Autonomy ISSN 2515-9852

Social Wealth Funds in the UK

Duncan McCann, Steve Schifferes, Stewart Lansley, Kyle Lewis, Matt Cole, Danielle Guizzo, Alex Williams, Nick Srnicek, Christine Berry, Diann Bauer, Maria Dada and Ursula Huws

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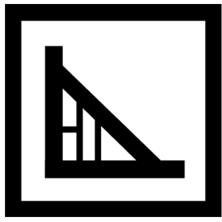

Social Wealth Funds: their potential to transform Britain

Duncan McCann, Stewart Lansley, Steve Schifferes

There is a crisis in the relationship between the state and the citizen in Britain. The government is increasingly seen as being unable to adequately provide for the basic needs of its citizens. There are glaring inequalities of wealth and income, with a disproportionate share of the gains from economic activity continuing to be captured by the rich. Tackling the problem of wealth concentration is one of the biggest challenges we face in the early 21st century and the tide of inaction is beginning to turn. In recent months, a growing number of unlikely voices – including the IMF[1], OECD[2] and former Conservative MP, David Willetts[3] - have added to the chorus calling for higher taxes on wealth.

Over the last half century public and private wealth have been on very different trajectories. Since 1970, net private wealth has risen from 300% of the size of the economy to over 600% today. 70% of financial wealth, mostly shares, is now owned by a tenth of the population. Moreover, while personal wealth levels have been climbing, net public wealth levels (assets minus liabilities) have contracted to such a degree that they are now negative, creating not just a serious public/private imbalance, but greatly weakening the national finances.

In our report we argue for a novel approach to tackling some of these problems through a new policy instrument – the establishment of one or more UK collectively held social wealth funds. These funds have the potential to tackle some of Britain's most pressing issues, from strengthening the system of income support in today's more insecure economic climate, to providing enough affordable housing and ensuring universal access to social care. By spreading the ownership of part of the economy to all and ensuring that part of the gains from economic activity are equally shared across society, the funds would be a powerful pro-equality instrument.

[1] *International Monetary Fund (2017), Fiscal Monitor: Tackling Inequality. Washington, October. http://www.imf.org/en/Publications/FM/Issues/2017/10/05/fiscal-monitor-october-2017/*

[2] *OECD (2018), The Role and Design of New Wealth Taxes in the OECD, OECD Tax Policy Studies, No. 26, OECD Publishing, Paris. https://www.oecd.org/publications/the-role-and-design-of-net-wealth-taxes-in-the-oecd-9789264290303-en.htm*

[3] *Resolution Foundation (2018), 'Baby boomers face a choice between higher capital taxes or lower take home pay for our children, warns Lord Willetts' https://www.resolutionfoundation.org/media/press-releases/baby-boomers-face-a-choice-between-higher-capital-taxes-or-lower-take-home-pay-for-our-children-warns-lord-willetts/*

'Social wealth funds' are commonly owned investment funds, managed for long-term growth, with the returns used explicitly for the benefit of all citizens, including future generations. Social wealth funds would be transparently managed, provide direct benefits to citizens, and are kept in trust for perpetuity for the public good. As well as offering a powerful and progressive way of managing part of the national wealth, social wealth funds can play a number of different roles in society. They can store and build public assets, redistribute the gains from economic activity, and by more direct linking of revenue and spending, boost public support for social spending.

Although the majority of 'sovereign wealth funds' established in over 50 countries fall well short of the kind of model scheme set out in this report (most are lacking in transparency and have little explicit public benefit) , we have drawn on some existing schemes in the report's proposals. We distinguish between three different models of social wealth funds:

- 'Social Investment Funds` are largely state managed permanent investment funds established for clear social purposes, such as funding new universal services such as social care.

- 'Citizens' wealth funds' are distinguished from the first model in being managed completely independently of the state and being owned directly by citizens. Such funds have a very distinct purpose: they are not a means for governments to manage budgets and spending commitments. The returns would go directly to citizens through cash payments.

- 'Urban/regional wealth funds' which have some characteristics of both models. They would be locally controlled and based on the transfer of existing public assets to a trust collectively owned and held in perpetuity for all.

To illustrate the potential of this new policy instrument in the UK, this report examines in detail three quite distinctive approaches; a 'Citizens' Dividend Fund`, a 'Social Care Trust Fund' and a series of Urban/Regional Land Trusts.

The Citizens' Dividend Fund would be a pure citizens' fund – with all citizens benefitting directly – that would continue to grow over time and be a permanent and enduring part of the economic and social landscape. It would be controlled by an independent Board of Guardians, with the support of a citizens' advisory council. Once established – after around a decade - it would provide a modest dividend to everyone and a 'next generation` grant of £5000 to each citizen at age 25; it also has the potential, as the fund grows, to form the foundation of a more comprehensive universal basic income. The Social Care Trust Fund would aim to fully fund adult social care, removing the inadequacies and unfairness of the current system and fostering inter-generational redistribution. The Urban Land Trust would make use of public development land to kick-start the building of more social housing by tackling the shortage of, and high cost of land for development.

Social wealth funds have a number of key objectives. To:

- Tackle inequality directly by reducing the extreme concentration of the ownership of wealth and capital and raising the level of social ownership of the productive base of the economy

- Create a more equitable inter-generational distribution

- Tackle the current bias of implementing short-term fixes to deal with long term problems

- Contribute to the progressive reform of the current model of corporate capitalism by fostering inclusive growth and providing a counter to the power of private capital

- Boost the size of public assets and improve the public sector balance sheet

Different models achieve these goals in different ways and to different degrees. The model that perhaps embraces these goals most comprehensively is the citizen's wealth fund. This model would ensure that part of the gains from economic activity are pooled and shared among all citizens (current and future). The French economist, Thomas Piketty[4], has argued that the present economic model has a built in systemic bias to inequality – a force, as he puts it, for *'divergence`*. Citizen's wealth funds offer a way of creating a *'new counter-force for convergence'*[5], one which locks in a new bias to greater equality.

The Citizen's Wealth and Social Investment Funds would be investment funds with the capital held in perpetuity on behalf of all citizens and managed by professional fund managers with a target rate of return. The Land Trusts would become the owner of public land in perpetuity.

The UK has missed 4 major opportunities to create a wealth fund; the extraction of North Sea oil (approx. £200bn), the sale of public land (approx. £400bn), the sale of council housing (approx. £100bn) and the privatisation of state owned enterprises (approx. £126bn). Building a fund therefore requires alternative sources of financing. Possibilities include the transfer of a range of existing commercial public assets (from property and land to a number of state owned enterprises) into the fund; occasional one-off taxes (paid in shares) on windfall profits and the issue of a long term bond. Another possibility would be to link such funds to higher wealth taxation. Paying revenue from reformed capital taxation directly into a fund which enjoys a high degree of public support might make reform of wealth taxation more politically palatable.

One of the most pro-equality approaches would be to establish a citizens' wealth fund through the dilution of existing corporate ownership, with large companies making a modest annual share issue – of say 0.5% - with the new shares paid into the fund. Such an approach would gradually socialise part of the privately owned stock of capital to be used for explicit public benefit. By taking established stakes in companies, such a fund could help align the interests of society and business. A variation on this model was applied in Sweden in the 1980s through the creation of 'wage-earner funds`, a bold, decade-long social experiment to further develop their model of social democracy, though one that eventually came to an end in the early 1990s[6].

Such a fund does not offer a quick fix but a vision for a much more secure social future, paid for by a higher rate of national saving. Although fundamentally long-term, and such funds would take time to establish, we show that after a decade, a fund could grow to a level sufficient to boost key areas of social spending, including cash payments. Over time, as the size of the fund grows to command a larger share of the economy, such pay-outs could become more generous, and/or levels of payment into the fund reduced.

The case for such funds are now being more widely acknowledged and funds with some of the 'social' elements have been established in Norway, Australia and New Zealand. The proposed citizens' wealth fund would draw on the popular Alaskan oil-financed Permanent Wealth Fund which has paid a citizens' dividend to all adults and children averaging $1150 since 1982. In the UK there is growing political interest in their potential.

[4] *Thomas Piketty, Capital in the Twenty First Century, (Harvard: Harvard University Press, 2018)*

[5] *Stewart Lansley, 'Reversing the Inequality Spiral: Citizens' wealth funds', IPPR Progressive Review, 24 (2), 2017, pp. 137 – 146.*

[6] *Stewart Lansley, A Sharing Economy, (Bristol: Policy Press, 2016).*

While the overseas models mostly differ significantly from the model we are proposing, the Royal Society of Arts[7] and the IPPR[8] think tank have proposed variants close to the citizens' dividend fund presented in this paper.

The overseas evidence is that such funds could gain significant public buy-in. By rebuilding the nation's stock of depleted 'family silver`, they would re-establish the importance of social wealth, boost the ratio of public to private capital, and tackle extreme wealth concentration. Legally ring-fenced to prevent a Treasury 'raid`, they would grow over time to play a significant social role.

While the models being advanced here are at the radical end of the possible range of proposals, they offer a progressive way of managing part of the national wealth, provide a powerful new economic and social instrument that could command public support and build in a pro-equality bias that could transform the way we run the economy and society.

