2. **Guidelines being given to universities to encourage schools to bring forward qualifications in life skills and in particular financial capability, and produce a new cohort of financially capable teachers;**

3. **Proposals to encourage employers in both private and public sectors to provide more adult training in financial awareness. Such training for their staff should be made an allowable expense against gross income.**

This must include encouraging a mature and open approach to accepting risk. The welfare state seeks to shield people from risk, but it's important to remember is that nothing is risk-free. Government has an important role in enabling responsible risk taking, not only through education but also in taxation policy, and it should therefore continue with a balanced approach towards the self-employed.

There's a huge range of self-employment, from working on a services contract to being an entrepreneur, but the key characteristic in common is significantly greater insecurity than for those who work in regular employment. Self-employed people are the backbone of local enterprise and through their businesses they generate most of the new employment for the future.

The risk they take extends beyond putting food on the table next month and the month after: it also affects their standard of living in retirement, as benefits such as pensions are hard to establish when earnings are volatile.

So rather than seek parity in tax and national insurance between the self-employed and the employed, the Government should acknowledge the additional risk and accept some differentials.

A society in which everyone has the opportunity to share in the rewards of success is also one in which everyone is better equipped to understand risk, and is appropriately encouraged to take on some risk at the right time in their lives. A more egalitarian capitalist society does not seek to cocoon people, but to prepare them for a better understanding of the balance between risk and reward.

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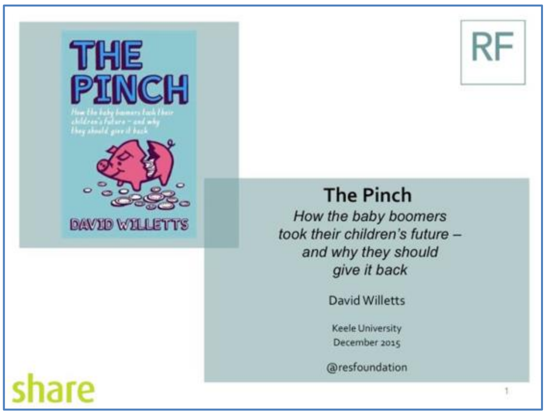
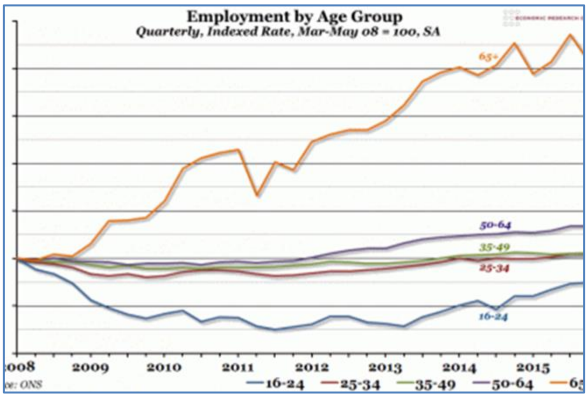
The really big, long-term issue for capitalism is how to achieve inter-generational equity, and financial education is a key part of this. It's now becoming a major issue, as fragmentation of families, dysfunctional parenthood and the pace of change in culture and technology have driven generations apart.



David Willetts addressed it very effectively in his book 'The Pinch'. He argued that society is now more than ever characterised by horizontal relationships within generations rather than vertical relationship between generations, which are becoming stretched and fragmented. As medical science and healthier living has contributed to much longer lives and the average age of child-bearing has increased, the gap between generations has become even more extended.

He also shows how the post war baby boomer generation has reaped so much of the rewards, through a combination of property ownership, pensions and public spending: leaving a legacy of debt which must now be serviced by the young. This was shown graphically in the recent Family Resources Survey published by the Department for Work and Pensions, which showed stark figures for younger households: over the past ten years the percentage of those aged 25-34 'buying with a mortgage' declined from 52% to 33%, a fall of nearly 40%, with the percentage privately renting rising from 28% to 46%.