[7] JSA, (2018), 'Pathways to Universal Basic Income The case for a Universal Basic Opportunity Fund'. https://www.thersa.org/globalassets/pdfs/reports/rsa_pathways-to-universal-basic-income-report.pdf

[8] Carys Roberts and Mathew Lawrence, (2018) 'Our Common Wealth: A Citizen's Wealth Fund for the UK'. https://www.ippr.org/research/publications/our-common-wealth

Citizens' Dividend Fund – An Incremental Pathway To UBI

Kyle Lewis

The affordability of a universal basic income (UBI) has long been seen as one of the central issues in preventing its implementation at a national level. But, as Guy Standing points out, the question to pose to these sceptics is the following: "Would you support a basic income if it were shown to be reasonably affordable?"[1] i.e. is your aversion to it really a question of affordability or, rather, is it one of desirability? The report's proposal of a citizens' dividend fund not only sets out how a UBI could be implemented in a way that is affordable and sustainable, but it also reframes the concept away from its less desirable associations with the state and the welfare system, to one of citizen empowerment and societal ownership. The report details how dividends from a social wealth fund could form the basis of an incremental UBI being paid to citizens on a weekly basis. Although the payments would start at a modest £40 - £60 per week (depending on age), the authors detail how it would only take 25 years in which to pay every citizen in the UK the payments stated above. Their version of UBI also contains an additional option of paying a one-off dividend of £5,000 paid to every citizen on their 25th birthday – what they define as a 'next generation grant'. This would help in readdressing generational inequality, increase social mobility and redefine inheritance from one of exclusive private privilege to one of inclusive public responsibility. A UBI linked to a citizens' dividend fund therefore offers a pragmatic solution to critics from both sides of the political spectrum who attack it for being either utopian and unaffordable, or from those who view it as dystopian and morally undesirable.

[1] *Guy Standing, Basic Income: And How We Can Make It Happen (London: Penguin, 2017).*

A New Force For Convergence

Matt Cole

For the past few decades, the dominant economic model has operated as an indomitable force for social and economic divergence. The massive privatisation of public assets since the 1980s – council housing, rail networks, power plants, oil, water and more – has been one of the key drivers of this polarisation. The proceeds from the sale of these assets have primarily been used to fund tax cuts, rather than being invested in future social wealth. This consumption-based approach to public policy has little long-term financial benefit. As the authors of this report point out, the top 10 per cent of the population own 45 per cent of the wealth while the bottom fifty per cent own just 9 per cent. This facilitates continued and accelerated divergence, since the returns from this wealth, through dividends, rent and interest, are excessively accumulated by the already rich. This revenue could have been reinvested in public services and institutions.

The authors of this report propose a much needed, "counter-force for convergence" through three financially viable vehicles for redistribution. These three 'social wealth funds' concentrate on funding a citizens' income, social institutions such as necessary care services, and urban infrastructure such as housing. One of the most interesting methods suggested by this report is a 0.5% annual levy on all property, both household and commercial. This would eventually give the public, through a social wealth fund, a stake in all property, leveraging private wealth for public benefit. It would simultaneously help ensure the sustainability of a future housing supply, while lowering house prices for all. Implementing policies like these would represent a watershed moment in the UK. Through the progressive re-municipalisation of private wealth, this report provides a path beyond neoliberalism, investing in a future for the many, rather than the few.

Practicalities And Possibilities

Danielle Guizzo

The proposal for establishing a social wealth fund in the UK is certainly welcomed. The report offers a detailed account of the trends posed by the retrenchment of the welfare state over the last 30 years and provides an overview of the current deficit in publicly-owned wealth, underpinning the necessity of a radical change. A social wealth fund could be a first step in taming the undesired social effects of capitalism, propose long-term thinking for future generations and act as a counter-force for convergence against rising income inequality. It is a good first step to a broader discussion about the public use of finance; however, some questions deserve close attention specifically regarding proposal for a citizens' wealth fund in the UK.

First, how will the citizens' wealth fund enter the public debate? It would require a substantial change in how the general public sees the role of the state and long-term strategies for future generations, particularly after the negative changes to the national insurance system and state pensions. The citizen's wealth fund would require a significant fiscal change on the country's tax structure, either via the creation a new tax (p. 21 of the report), or a change in the current system to afford the social fund. Further, this also poses the question of ensuring that the fund represents part of a long-term strategy despite political changes (again, the UK's pension and national insurance systems are clear examples that demonstrate such change).

Secondly, and more specifically, the portfolio composition of the fund should be considered in more detail, ensuring diversification and the acknowledgement of risks by its managers and board guardians. The authors rely on the UK's substantial "public assets of land, infrastructure and property, as well as a range of commercial state-owned industries" (p. 19). However, they do not provide a risk-free buffer against value losses or capital depreciation. How will we ensure these will not affect the returns of the fund? It will require sovereign state protection against fluctuations in the sense of a 'lender of last resort', especially given capitalism's inherent instability. An increase in the contribution rates and/or levy rates during economic growth could ensure an anti-cyclical measure to offer a capital buffer against the downturns in the business cycle. Also, the fund gives greater importance to taxing household private wealth – why not extend the proposal to other income sources, such as rents and profits from financial activity? Indeed, the UK cannot propose a social wealth fund on the same grounds as Alaska or Norway by relying on natural resources, but it can introduce a levy or a tax based on "financial exploration", given the country's relevance to global financial markets; the revenue generated from this activity would be redirected to the citizens' fund, benefiting the entire society.

Lastly, the proposal also addresses other underlying social and educational issues. As for the possibilities for paying the dividends to the citizens, (ch. 5), the introduction of a wealth fund would perhaps require greater investments in the financial education of young adults in order that they can make informed choices, particularly if model number 2 (a larger unconditional capital grant) is adopted. The universality of the benefits could also generate social distress regarding non-British citizens: following the Alaska case, benefit holders are entitled to receive the dividend after living in the state "for a full calendar year and need to make a commitment to remain in the state for the future" (p. 28). How would this be sensitively applied in the case of the UK, particularly following recent initiatives from the Home Office to reduce the number of migrants in the Britain? Overall however, the fund is certainly welcomed, and it introduces a sharp discussion about offering long-term strategies.

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Remodelling Capitalism

How Social Wealth Funds could transform Britain

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Further information

This report can be downloaded free of charge from the FPF website
www.friendsprovidentfoundation.org

Published 2018 by

Friends Provident Foundation
Blake House
18 Blake Street
York YO1 8QG

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Friends Provident Foundation

Friends Provident Foundation is an independent charity that makes grants and uses its endowment towards a fair, resilient and sustainable economic system that serves people and planet. We connect, fund, support and invest in new thinking to shape a future economy that works for all.

Since 2004, we've pioneered the creation of fair economy for a better world. Already, we've helped improve access to financial services for people who were once excluded, and supported the development of resilient economic communities across the UK.

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Tomorrow, we'll continue to fund more new thinking, connect new ideas, invest our capital in line with our aims and values and create better systems so that in the future, the economy will serve both people and planet.

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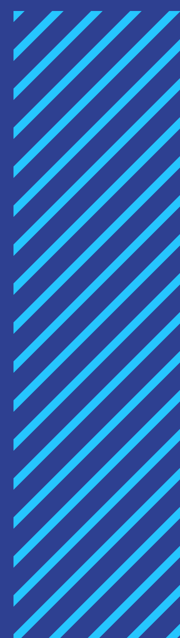

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Acknowledgements

We would like to thank Friends Provident Foundation for their generous funding of this project and City, University of London for hosting the project.

Many people helped shape our ideas in this report, although the final responsibility is our own. We would particularly like to thank Thomas Aubrey, Peter Barnes, Daniel Bentley, Duncan Bowie, Ross Campbell, Angela Cummine, Dag Detter, Miatta Fahnbulleh, Stefan Folster, Tony Greenham, Michael Jacobs, Sebastian Johansson, Henrik Juhlin, Matthew Lawrence, Neal Lawson, Toby Lloyd, John Penrose MP, Andrew Pollard, Howard Reed, Carys Roberts, Andrew Rozanov, Declan Scully, Caroline Slocock, Will Stronge, David Pitt-Watson, Martin Wheatcroft and Stewart Wood for their insights.

Further details of our research, including all our case studies, can be found on the Friends Provident Foundation website: www.friendsprovidentfoundation.org

Executive summary

Introduction

- There is growing disconnect between the citizen and state, which is seen as increasingly unable to provide for public needs.
- Wealth is highly unequally distributed, and the share of total wealth that is publicly owned has fallen sharply.
- Public assets have been badly managed in the past.
- We are proposing a new type of collectively owned investment vehicle aimed at social goals and held in trust for all.
- By spreading the ownership of part of the economy to all and ensuring that some of the gains from economic activity are equally shared across society, the funds would be a powerful pro-equality instrument.

1. What are Social Wealth Funds?

- There has been a rapid growth in the number of **Sovereign Wealth Funds**, set up by governments to invest the proceeds from natural resources or trade surpluses. However, the majority of these funds lack social goals, transparent management, or public participation.
- We propose three alternative approaches – which we call **Social Wealth Funds** – though each comes with different aims and structures.
  - First, a **Citizens' Wealth Fund**. This would be a fund wholly independent of the Government and owned directly by citizens, with the goal of spreading the ownership of wealth and giving everyone a direct stake in the economy. The Fund's returns would be used to make cash payments to all citizens.
  - Second, **Social Investment Wealth Funds.** These would provide a path to increasing access to universal basic services, for example to help finance free adult social care, on the same basis as National Health Service (NHS) services.
  - Third, **Urban Wealth Funds.** These would use local public assets – notably land – to achieve desirable social goals, especially to boost the supply of social housing.