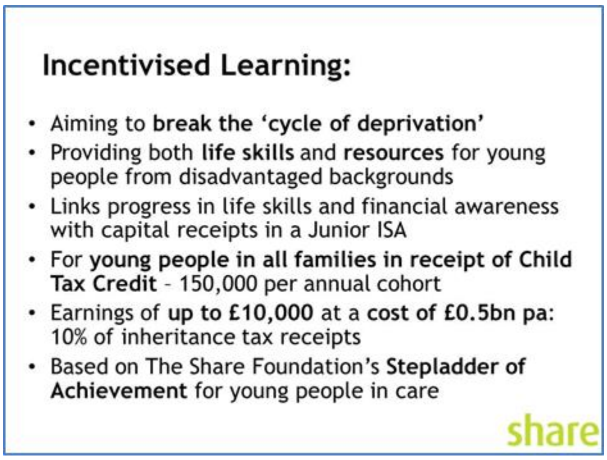
Immigration has also contributed to the generational disparity of wealth: immigrants are generally poor on arrival in the United Kingdom, and statistics show larger number of children and young people, and a higher birth rate. This has increased significantly the proportion of young people from disadvantaged backgrounds. In some areas of the country this has resulted in quite serious segregation, with all the toxic ingredients for spawning discontent and extremism.



Meanwhile private wealth is concentrated in the old. While employment opportunities have increased sharply for the over 65s over the past 10 years, for 18 to 24 year olds they have flat-lined. Self-employment is a very significant way of working now, but it favours middle age upwards with business experience. Meanwhile young people graduate from university with a great burden of student debt on their shoulders.

If this situation is not to result in societal and economic instability, something must be done to re-balance the scales to provide more opportunity and resources for the disadvantaged young. Forty years ago Sir Keith Joseph spoke of breaking the 'cycle of deprivation', and the problem he identified is still with us today.

Incentivised learning, operated at a national level and offered to young people most in need, would provide a way out of this impasse, and the funds to enable it could be at least notionally hypothecated from some of the tax levied each year on inheritance. Essentially incentivised learning would reward young people who make the effort to progress through a structured programme of building their life skills with small but meaningful tranches of capital to provide a resource base for starting adult life.



The terms would be carefully constructed, being focused on young people from poorer families: those in receipt of Child Tax Credit (c. 17% of the population). This would benefit c. 150,000 young people in each annual cohort. Incentivised learning would be offered in the years immediately before adulthood in order to give some experience of stewardship of capital as 'financial education by experience'. If 10% of the current HMRC receipts of Inheritance tax (2016/17: £4.8bn) were applied in this way, the average receipts per young person completing the programme would be about £10,000.

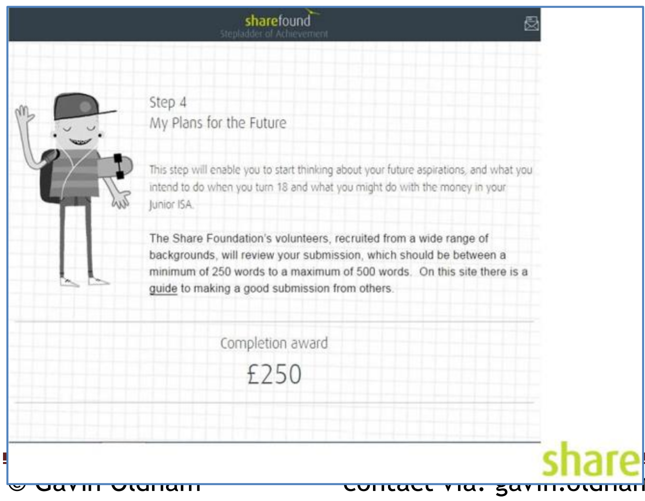
The eligibility rules for Child Tax Credit, which will be subsumed into Universal Credit, are complex, but families who qualify are the most disadvantaged across society. If you receive Child Tax Credit and your annual household income is £16,105 or below, you get the maximum amount for each Child Tax Credit element you qualify for. This is called the income threshold. Anything you earn above that will reduce the amount of tax credits you can get.