2. The aims of Social Wealth Funds

- These funds would redress the current imbalance between public and private wealth, thus increasing the resources available to all citizens.
- The funds could be structured to address some of the key issues of our time, including the lack of affordable housing, the under-funding of adult social care and strengthening the system of income support.
- The funds would be a form of national savings that shifts resources from current consumption to long-term investment.
- By socialising a growing proportion of corporate and institutional wealth, they would build a pro-equality force into the economy.
- Each of the funds would increase intergenerational fairness by transferring some resources from current to future generations.

- Social Investment Funds would provide a steady, predictable and permanent increase in spending on key services.
- Urban Land Trusts would consolidate all public development land, aimed at boosting the supply of land, reducing its cost and increasing output.

3. The principles of Social Wealth Funds

- The Citizens' Wealth and Social Investment Funds would be investment funds with the capital held in perpetuity on behalf of all citizens and managed by professional fund managers with a target rate of return. The Land Trusts would become the owner of public land in perpetuity.
- The funds would be controlled by an independent Board of Guardians, with the support of a Citizens' Advisory Council.
- The funds could only disperse dividends or income at a fixed rate, which ensures that their capital is preserved. Any taxes introduced to build the funds should be hypothecated to that specific purpose, with the fund ring-fenced from other government spending.
- Their income should be used to fund additional services or cash dividends, not to supplement current government budgets.

4. Building a Social Wealth Fund

- To build up a fund of a sufficient size would require a significant investment by society over a number of years. We propose as an initial endowment a 30-year bond issue of £50 billion (bn) – together with the transfer of £50bn of state assets.
- We assume that the investment fund would grow at a minimum real rate of 4% a year, in line with the experience of other major Sovereign Wealth Funds.
- There are three potential sources of annual funding:
  - First, transfers from private wealth through new wealth levies such as an annual and progressive levy on all private and commercial property.
  - Second, increased contributions from companies, who are now paying less tax than ever before. One possibility would be to require the UK's top 350 companies to make a modest annual share issue of 0.5% into the fund through a scrip tax, thus transferring part of the gains that now accrue to private owners across all society.
  - Third, to encourage a sense of ownership, all citizens should make some contribution, for example by a 1p increase in employee National Insurance (NI), coupled with the ending of the exemption from NI for over-65s.
- Such a level of taxation would reduce current consumption, but would lead to higher consumption and a faster growing economy in the future.
- We have modelled several funding alternatives. These show, for example, that an annual £50bn injection could create a fund worth £700bn in ten years, rising to £1.7 trillion (tn) after 30 years and £2.7tn after 50 years. These would produce dividends in each of those years of £27bn, £66bn and £105bn respectively.

5. Providing a decent income for all – the Citizens' Dividend Fund

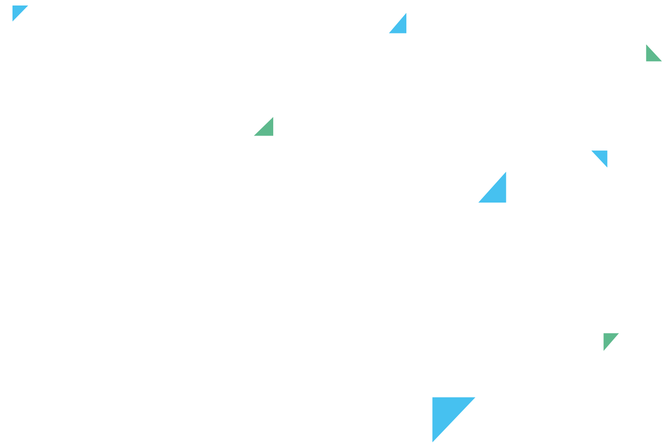
- One possibility is for these dividends to be spent on a series of new cash payments to all citizens. We propose a two-part payment, including an annual Equal Citizens' Dividend to all, and a Future Generation Grant of £5,000 to all 25-year-olds.
- On the most generous funding proposal, the fund could pay out an annual dividend of £430 per person after 10 years and £665 per person after 20 years.

6. Ensuring universal social care – the Social Care Trust Fund

- A Social Care Trust Fund would create a permanent trust fund that, as it grew, could provide the long-term funding to make all adult social care, residential and domiciliary, free at the point of use.
- The fund would be independently managed and taxes raised would be hypothecated to that end; but it could also reduce cost pressures on the NHS and local government funding.

7. Tackling the housing crisis – the Urban Land Trusts

- The high cost of land and lack of enough residential land for building are major contributing factors to the current housing crisis, both in limiting supply and increasing prices.
- Urban Land Trusts would take over the main responsibility for supplying land for housing, both through consolidating all public development land, and gradually acquiring private land at agricultural use values.
- They would have a strong development role, ensuring that enough public housing was built, and leasing rather than selling land to private builders with the leasehold income going to improve local infrastructure.



Introduction

There is a crisis in the relationship between the state and the citizen in the UK. The Government is increasingly seen as being unable to adequately provide for the basic needs of its citizens. There are glaring inequalities of wealth and income, with a disproportionate share of the gains from economic activity continuing to be captured by the rich.

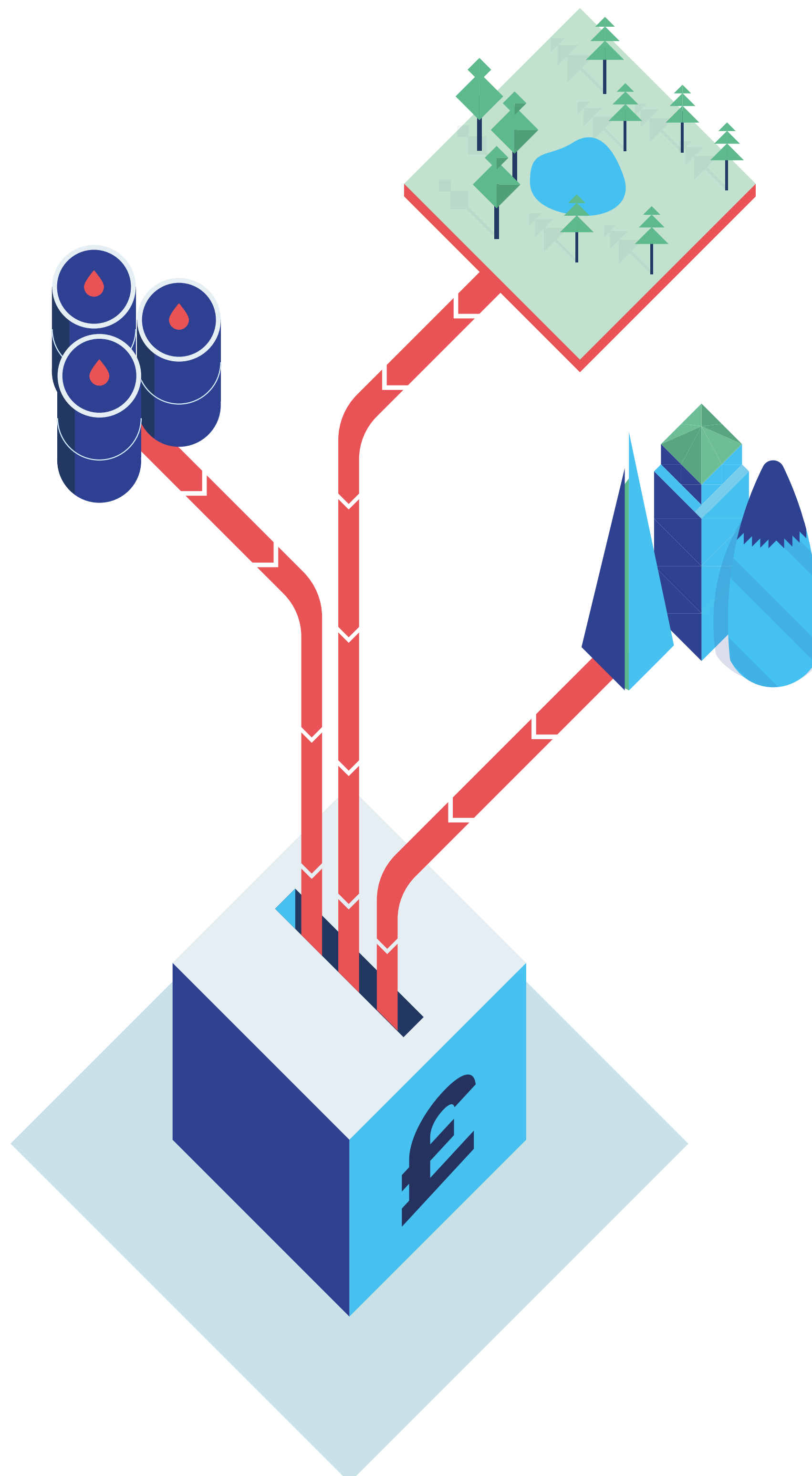
The UK is still a wealthy country, but we are failing to use that wealth fully for the benefit of all citizens. Since 1970, net **private** wealth has risen from 300% of the size of the economy to over 600% today. In contrast, net **public** wealth (assets minus debt) has fallen steadily from 50% of national income to become negative today.[1]

In this report we argue for a novel approach to tackling some of these problems through a new policy instrument – the establishment of one or more collectively held Wealth Funds, which we are calling Social Wealth Funds. These funds have the potential to tackle some of the UK's most pressing issues, from providing enough affordable housing, to ensuring universal access to social care and strengthening the system of income support.

While our proposals are new to the UK, we are able to draw on a wide range of already-established schemes that have successfully implemented elements of this approach.

Section 1

What are Social Wealth Funds?



The most well-known examples of 'Wealth Funds' are the Sovereign Wealth Funds – such as the Norwegian fund – established by more than 70 countries and holding total assets of over $7tn. Many have been established by oil-rich states, or by countries with big export surpluses, mainly to manage their economy and balance of payments, without providing direct social benefits to their citizens, or any degree of transparency about their funds and how they are dispersed.[2]

Norwegian Government Pension Fund Global

The Norwegian Government Pension Fund Global was created in 1990 and is funded by North Sea oil revenues. It is the largest Sovereign Wealth Fund in existence. It is currently valued at NOK 8,488bn (£754bn, $1.07tn).[3]

The fund invests in three distinct asset categories to ensure a diversified portfolio: equities, bonds and real estate. The fund currently holds 1.3% of global equities but does not hold more than 9.8% of any specific company, while holding both corporate and government bonds and investing in commercial real estate schemes. The Norges Bank executive committee makes the decisions regarding the investment strategy and whether to exclude certain companies, taking into account the recommendations of the ethics committee.

The fund generated an annual return of 6.1% between 1998 and 2017.[4] After management costs and inflation, the annual return was 4.2%.[5]

We define **Social Wealth Funds** as commonly owned investment funds, managed for long-term growth, with the returns used explicitly for the benefit of all citizens, including future generations. Such funds combine community ownership and social purpose with commercial principles. They would help preserve and grow public wealth, thus ensuring a higher level of common ownership of national assets in an era of increasingly concentrated private capital ownership, with the gains distributed according to agreed social goals. Although established initially by the state, the most transformative versions could be wholly owned by citizens and managed independently of government for the public good.

Social Wealth Funds differ from most Sovereign Wealth Funds in a number of ways. Social Wealth Funds would be transparently managed, provide direct benefits to all citizens, and are kept in trust for perpetuity for the public good. Most, though not all, Sovereign Funds are lacking in transparency[6] and are little more than the investment arm of the state with minimal social gain for citizens.

In this report we distinguish between three different models of Social Wealth Funds:

- First, **Social Investment Funds.** These are permanent investment funds held in perpetuity for all and managed in a transparent way for clear social purposes, with the gains used for the wider benefit of certain sections of society. One option would be to deliver additional long-term income for underfunded services. This could help governments improve the longer-term management of their budgets for existing services, with the gains mostly going to particular groups of citizens such as pensioners or children. An example would be planning for future state spending commitments such as State Pensions. Another option would be to use the fund to extend the range of universal basic services, such as the provision of free social care. Though linked to state spending, a fund established to provide for a new universal service – such as social care – would be hypothecated to that purpose and have a strong element of independent management.

- A second example we call **Citizens' Wealth Funds**. These are distinguished from the first model in being managed completely independently of the state and being owned directly by citizens. Such funds have a very distinct purpose: they are not a means for governments to manage budgets and spending commitments. Rather, by spreading the ownership of part of the economy to all citizens, they would give citizens a new and direct stake in the economy, and crucially, by harnessing existing wealth pools – public and private – would represent a powerful new pro-equality instrument. The returns would go directly to citizens through cash payments.
- A third model we call **Urban Wealth Funds,** which have some characteristics of both models. They would be locally controlled and based on the transfer of existing public assets to a trust collectively owned and held in perpetuity for all. However, their aim would be to improve the provision of key public services, such as social housing and better local infrastructure.

Although most existing Sovereign Wealth Funds serve state goals with minimal transparency and direct public benefit, there are a few examples that are close to the definition of Social Wealth Funds. They include the Australia Future Fund, set up to pay for future Civil Service pension liabilities but since extended to other social services. The Alaska Permanent Fund – which has paid an equal annual dividend to all citizens since 1982 – is the closest of all existing funds to a Citizens' Fund. Although it is a state fund managed and owned by government, it does contain a number of characteristics of how such a fund could work. We look in more detail in later sections at the lessons we can draw from the experience of other countries in developing Wealth Funds.

What we are proposing

The UK is way behind the curve on this approach to economic and social management. It has yet to establish any form of Sovereign or Social Wealth Fund, though there are some examples of small local Social Wealth Funds, such as those operating in Shetland and Orkney.[7]

The Shetland Charitable Trust

The Shetland Charitable Trust started in the mid-1970s when forward thinking leaders of the local council negotiated with the oil companies to get disturbance payments for the impact of the large facility that would be needed to support oil and gas extraction in the North Sea. Initially the council managed the Charitable Trust but in 2003 the Trust became totally independent.

The Trust was set up to receive and disburse the money paid by the oil industry to the local community. The Shetland Islands' 23,000 residents are the intended beneficiaries of the trust. The original intention was to improve the quality of life for all Shetlanders, and so it can use the fund to spend on almost anything that achieves that goal. The fund has also acquired a new focus to try to combat inequality in the Shetlands.

The fund has disbursed around £300 million (m) and now holds assets of £232m. The fund is set up as a permanent fund – meaning that it seeks to maintain the capital while only drawing down on the return. In 2016 the Trust dispersed over £9m to 19 different organisations, ranging from the Citizens' Advice Bureau to Shetland Disability Recreation Club to buses for the elderly and disabled.

There is no reason why the UK could not set up one or more of these models. It could, for example, set up a State Investment Fund. It could also set up one or more Social Investment Funds (with some similarities to the Australian scheme), with the aim of helping to pay for future public services or perhaps extending the range of universal public services – from social care to child care – which which would be ring fenced from the general government budget to meet a specific need.

To illustrate the potential in the UK, this report examines in detail three quite distinctive approaches:

- First, a Citizens' Dividend Fund owned directly by citizens and managed on their behalf by a Board of Guardians, aimed at providing cash payments to citizens. This would be the most radical of the options as it would involve transferring power from government to an independent board over part of the national finances, shifting parts of the national wealth pool into the fund and, crucially, developing a new set of cash payments rather than developing existing public services.
- Second, a version of a Social Investment Fund that would aim to create a separate Social Care Trust Fund. This permanent fund, built on hypothecated taxation, would aim to ensure that social care became a universal basic service.
- Third, a series of Urban Land Trusts. Their aim would be to retain and develop public land for social housing.

In each illustration, as a society we would be saving now to put aside resources for the future. This is vital to ensure intergenerational equity, as the next generation will face growing demands on services while the ability to fund them will be more challenging. These funds come with different roles and potential impact. But each of the proposed models would help reshape the relationship between citizens, the state and the economy, modernise part of the welfare system for the twenty-first century, and offer a fundamental shift in the way we manage our economy for the benefit of all. The proposed funds are aimed at making a real difference in three key areas of public policy: steps to a decent income for all; a better system of social care, free at the point of use; and a significant increase in affordable housing.

The Citizens' Dividend Fund would provide a modest dividend to everyone and a 'next generation' grant of £5,000 to each citizen at age 25; it also has the potential, as the fund grows, to form the foundation of a more comprehensive Universal Basic Income. The Social Care Trust Fund would aim to fully fund adult social care, removing the inadequacies and unfairness of the current system and fostering intergenerational redistribution. The Urban Land Trust would make use of public development land to kick-start the building of more social housing by tackling the shortage, and high cost, of land for development.

It is important to note that, at least initially, there would not be enough resources – from public assets to new tax levies – to create both a Citizens' Dividend Fund paying a cash dividend and a Social Care Trust Fund at significant levels. The Urban Land Trusts, which would be endowed with their own distinct source of funding from particular public assets, could, however, become operable ahead of the larger investment-based Social Wealth Funds.

Managing the UK's public assets

Explicit to the creation of all three models is the need to improve our management of publicly owned assets. The UK has a poor record in the stewardship of its public assets in recent decades. We could have used these assets to build one or more funds in the 1980s. North Sea oil could have been used, as it was in Norway, to set up a large Wealth Fund with explicit social goals. Instead, governments have used this revenue, a total of £189bn (worth far more in today's prices), to fund current consumption such as tax cuts.[8] None of the proceeds from privatising state-owned companies, from British Telecom to British Gas, which raised £126bn, were put aside for investment.[9] This contrasts with Australia, which used the privatisation of its state telecoms company to fund its Future Fund. Little of the money received by the UK Treasury from selling council houses since its inception in 1980 has been invested in building more housing. Further, since the mid 1970s around 2m hectares of public land has been privatised, raising about £400bn in today's prices.[10]

Nevertheless, although former national assets have been depleted, the UK still has a sizeable public asset base. Today, as shown in Table 1, the level of public wealth, on the official definition, stands at £1.7tn, around 12% of the value of national wealth of some £14tn.