The objective of building assets for young people is an established concept: the Child Trust Fund attempted to do this, but there was no incentive element, no reward for the young person's effort. The scheme was also far from egalitarian as it relied on family contributions, not re-distribution, for its main effect. As a result children from well-off homes were bound to benefit substantially more.

There are 1.7m children in families in receipt of Child Tax Credit aged between 5 and 17, of whom just under 1.2m have Child Trust Funds allocated to them. However based on an analysis of over 9,000 Child Trust Funds with Government contributions of £700 or more (which indicated a child in a CTT family) held at The Share Centre, nearly one third are 'Addressee Gone Away' (compared to just over 10% for other children). This suggests that nearly 400,000 accounts have become, or have always been, de-coupled from these poorest children to whom they belong, plus a further 600,000 accounts for other children: one million in total. The accounts of the poorest have an average Government contribution of £921.66 with an estimated present account value of £1,500 (a total value of nearly £0.6bn). This therefore shows that children suffering the most disadvantage are currently those least likely to benefit from the Child Trust Fund set up for them.

We have just now started a major campaign to re-link these lost Child Trust Funds, with this poster being rolled out through secondary schools throughout the United Kingdom, linked to HMRC's 'Find my Child Trust Fund' facility.

However the Child Trust Fund did provide a platform for identifying children most in need – those looked-after by the state - and set them up with a capital account: so I established The Share Foundation to work with the Child Trust Fund structure on a voluntary basis. This led to its being appointed to operate the Junior ISA scheme for Looked After young people throughout the United Kingdom on behalf of the Department for Education. As a result we have now introduced a truly incentivised learning programme for young people in care, the 'Stepladder of Achievement', as part of that scheme, which has now been widened to include Child Trust Funds held for young people in care in Autumn 2017.



There are six incentivised learning steps in the Stepladder incorporating a positive attitude, life skills and some resources, which in total contribute the relatively modest sum of £1,500 to a young person's Junior ISA: literacy (£150), numeracy (£150), initial financial education (£200), 250 words on 'my plans for the future' (an indicator of attitude change) (£250), the 8-week Managing My Money course (£350), and mentoring to help find a job or a place in higher education (£400).

At completion there is a Certificate of Participation and, of course, the young person has access to their Junior ISA money at 18.

So I am now asking the Government to introduce a similar programme for 15-17 year olds in all families in receipt of Child Tax Credit. If a young person aged over 15 did not have a Junior ISA on registering for the programme, one would be opened with an initial, say, £200 for the first step - but those aged between 6 and 15 should have a Child Trust Fund and, if it's 'address gone away' we'll find it as part of the programme.

Meanwhile the involvement of mentoring volunteers to work with these young people, helping them through the steps and showing interest in their progress, would help bind society together, repairing the damage caused by family fragmentation and the challenge presented by immigration. It's my hope that many people in the Church will act in this way as mentors.

This incentivised learning programme would therefore:

- reward disadvantaged young people who make the effort to progress through a structured programme of building their life skills with small but meaningful tranches of capital to provide a resource base for starting adult life; and
- provide a route for re-coupling their already existing Child Trust Funds.

It places no burden on natural inheritance within families: indeed it may suggest better ways to make that inheritance process more effective itself, because we do need to become more effective in 'cascading wealth down the generations' at all levels of society. The Millennial generation is marked by its struggle to get on the housing ladder and by student debt, and a new focus is needed on helping them to build investments and savings.

However The Share Foundation incentivised learning initiative does offer society a more stable future, based on social integration and inter-generational equity.

Contrast with IPPR Commission on Economic Justice (April 2018)

- Aims to build a sovereign wealth fund worth nearly £200 bn by 2030, in doing so:
  - Increase state intermediation
  - Encourage wealthy to leave UK on retirement
  - Misuse of bailed-out bank proceeds
  - Introduce leverage, thus putting performance at risk
- Designed to provide a one-off 'Universal Dividend' of £10,000 for 25 year olds from 2030
- Untargeted distribution, with no linked financial education, will benefit mainly the rich & repeat mistakes of Child Trust Fund distribution

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I should say as a postscript that the IPPR's recent report from its Commission on Economic Justice, proposing the construction of a sovereign wealth fund worth £186 billion and giving all 25-year olds £10,000 as a one-off 'Universal Dividend' by 2030, is not a practical approach and fails on almost every score. This kind of untargeted giveaway, built on the same concept as universal benefits, is a recipe for failure which would fail to empower disadvantaged young people: quite apart from the damage which would be incurred in building the fund itself. Also, whereas incentivised learning for the most disadvantaged could be operational within 18 months, the IPPR universal proposal would take at least 12 years to put into effect. Its flaws need to be thoroughly exposed so that it can't confuse and delay real solutions to these problems.

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Part 2: Individual ownership, participation and responsibility

Thus far I've been speaking about individual empowerment, particularly for the disadvantaged young: let's talk now about institutional intermediation and direct share ownership.

You may recall a few years ago the wave of protest movements brought together by the word 'Occupy': there was a major camp just outside St Paul's Cathedral. Many saw it as a reaction to the 2008 financial crash, but I think it had still deeper roots.

I spent an hour or so in conversation with one protester in the camp just outside the financial district in Boston. Massachusetts. We worked through the issues behind their concerns and concluded that it was really a call for disintermediation.

The financial sector has grown fat on the takings of the middleman, and people don't like it: Capital Economics has estimated that in the US it comprised 7% in 2008, and it may be larger here. Politicians respond by introducing layers of regulation, which impose still more complexity and cost. Regulators have made some progress in reducing the more opaque forms of self-enrichment, but the City and Canary Wharf remain vibrant symbols of parasitic intermediation for all to see.

You can only empower people by democratising expertise, not by wrapping it up in ivory towers.

In 1987 the Conservative manifesto explained the then Government's objectives for the development of a share-owning democracy:

"After eight years of Conservative Government, Britain is now in the forefront of a world-wide revolution in extending (share) ownership …. This is the first stage of a profound and progressive social transformation – popular capitalism."

However Jeremy Corbyn's and John McDonald's recent assault on the free market at the Labour Party Conference stirred the imagination of many, and prompted a robust defence by Theresa May at the Bank of England. But while she spoke eloquently of the economic merits of the free market and capitalism, there is much more to be said if we are to address its flaws, so that it works as she intends 'for the benefit of everyone in our society'.

The free market embodies many perspectives: open competition, prices responding to supply and demand, enterprise and creativity - but also excess and self-interest. At its heart is the free ownership of capital - or is it so free? Because, to the extent that it is owned by individuals it is excessively concentrated and, to the extent that it is owned by institutions, it carries no meaning to the general public, no sense of ownership - and therefore no reason why people should feel responsible for its well-being.

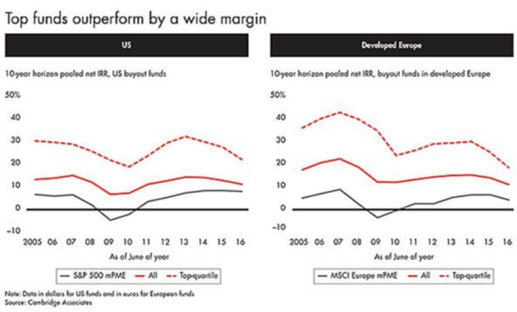
Excess intermediation kills off the vital link between ownership and responsibility - whether it's by financial institutions or the state. By concentrating the power to steer these great engines of economic growth away from the people that they serve and employ, we must expect that those people will eventually bite the hand of those who expropriate the power - whether they are financial institutions or socialist governments.

Over the past couple of decades we've seen just such a concentration of power in financial markets, both in the US and the United Kingdom. In New York, there were 8,000 listed companies at the peak. Now there are fewer than 4,500. London has seen a similar trend. Ten years ago there were more than 3,000 companies quoted on the main and junior markets. By this year it had dropped to only slightly over 2,000. The traditional public market for equities is now in absolute global decline.

There are of course far-reaching consequences for markets and investors, but I believe it is much more significant than that. The real casualty is popular support for the free market itself: because, if individuals are denied access to investing directly in shares, they can have no sense of ownership in, nor responsibility for, the great engines of industry which create wealth in such abundance - and they will turn elsewhere, potentially back to socialism.