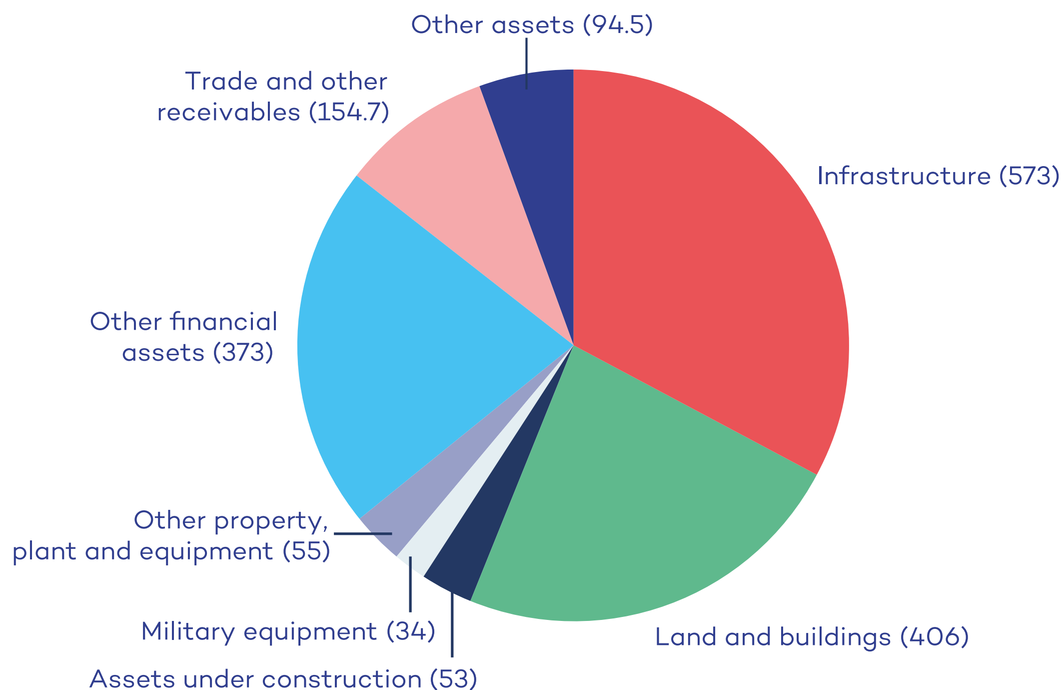
Table 1: Wealth in the UK 2015/16.

	£ trillion	Percentage of total wealth
Privately owned wealth	**12.0**	87%
Publicly/socially owned wealth	**1.7**	13%
Total	13.8	100%

Source: *Whole of Government Accounts*[11] and *ONS Blue Book*.[12]

As shown in Figure 1, most existing public wealth is held in the form of land, property and infrastructure that should be retained as public assets. Moreover, our own estimates suggest that the government has undervalued public sector wealth by up to £1tn, and the true total is between £2.2–£2.5tn. We propose that some of these undervalued assets, especially undeveloped land and state-owned enterprises, should play a central role in helping to build both the Urban Land Trusts and the other Social Wealth Funds.[13]

Figure 1: Public wealth in the UK by category (£bn).



Source: HM Treasury, *Whole of Government Accounts 2015–16*, 2017.

In the next two sections we examine the aims and principles of Social Wealth Funds, and how they might operate, before turning to an examination of how to build a UK Social Wealth Fund.

Section 2

The aims of Social Wealth Funds

As well as offering a powerful and progressive way of managing part of the national wealth, Social Wealth Funds can play a number of different roles in society. They can store and build public assets, redistribute the gains from economic activity and, by more direct linking of revenue and spending, boost public support for social spending.

Social Wealth Funds have a number of key objectives:

- Tackling inequality directly by reducing the extreme concentration of the ownership of wealth and capital and raising the level of social ownership of the productive base of the economy.
- Creating a more equitable intergenerational distribution.
- Tackling the current bias of implementing short-term fixes to deal with long-term problems.
- Contributing to the progressive reform of the current model of corporate capitalism by fostering inclusive growth and providing a counter to the power of private capital.
- Boosting the size of public assets, improving the public sector balance sheet.

Different models achieve these goals in different ways and to different degrees. Each of the three examples examined here have embedded long-term goals. Each of them would build the level of publicly owned assets. By preserving part of the national wealth base in trust, all three models embrace the goal of intergenerational equity. In addition, the Social Care Fund is designed to help solve the current crisis in a key area of social policy. The Urban Land Trust would retain and grow a large portion of the existing public asset base and use it to help resolve the growing shortage of social housing.

The model that perhaps embraces these goals most comprehensively is the Citizens' Wealth Fund. This model would ensure that some of the gains from economic activity are pooled and shared among all citizens (current and future). It would operate like a giant community-owned unit trust, a professionally invested portfolio of assets, with the gains accruing to all citizens. By locking in part of the gains from growth in this way, it would put meat on the bones of the much-debated but elusive goal of 'inclusive growth'.

Tackling inequality

One of the fundamental aims of a Social Wealth Fund is to ensure that at least part of the gains from economic activity are pooled and shared among all citizens and, crucially, across generations. This is most directly achieved in our model of the Citizens' Wealth Fund.

Rising inequality in the last three decades has been driven by two key trends. First, the steady rise in the share of national income accruing to capital at the expense of labour.[14] The club of rich nations, the Organisation for Economic Co-operation and Development (OECD), has shown that the 'labour share of national income [across 20 advanced countries] fell from 66.1% to 61.7%' between 1990 and 2009.[15]

Second, the increasing concentration of the ownership of capital. In the UK, wealth is much more concentrated than income: a tenth of households own 45% of the nation's wealth, while the least wealthy half of all households own just 9%; financial wealth, such as shares, is even more heavily concentrated – the top tenth own 70% of it.[16] Because of such concentration (Figure 2), the returns from ownership (in dividends, rent and interest) accrue disproportionally to those who are already rich.

Figure 2: Comparing income and wealth inequality.

Source: C. Roberts and M. Lawrence, *Wealth in the Twenty-First Century*, IPPR, 2017.

One of the key drivers of the level of national inequality is the balance between private and public wealth. As the authors of the influential *World Inequality Report* have argued, the 'very large transfers of public to private wealth' since 1980 have been a key determinant of rising wealth concentrations. The decline in the level of net public wealth to today's negative level, according to the report, 'limits the ability of governments to mitigate inequality'.[17] Because of this, it will not be possible to make a serious dent in today's heightened levels of inequality without policies that boost the share of public wealth in national wealth.

The French economist Thomas Piketty has described today's dominant economic model as operating a 'fundamental force for divergence'.[18] The Citizens' Wealth Fund would create a new 'counter-force for convergence'.[19]

Promoting fairness between the generations

A second goal would be to cap and reduce growing intergenerational inequities. Today's younger generations hold less wealth at each point in life than earlier generations: 'a typical adult born during 1981–85 had half as much total net wealth at age 30 as a typical adult at the same age five years before them.'[20] Today, 34% of 16- to 34-year-olds and 77% of the over-65s are home owners, compared with rates of 54% and 63% in 1996.

Our proposals would aim to tackle these issues in several ways. First, they would each use existing public sector assets, thus preserving and growing such assets. In the case of the proposed Urban Land Trusts, this approach would be used as a springboard to kick-start the housing market through a new series of Urban Land Trusts.

Second, a Social Investment Fund could help to ensure an adequate level of public spending on key services such as social care in the future, when demand will be higher and tax income lower, through a phased transfer of a small part of the current stock of private wealth that is disproportionately

owned by wealthier older generations – baby boomers (those born between 1946 and 1965) hold half of household wealth.

Finally, the Citizens' Wealth Fund could provide a substantial one-off cash dividend to young people to improve their life chances, for example by investing in their education or training. It might not be possible to achieve all these goals at once, and it would be a political choice as to which should take first priority.

Long-term thinking

A third strength is that this new economic instrument would embed longer-term thinking into social and economic policy. Policy in the UK has been dominated by short-termism, boosting immediate levels of consumption at the expense of higher future levels of prosperity. The proceeds of North Sea oil were used almost wholly to feed current consumption, as were the financial flows from privatisation, thus concentrating the gains among a single generation. The £75bn[21] proceeds from council house sales from the early 1980s could have been reinvested, while successive governments have ducked tricky political issues such as the funding of social care. We plan for today but not tomorrow.

By introducing a higher degree of collective saving, such funds would ensure a better balance between current consumption and building for the future. A permanent Citizens' Wealth Fund – with only an agreed proportion of the gains spent each year – would explicitly recognise the trade-offs involved, while offering a new vision for a more progressive and robust future. They would take time to build, and would not be in a position to pay out fully for a number of years, with the size of the fund continuing to grow each year both before and after payment begins. Central to the concept is that we are taking time to build a better future society and economy.

Remodelling capitalism

Fourth, both the Citizens' Wealth Fund and the Urban Land Trusts could play a key role in the reform of the current economic model. Provided they are managed with transparency and at arm's length from the state, they offer a new tool for social democracy and partial reform of corporate capitalism. They represent a twenty-first century alternative to the top-down statism of old-style nationalisation and the recent fashion for rampant privatisation and uncontrolled markets. While nationalisation involves the public ownership of a complete industry, this approach gives society a stake in a much larger portion of the economy. This would represent a new social contract between citizen, state and market, updating the 1945 contract. It would contribute to the construction, over time, of a real property-owning democracy, in which all households own a part of the economy.

All sections of society would have a clear vested interest in capital's success, and, for the first time, benefit directly from the returns it generates. In return for this new buy-in, capital would play its part by contributing to the development of the fund. To cement this new relationship it is important that the funds grow to represent a significant part of national economic wealth. We detail how this could be done in Section 4.

Section 3

The principles of Social Wealth Funds

There are several key criteria for the design, management and governance of Social Wealth Funds that will ensure they meet their social objectives of long-term investment for the public benefit.

These principles are vital to gaining public buy-in for these funds – which is essential if they are to be sustainable over several generations and across all political parties. A key objective is to ensure that all citizens have a sense of ownership of the funds, and believe that their contributions are being used for shared social objectives for the good of all in the long term. Some models of Social Wealth Funds – such as to finance public investment or long-term pension commitments – would continue to be owned and managed by the state. Below we outline the principles that apply to all the illustrative models – although to differing degrees – set out in later sections.