This is a really big issue for our whole economic system: indeed this scale of intermediation is exactly what drove the 'Occupy' protests and the electoral disquiet which has been so evident over the past year.

This concentration of power has happened notwithstanding the generally healthy state of the world economy and the businesses that support it. In the UK employment has been rising and corporate earnings are generally good.



I would suggest that the main challenge is the success of private equity in providing an alternative to public markets. The rise of the buy-out industry means there are lots of alternatives for company owners who wish to sell. At the same time, a massive rise in regulation, and layer upon layer of governance codes, has made public listing a burden that many directors can no longer be bothered with.

A recent article in Forbes magazine showed graphically the out-performance of Private Equity over public markets: so we can't blame institutional investors for going where the money is.

I've been a Church Commissioner, where I'm a member of its Assets Committee, for most of the past 18 years, and I've been struck by the rising proportion of asset allocation dedicated to private equity, and the strong performance it has achieved. The Commissioners are certainly not alone as an institutional private equity investor: most are heavily involved in the sector, and for good reason. They include your pension funds - so individuals do share in their performance, if not in any sense of business ownership. The great Family Offices, Sovereign Wealth funds, hedge funds and insurance companies are all investing in Private Equity. This is because they all share the benefits of size: they can invest in the large amounts that Private Equity managers are prepared to accept, whereas personal investors can not.

However we can ask the question 'why?', and what can be done about it.

Firstly, Government could improve the efficiency of public markets by, for example, abolishing stamp duty for trading in shares on public markets. This has already been done in the AIM market for smaller companies, and has made a huge difference.

Secondly, the regulators need to revisit the weight of private of corporate governance and regulation on listed equities, thereby reducing the burden on company boards and improving the ability to issue and trade shares on public markets. In particular, this should enable and encourage personal investor participation in both primary and secondary markets.

This is why I've asked for a new drive for individual share ownership, including a cross departmental working party to advise the Treasury, Department for Business and the Department for Work and Pensions on how to bring about these changes. This should include the great institutional investors, because it is very much in their interest to see healthy public markets and popular support for the free market.

Thirdly, the huge concentration of wealth, in both corporate and individual respects, must be addressed: the enormous super-rich technology giants need taming, in terms of both tax avoidance and competition. There are a range of megaliths with global buying power greater than individual countries, such as Apple, Amazon, Facebook and Alphabet (the parent of Google). These enormous wealth magnets, often operating beyond the reach of tax and competition authorities, are just waiting to absorb many of the restructured businesses coming out of Private Equity.

The sheer scale of finance available for trading in whole companies has made public market flotation irrelevant: the control premium for a total buy-out is enormous, and with control comes the power to change both business and operating models. In so many cases the preference is just to go for a straight trade sale.

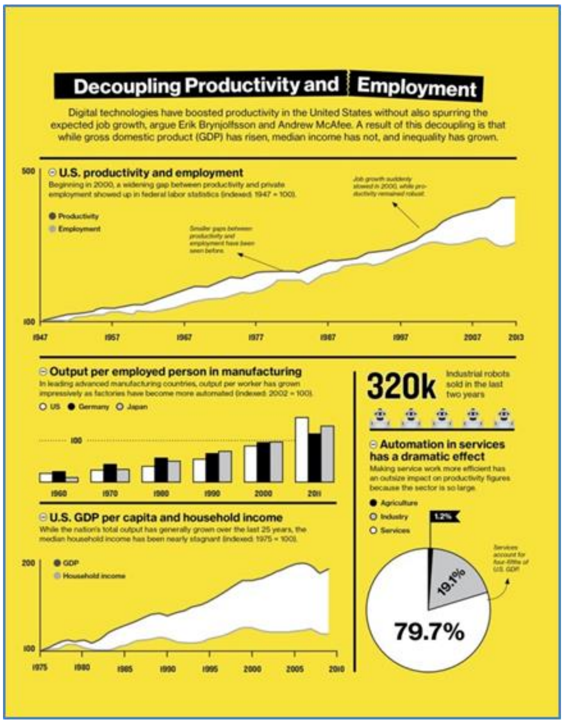
Do not underestimate the significance of trading whole companies in this way: this is the new currency for big money. In their role of providing trade sale exit for so many Private Equity investments, they are driving the decline of public markets - in spite of the fact that some of the tech giants (not all) have their own market listing.