Governance

1. Although the funds would be established by the state, they would be managed independently of government, though the model of independence would vary between the different funds. To reduce the risk of Treasury interference or 'raiding' of funds, they would need to be legally ring-fenced. This is vital to ensure the long-term objectives of the fund for intergenerational redistribution, and to ensure public support for the specific objectives of the fund.

2. The funds would be managed by a Board of Guardians, including representatives of government, business, trade unions and the public. The Board of Guardians would have overall responsibility for the financial viability of the fund, and produce a long-term evaluation every year of the projected future income and expenditure of the fund.

3. The Board of Guardians would also be responsible for setting the investment objectives of the fund, including social and ethical criteria for investment, and goals of transparency and full public disclosure, in accord with the widely accepted principles for governing Sovereign Wealth Funds.[22]

Investment decisions

4. The rules governing investment criteria would be set by the Board, including the expected rate of return. Based on the experience of existing large Sovereign Wealth Funds, a long-term return of 4% (in real terms) is a reasonable objective.

5. Day-to-day management would be undertaken by professional fund managers on a pooled basis. The managers would be free to invest in all asset classes around the world – from private and public equity to infrastructure, property, venture capital and direct lending. Their aim would be to maximise total return, subject to the ethical criteria set by the Board.

6. The Social Wealth Funds could create several ring-fenced sub-funds with different social objectives and with income from several sources, but with pooled collective management of investments.

7. There would need to be a mechanism to ensure public involvement in design, goals, funding and disbursement. Possibilities include the creation of an Ethical Advisory Board; or, more ambitiously, the creation of a Citizens' Council to advise the Board, similar to a Citizens' Economic Council suggested by the Royal Society of Arts.[23]

Distribution

8. To ensure the funds are permanent, there would need to be explicit rules on annual payouts, to ensure they do not exceed the annual return. With part of the returns reinvested and a cap on the percentage used for spending, a Wealth Fund could build – from investment returns and ongoing revenue injections – to represent a growing proportion of the economy. The trade-off between continued growth and a larger payout needs to be explicitly considered by the Board.

9. In order to grow to a size that would make a significant contribution to its wider goals, funds would only begin to distribute benefits after attaining a given size. This is likely to mean a period of at least 10 years. A rule is also needed on the proportion of annual returns that are re-invested – to ensure continuing growth of its assets – and the proportion that is paid out.

Funding

10. Some existing Sovereign Wealth Funds with social objectives have been funded by taxing the exploitation of natural resources, mostly oil, or by the proceeds of privatisation. The UK no longer has this option.

11. The UK still has substantial public assets of land, infrastructure and property, as well as a range of commercial state-owned industries. The best way to use these for the public good would be to use state-owned development land to provide land for housing, rather than sell it off and turn it into a financial asset. Some public financial assets – including some state-owned industries – could become part of the initial endowment of a Social Investment or Citizens' Wealth Fund.

12. To grow to a substantial size, the funds will need regular contributions from tax revenues, notably from taxation of wealth.

The contribution principle

13. Hypothecated taxes would be a key element, which would help generate public support by making explicit the link between tax contributions and future benefits.

14. All citizens during their working lives should make at least some contribution to the fund, but the largest burden should fall on those with the broadest shoulders.

15. The widely accepted National Insurance principle – that individuals each pay in a contribution in return for defined benefits – could be a useful approach for justifying individual contributions.

16. There should also be a link between increased taxes on wealth and the specific benefits being paid out by the fund. Increased taxes on wealth would help tackle intergenerational inequality.

Governing Urban Land Trusts

17. The proposed Urban Land Trusts established to manage public land and property would not be investment funds, although they would hold and manage land assets for the public good.

18. The management principles would follow many of the same guidelines outlined above, including full transparency and some democratic control, and ring-fencing of assets that are owned in perpetuity for the good of all.

19. As a series of local or regional funds, it is important to develop more innovative ways of engaging with the public and fostering their sense of ownership of their local public assets.

Section 4

Building a Social Wealth Fund

Creating a fund large enough to have an impact would take time, and a substantial economic contribution from across society would need to be drawn on.

Having spent the receipts from North Sea oil and ongoing privatisation, a fund would need to be financed from other sources: an initial endowment through government borrowing and the transfer of some public assets; from new levies and taxes, particularly on corporate and household wealth; and from a citizens' contribution.

Underlying this approach, one built on the idea of a new compact between the state and citizens, is a need for fundamental change in the debate around tax. This needs to challenge the way recent governments have prioritised tax cuts over long-term investment, and encouraged citizens to believe that taxes are a burden to be reduced, rather than the means to a better and fairer society.

In order to minimise the wider fiscal consequences, the bulk of the proposed new revenue from taxation will come from new taxes rather than the transfer of revenue from existing taxes.

So, how big a fund could be created using this mix of funding proposals, how quickly could it start paying out and just how big could it eventually grow?

We set out proposals for funding sufficient to launch substantial payouts in year 10, based on an initial endowment of £100bn and an annual tax contribution of £50bn. As well as some state assets, this plan would draw heavily on existing corporate, institutional and household wealth pools – an approach that would aim to capture and redistribute part of the unearned private wealth accumulation of recent decades. This would ensure that new taxes and levies are progressive, so that the burden is borne most heavily by those with substantial wealth. Relying heavily on new taxes on wealth has another merit. Existing national wealth pools – especially those held in property – currently play a very passive or even negative role in the economy. One of the gains of this proposal is that the wealth pool could be made to work more effectively for society.

Endowing the fund

The rate of accumulation of the fund could be boosted by an initial endowment of £100bn. This comes from the issue of a long-term £50bn government bond, and a further £50bn from the transfer of some public assets.

The logic of borrowing to create a fund is that, in return for the repayment of the loan, society will build a valuable asset (a portfolio of financial and other assets) that will be permanent and continue to grow over time. At today's historically low interest rates, the returns on investing such sums should well exceed the cost of borrowing. Using the Whole of Government Accounts methodology, there would be a potential improvement in the public sector balance sheet, as the additional liability would be more than matched, over time, by the size of the new asset.

Should all borrowing be treated equally?

The way we look at government borrowing – and the public balance sheet – has a major impact on government decisions. At the moment, the government focuses on public sector net debt (PSND), which only balances liquid assets (cash and other assets that can be easily converted into cash) against a limited set of liabilities (loans, deposits, currency and debt securities). But there is another official methodology, called the Whole of Government Accounts (WGA), which aggregates all asset classes and balances them against all liabilities, including Civil Service pensions.

Using the PSND measure, borrowing to endow the fund would be counted as a liability without corresponding asset to balance it, since the investments are not likely to be considered liquid. However, using the WGA methodology, provided the full value is properly invested, in the short term the net public sector balance sheet will not be affected since an equal sized entry is placed on both sides of the balance sheet. Over the long term such an investment would **improve** the state of public finances as the liability is paid off while the asset side continues to grow.

A similar method – the issuing of long-term fixed government loans – was used to finance the building of the New Towns from the late 1940s. A similar proposal to finance a social investment Sovereign Wealth Fund has been made by the fund managers M&G investments[24] and by the Royal Society of Arts in their proposal for a Universal Basic Opportunity Fund.[25]

A second source for the endowment would be the transfer of £50bn worth of existing publicly owned assets. Instead of the government's planned sale of state held shares – such as in RBS – there is a strong long-term case to transfer them to the new fund. In addition, several highly commercial state-owned companies such as the Land Registry, Ordnance Survey and the Commonwealth Development Corporation could also be transferred into the fund. If £50bn worth of such assets were held in the fund, it would enjoy annual revenue, assuming a 4% real annual return, of £2bn per annum (pa).[26]

In addition to the endowment, it would be necessary to provide annual finance for the fund from new taxes and levies. Below we illustrate one possible way to raise £50bn per year to transfer into the fund.

The citizens' contribution

To ensure a sense of ownership, it is important that all adults make some contribution. To achieve this, we propose an increase in employee National Insurance contributions with the revenue earmarked for the fund. In addition, we propose an extension of National Insurance contributions to those aged over 65, a change advocated by the Intergenerational Foundation as a way of improving intergenerational fairness.[27]

A 1p increase in National Insurance for employees raises £4bn a year, and the extension of National Insurance contributions to those over 65 could raise an additional £2bn pa.[28] It would need to be made clear that these additional contributions would be earmarked and ring-fenced for the fund. We might also want to consider further hypothecated increases to support the Social Care Trust Fund, where there is public support for paying more for the NHS and social care. Gordon Brown's move to increase National Insurance payments to fund the NHS had broad support, although there was no clear hypothecation of the funds raised.[29]

Taxes on companies and institutional wealth

There is a strong argument for a contribution to the fund from corporate and institutional wealth, especially if used to create a Citizens' Wealth Fund. Tax revenue from companies has declined sharply in recent times while corporations have continued to enjoy significant tax reliefs, despite the scant evidence that these have contributed to higher productivity or a healthier corporate sector.

The Corporation Tax rate fell from 28% in 2010 to 19% in 2017, and is set to fall to 18% in 2020. Corporation Tax receipts have fallen from a pre-recession high of 3.2% of national income to a predicted 2.6% in 2016/17.[30]

One possibility would be to raise revenue for the fund through the dilution of existing corporate ownership. A scrip tax, with the UK's top 350 companies making a modest annual share issue – of, say, 0.5% – would yield some £12bn worth of shares a year into the fund. A limit would be placed on this transfer of, say, 10%, which would mean the fund would grow more slowly after 20 years.