It's also worth noting the economic effects of the current innovations in technology, and the associated new business models which they are driving. These include:

- Continued suppression of average wages, which has already been responsible for 15-20 years of ultra-low inflation and interest rates;
- Concentration of profits among a narrow group of dominant global technology businesses: for example, the individual market capitalisation of Apple exceeds the

total GDP of the world’s 96 smallest countries, and would be the world 17th largest country by that measure;

- Further increases in income and wealth inequality, driven not only by the concentration of wealth in such few businesses but also by low yields/interest rates which drive an escalation of asset values, for the minority who own assets.



As noted earlier, these effects have major implications in terms of both political and social change as social discontent rises among the wider population. But it may also put the tech giants themselves at risk of a potential regulatory backlash - to quote Michael Arone, chief investment strategist at State Street Global Advisers: “If the regulatory framework shifts from financial to technology companies, that could be a risk, whether from the European Union or the US Government”. Facebook, take note. Amazon, take note.

The best solution to this challenge is for dominant technology businesses to accept responsibility for adopting a socially acceptable way of distributing their economic value-added, and there is an easy solution to this challenge. This is because the customer bases of these same businesses encompass so much of the population, including the majority of those most impacted by these changes. For example, Amazon had 310 million customers in the first quarter of 2016, and has just announced over 100 million Prime customers, 8 million of whom are British.

So the solution is simple: to slice off part of their equity and make it available on appropriate terms to their customers, so that individual people can share directly in the benefits of the fabulous wealth that the companies are accumulating. For example, Amazon’s market capitalisation was $709 bn.

My own company, Share plc, sliced off c. 7% of its equity in 2000 and 2001 and provided it to over 90,000 customers as a ‘free shares’ recognition of their business. A free share prospectus was issued in each of these years to govern the process and set the allocation mechanism. So if Amazon did the same for their Prime customers, each of their customers could receive a shareholding worth c. $500.

I look forward to taking this proposal to the senior levels of these great businesses and putting to them the case for taking responsibility for sharing their wealth with their customers, thereby avoiding a growing level of social unrest, governmental instability and regulatory backlash, and encouraging more take-up of their premium services.

However the wider issue of wealth polarisation and institutional intermediation is jeopardising the future wealth-creating potential of the free market, by alienating the people from their share in the ownership of industry.

Margaret Thatcher understood this: she was right to espouse popular capitalism, but it did not go far enough and it was not embedded for the long term.

There were some serious flaws in that great privatisation initiative of the 1980s and 1990s. Too often the public issue of shares was seen as a booster for institutional demand. There was no education of business leaders about the merits of having a large personal shareholder base. Too often those new personal shareowners were just left on registers, having no-one to help develop their early interest in equity ownership. And the London Stock Exchange and corporate advisory firms soon slipped back into placings and exclusion of personal investors from new issues once the privatisation programme was over.

But, in spite of all these flaws, there was still an immense public interest, genuine participation. And it's as relevant today as it was thirty years ago. We have a saying at The Share Centre: 'More People Enjoying Straightforward Investing'. This speaks volumes about that participation. It's to be seen in thousands of investment clubs, representing tens of thousands of people, in investors' active interest in company news, research and in shareholder benefits. It's also why corporate governance reforms remain a priority, notwithstanding the significant advances, led by us in The Share Centre, which were made with the Companies Act 2006.

But most of all it's in the link between ownership and responsibility. If someone owns a house, they care for it: rented houses are at the mercy of their landlords. And so it is with businesses - if people <u>feel</u> no sense of ownership, is it surprising that they feel excluded from the wheels of power?

And this is why we need to return to the drawing board in order to reduce the dominance of institutional intermediation and revitalise individual share ownership. Otherwise we will get state intermediation in its place, with its deadening hand on human enterprise and innovation.

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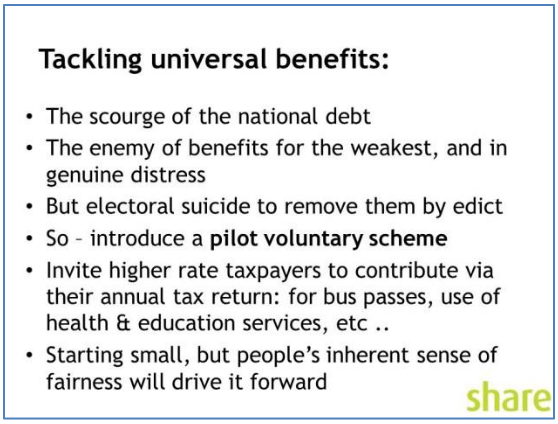
Part 3: Voluntary support and action, and summing up

Finally, a more egalitarian form of capitalism must also address the chronic problem of escalating national debt, the result of 70 years of welfare state and nationalisation by targeting publicly-funded support on the poor and needy, not simply enticing voters with free services for all.



Doing anything about **universal benefits** is a tricky subject, as Theresa May found to her cost during the recent election campaign. Politicians have known for years the siren-like attraction of universal benefits, and have shown considerable reluctance to address them. Indeed some years ago a Conservative minister described such an attempt to me as 'electoral suicide': and indeed Theresa May was unable to make to make the case for backing away from universal benefits, losing most of her lead in the polls in the process.

Her experience lays bare the Achilles heel of 'one person, one vote' democracy in a secular age. In a society where everyone is driven by self-interest and more than half the population rely on government munificence, it is indeed very difficult to remove universal benefits from anyone other than the very wealthy.

And yet we know that universal benefits are based on the socialist dogma of state provision, and that they erode the scope for targeted benefits to support the really disadvantaged. As the IPPR report with its £10,000 'Universal Dividend' shows, 'Free handouts for all' has an immensely strong appeal even if they make no sense, and only a strong dose of selflessness makes it possible to see them for what they are: a socialist drug to sedate a market economy, which results in inexorably raising public debt.

Before the second World War the Church provided a safety net of welfare for the weakest, but it was replaced by the post-war provision of universal services for all, no matter what their financial background: an ideology more based on socialism than on supporting the weak. State provision is based on state decision: no choice, but 'free provision' – but of course it's all paid for by taxes or borrowing. So now hundreds of billions of pounds are spent each year providing universal benefit services to people who are well able to pay for them themselves: health, education, bus travel, winter fuel payments.

The Government could, of course, substantially reduce the public deficit by charging: however bearing in mind Theresa May's experience in the election, my proposal is that this should be introduced on a voluntary basis.

A simple set of boxes on the tax return could invite higher rate taxpayers to declare their use of universal benefits, and recovery would be via their own annual assessment. Try it out with a well-publicised voluntary pilot scheme, with items appropriately costed: eg

£125 for an annual bus pass, £25 for a visit to the surgery, etc.. Many people would respond willingly, particularly if it were linked to a specific purpose such as the NHS, or incentivised learning for disadvantaged young people.

Universal benefits have become the enemy of benefits targeted on the poor and those in genuine distress, and are driving our public debt to completely unsustainable levels. They also channel resources away from wealth creation for all, and instil a culture of dependence on the state. Our aim should be to gradually discard the provision of universal benefits and concentrate on providing targeted benefits for the most needy.

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But why do we care about others in the first place?

This goes right to the heart of voluntary and charitable activities. It was clearly evident, for example, after the Grenfell Tower fire in many people from all walks of life and from those of different faiths and none: and in a sense it contrasted that inherent human care for others with the deficit in that care which is often seen in corporate and institutional life. It was particularly marked some years ago when Tesco surveyed their staff to establish a new set of values, and received thousands of responses supporting 'treat others as you would wish to be treated yourself': not that different to 'love your neighbour as yourself'.