This approach would have an especially strong impact on reducing inequality, since part of the gains that now accrue to private owners would be shared across society. After a decade, the fund would own 5% of the stock of corporate capital. Socialising part of the ownership of companies in this way could be seen as an extension of company-based employee ownership and profit-sharing schemes already operated by some companies, with the benefits distributed collectively rather than to individual employees. This would dilute existing shareholdings but result in no cash outflow or liquidity strain on the company, thus leaving company working capital intact.[31] A variation on this approach – the Wage-Earner Fund – was implemented in Sweden in the early 1980s.

Sweden's Wage-Earner Fund

Perhaps the most radical model of a fund operated in Sweden from 1982 to 1991, as part of the country's attempt to develop their already advanced model of social democracy. The Wage-Earner Fund, financed through an annual levy on the wealthiest shareholders, was established as a direct way of socialising private capital. By the time the fund was dismantled in 1991 by the incoming Conservative government, it had grown to represent around 7% of the size of the economy.[32]

The funds were financed, in effect, by a hypothecated tax on that part of wealth held in the form of shares, used to finance a collectively owned unit trust. Although the model was highly innovative, it was unpopular with business and lacked public support – in part because the fund was heavily controlled by the trade unions and the public had no direct stake – and could not survive the lack of public buy-in. These are valuable lessons for applying such an approach in the UK.

There are other potential revenue sources from large corporations. There is, for example, a case for hypothecating the occasional levies on large companies – from corporate fines to one-off taxes (paid in shares) on windfall profits – to the fund. Examples of the latter include Geoffrey Howe's special budget levy of around £400m on the banks in 1981;[33] Gordon Brown's £5bn 1997 windfall tax on the 'excess profits' of the privatised utilities;[34] and the bank levy introduced in 2011 yielding £3bn in 2016/17.[35] Another possibility would be a new charge – paid in shares – on merger and acquisition activity.

Overall, we estimate that these additional levies could raise £10bn annually, while the scrip tax would raise £12bn, making the total raised from the corporate sector and institutional wealth £22bn.

Levies and taxes on household wealth

There is a compelling case for an increase in the tax take on household wealth. Private wealth has grown substantially in relation to the size of the economy – mostly through unearned increases in asset values – while personal wealth in the UK is much more unequally distributed than income, with financial wealth the most unequally distributed of all. Wealth has also become increasingly concentrated in recent decades, and it is disproportionately held by older people, which means that taxing wealth also reduces intergenerational inequality.

Despite this, the UK tax system is disproportionately dependent on taxing income, with less than 4% of all tax revenue coming from taxes on wealth (Stamp Duty on property and shares, Capital Gains and Inheritance Tax, but excluding Council Tax).[36] This accounts for a tiny proportion of total private asset holdings.

There are various ways to raise revenue from changes to wealth taxation.

One option would be to apply a modest annual levy on all property, household and commercial. A levy of, say, 0.5% a year would transfer that proportion of ownership to the fund (up to a limit of, say, 10% as in the scrip tax). After a decade, the fund would own a 5% stake in all property. The revenue would be realised when the house is sold. Such a charge would have a further advantage – it would gradually lower house prices. A similar proposal for a 'new proportional or progressive tax on property values' to replace Council Tax has been made by the Resolution Foundation. They estimate such a move would raise up to an additional £12bn a year over and above the existing yield from Council Tax.[37]

Another option would be to increase the yield from Inheritance Tax (this currently raises £3bn), by turning it into a Lifetime Gift Tax and basing it on capital gains, yielding an additional estimated £3bn. Another candidate would be to change the level of Capital Gains Tax to align it with Income Tax rates, and eliminating the Capital Gains Tax allowance, which would yield £8bn.

The yields from direct taxes on property, if politically feasible, are potentially large. Taxing capital gains on all housing transactions would yield £26bn, while an exemption on the first £100,000 would substantially reduce the number of property owners who would have to pay such a tax (although also lowering the yield).

We assume new taxes on private wealth could raise some £22bn a year.

There is a range of different options, involving different mixes of additional taxation, for raising the necessary revenue. By way of illustration, our suggested approach – for raising £50bn a year – would be as follows.

Table 2: Annual contributions to the fund.

Source	Amount
Additions to National Insurance	£6bn
Scrip tax	£12bn
Mergers and acquisition charge, windfall taxes and corporate fines	£10bn
Taxes on personal wealth	£22bn
Total	£50bn

This additional taxation amounts to under 2.5% of gross domestic product (GDP) a year. Around 90% would come from new levies on wealth, which would be transferred into the fund. This and the endowment would secure a substantial permanent fund that continues to grow over time.

How quickly could a fund be built?

In the Appendix we model a number of outcomes over 10, 20, and 50 years – based on two alternative levels of contribution (£50bn pa and £25bn pa) and an initial endowment of £100bn. We also model how much money the fund could pay out over time with different assumptions. Based on past experience of large Sovereign Wealth Funds, we assume that the fund could expect an average annual real rate of return of a minimum of 4%.[38]

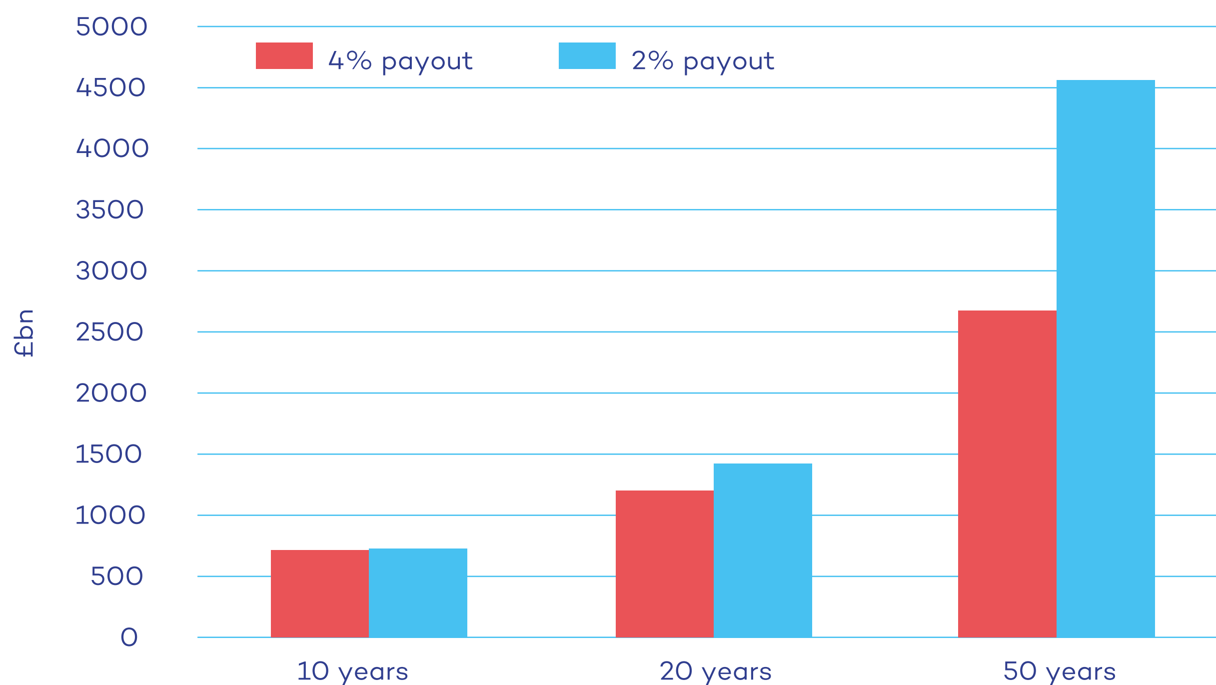
Our baseline assumption is that the fund would accumulate from years 0–9, and then pay out its dividend income from year 10. We model two different approaches:

- First, that it pays out half its dividend from year 10, re-investing the other half.
- Second, that it starts paying out all the dividend income from year 10, which would provide more benefits sooner but would slow the growth of the fund in the future.

With a full payout of all the dividends, Figure 3 shows that the fund, with the most generous tax contribution rate of £50bn a year, would be worth £713bn after 10 years, £1.7tr after 30 years and £2.7tr by year 50. This would enable payouts of £27bn in year 10, £66bn in year 30 and £105bn in year 50, as per Figure 4. Significantly, over time the fund would continue to grow – both absolutely and as a ratio of GDP – playing an increasingly central role in meeting the fund's social goals.