But I have also never accepted that there should be an impassable gulf between the desire to care for others and a healthy degree of self-interest. The latter is essential to create the wealth on which any social enterprise can be based: the former keeps us focused on the greater good. And in providing the means for wealth generation and human enterprise for others it is only to be expected that we should respect that motivation in ourselves. That concern for people, both as individuals and as a part of a society at peace with itself, is at the heart of a more egalitarian form of capitalism.

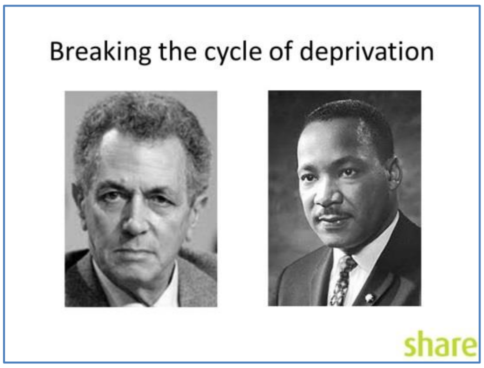
Why must poverty be a fact of life? Humanity has access to such huge resources and knowledge, but it is so concentrated. We know that poverty impacts health, longevity and saps determination. We know that poverty ferments bitterness and extremism. Yet we do not tackle it.

Communism and Social Welfare have both sought political solutions, but it is really only voluntary charity which slogs on and on as the safety net: more often than not, a safety net full of holes.

Yet we have an incredibly sophisticated, flexible and creative economic system in the modern market economy. Why can it not come up with the answers, not least due to the commercial reality that more people with a better standard of living increase the market for goods and services?

Education lies behind most of the steps that I have described for a more egalitarian form of capitalism: Darwin defined animal evolution as the 'survival of the fittest', but we have brought about a humanity defined by 'survival of the smartest'. Education provides stability and security within which trade can flourish. Education helps farmers, producers and consumers to understand the potential of their resources.

In a country where higher level education is producing some of the best results ever, we still scour the developing world for their best educated. And we ourselves are not out of the wood, with over 50% of our own population having no or negligible savings or assets, and the spectre of personal debt continues to rise higher and higher.

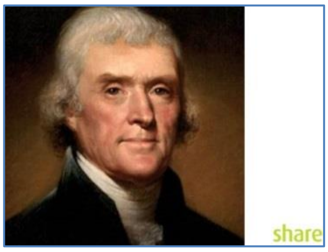


Forty years ago Sir Keith Joseph spoke of breaking the 'cycle of deprivation'. A few years before that Martin Luther King said 'The American dream reminds us that every person is heir to the legacy of worthiness'. Yet little has happened.

We need a new realisation that poverty and education are inextricably linked. Perhaps it wouldn't go amiss to propose an additional beatitude: "Blessed are the educators, for theirs is the ability to break the bonds of poverty".

A more egalitarian capitalism can come about by empowering people from all walks of life, and particularly the young, with a combination of respect and care for others, and through enterprise. It can bring real strength and stability for the many, not just the few. It is worth pursuing.

So I've spoken today of empowering people across society, especially the disadvantaged young, of tackling the national debt, and of addressing the concentration of power and influence in the free market for the benefit of all.



Thomas Jefferson said: "We hold these truths to be self-evident:

-that all are created equal;

-that they are endowed by their Creator with certain unalienable rights;

-that among these are life, liberty, and the pursuit of happiness."

A more egalitarian form of capitalism is about providing all individuals with the opportunity to achieve their potential, both in this time <u>and</u> for future generations.

Gavin Oldham OBE
June 2018

So what is egalitarian capitalism?

Egalitarian

Something close to equality and has to do with fairness. If you believe that everyone deserves a chance to vote, go to school, get good jobs, and participate in society, then you are an egalitarian. When laws make life fairer, the law is getting more egalitarian. The opposite of an egalitarian system could be a fascist society or dictatorship. When you see this word, think about equality and freedom.

Capitalism

Money that is put into a business, accumulated within a business, & used to produce more money and growth. In a capitalist economy, the capital is owned by private individuals, as opposed to the government or state (as in socialism or communism). Another important aspect of capitalism is the "free market," where in theory natural competition always leads to innovation and price formation.

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