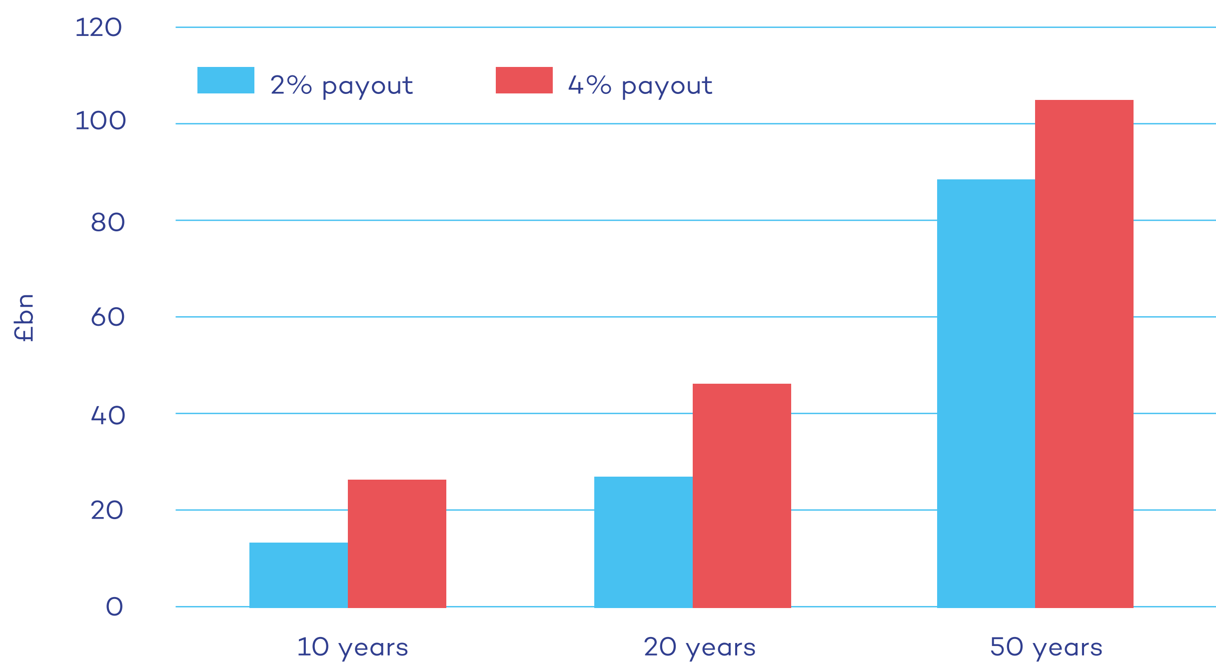
On the second assumption – that only half the dividend is paid out – the fund would grow more quickly, reaching £2.3tr by year 30 and £4.6tr by year 50. If only £25bn in extra taxes were paid in, the fund would grow more slowly (see Appendix tables, pages 50–51). We also examine the effect of using borrowing alone, with no tax input. These show that although providing an initial endowment is important, the annual contribution plays the most important role in growing the fund.

Figure 3: Size of fund after 10, 20 and 50 years on different assumptions (£bn).



Source: Own calculations.

Figure 4: Size of dividend payments after 10, 20 and 50 years on different assumptions (£bn).



Source: Own calculations.

Of course there are multiple ways in which these dividends could be used. Safeguards are essential to ensure that governments do not just reduce their own spending on existing services, and substitute the revenue from the Social Wealth Fund instead.

One possibility would be to structure a fund in such a way that the dividends could be used to boost investment and infrastructure spending. The UK certainly has a longstanding problem of under-investment, both private and public. There is a case for establishing a quite separate Public Investment Fund,[39] but such a fund would be much closer to a state Sovereign Wealth Fund, with the dividends used for state-guided public investment, than the Social Wealth Fund models examined in this report. We have not modelled this proposal further, but it would merit further investigation, and we note the most prominent example of such a fund is Temasek in Singapore.[40]

In the next sections, we explore in more detail two possible models for paying out.

Section 5 examines the potential of a Citizens' Dividend Fund to deliver new cash payments to citizens through a modest citizens' dividend together with a lump sum 'next generation' cash payment to all those aged 25.

Section 6 examines the potential for a Social Care Fund paying for a new universal basic service, the extension of free social care for all who need it.

Section 5

The Citizens' Dividend Fund

One way to distribute the gains of the Wealth Fund would be through direct cash transfers to all citizens. We have argued that this approach represents a pure Citizens' Wealth Fund. All citizens own an equal share of the fund and all benefit directly – in cash – from the fund's growth. Using the disbursements for equal cash payments would also be progressive, and would be an additional direct measure aimed at tackling poverty and inequality.

In this sense, the fund could be seen as an additional fiscal instrument, a new pro-equality special vehicle, aimed at building a more resilient society by supplementing the existing system of social protection in a more fragile world.

There is considerable evidence of the progressive impact of cash transfers. The Alaskan social dividend scheme, paid annually to all citizens, is direct, high profile and popular, and has helped Alaska become one of the most economically equal of all US states.[41,42] Cash benefits for families have important positive consequences for child development, including educational attainment, social and behavioural development, and physical health.[43,44]

Such payments – provided as of right from shared ownership of the fund and paid directly to citizens – would also be one way of securing the personal commitment necessary for the success of this model.

Here we explore the possibility of a two-part model for such payments . First, an equal *unconditional citizens' dividend* paid to all. This would mirror part of the Alaskan model and secure a key principle for such a fund – that all benefit directly.

Alaska Permanent Fund

The Alaska Permanent Fund is a constitutionally established fund managed by a state-owned corporation, the Alaska Permanent Fund Corporation (APFC). It was established in Alaska in 1976 from the proceeds of oil. It is the first and only wealth fund to distribute its returns through a citizens' dividend programme. The fund currently holds over $57.3bn (£40.5bn) in assets. The lowest individual dividend payout was $331 in 1984 and the highest was $2,072 in 2015. In order to smooth out the dividend and mitigate against years of poor revenue (like 2008) the amount is calculated using an average of the last five years of revenue.

An equal dividend is paid to anyone who has been resident in the state for a full calendar year and makes a commitment to remain in the state for the future. Parents receive the dividend on behalf of eligible children in their care. Children are eligible to receive the dividend from the first year that they are born and do not need to complete a full year before receiving it.

Second, a much larger unconditional capital grant of £5,000 – a *'next generation payment'* – would be made to everyone on reaching the age of 25. This one-off lump sum – first advocated by the champion of democracy, Thomas Paine, in his 1796 pamphlet *Agrarian Justice*[45] – would come at an age when young people are planning their futures and help boost the economic prospects of young people.

We have already modelled ways of building a large Social Wealth Fund, depending on different assumptions about the rate of accumulation and the ratio of dividends that would be paid out. We can therefore calculate how much would be available, using the model of a £50bn annual payment and a 4% return, if the fund was used *solely* for paying an annual citizens' dividend.

On these assumptions, as shown in Table 3, a fund of £100bn would be able to pay all citizens a social dividend of £60 pa. A fund of £700bn (achievable after a decade with this model) would pay out £430 pa, rising to £765 per person after 20 years and £1,200 after 37 years. These sums compare with annual payments in Alaska, which have averaged $1,150 since 1982.

Table 3: Payout of an annual unconditional social dividend by size of fund.

Size of fund	£100bn	£500bn	£700bn	£1.2tr	£2tr
How long to build?	0 years	7 years	10 years	20 years	37 years
Total annual payout	£4bn	£20bn	£30bn	£50bn	£80bn
Annual social dividend for all	£60	£304	£430	£765	£1,200

Source: Own calculations.

Paying out a £5,000 capital grant to all 25-year-olds would cost £4.6bn per year and would require a fund of £115bn. With a fund of £700bn, it would be possible to pay £5,000 to all 25-year-olds along with a social dividend to all of £350 pa, while a fund of £1.2tr would pay the capital grant and a social dividend of £665 per person.

At a time when advanced economies need new forms of social protection to deal with today's higher rates of low pay, in-work poverty and destitution, such flat rate payments would help make household finances more robust, lower the risk of in-work poverty and improve systems of social protection.

Steps to a Universal Basic Income

An alternative approach would be to recast the gradual rise in citizens' dividend as steps towards the introduction of a fuller, Universal Basic Income (UBI). A UBI would pay a tax-free, unconditional and non-contributory weekly income to every individual as of right, irrespective of how much they earned or their work status – guaranteeing a no-strings-attached minimum, secure income for all. A UBI would sit alongside the existing social security system (replacing some of it and parts of the tax system over time) and would involve a profound shift in the way Income Support is organised in the UK.

Supporters of a UBI see it as a springboard for progressive change, as a big idea that could contribute to the building of a fairer and more secure society. An idea that a few years ago was widely dismissed as somewhat eccentric is now enjoying a remarkable global momentum, in part because of growing social and economic risks in a more fragile world, the rise of institutionalised inequality and the increasing inadequacy of modern social security systems to deal with these problems. Although it is an idea that remains controversial, the debate about UBI has in many ways moved on from questions of desirability to those of feasibility. [46] One of the most important of these questions is: is it affordable?

The gross cost of a UBI based on modest 'starting level' payments – £40 per week per child and those over 65; £50 per week for young adults; and £60 per week for those aged 26–64 – would be some £173bn pa.[47] This gross cost, however, would be reduced by the savings associated with the introduction of a UBI. The most important of these would be the saving of £90bn a year from the withdrawal of current personal tax allowances. This alone would reduce the cost to a more manageable £80bn. Savings in existing benefit payments would amount to up to a further £20bn, reducing the net cost to around £60bn. On the assumptions set out above, this would require a fund (devoted entirely to UBI payments) of around £1.5tr and would take just over 25 years to build. To pay UBI and a 'next generation grant' to all 25-year-olds would require a fund of £1.61tr.

These figures suggest that it would be possible to introduce a UBI, with modest payments, and in steps, during the lifetime of a single generation. From then the levels of payments could be raised gradually, in line with the steady growth in the size of the fund. Studies have shown that a 'modified UBI', even paid at 'starter rates', would reduce poverty and inequality and, crucially, extend the universality of the present system, reducing dependency on means testing by about a fifth.[48]

The link between a UBI and a Citizens' Wealth Fund is important. It is an extension of the case for an annual citizens' dividend, with part of the pool of national wealth returned to citizens through a regular weekly cash payment. A UBI paid through an independent vehicle rather than the state gives it a public legitimacy that might not emerge if it was seen merely as part of the state's welfare system.

Section 6

The Social Care Trust Fund

In contrast to our model of a Citizens' Wealth Fund that provides direct cash benefits to all citizens, Social Investment Funds could be used to help finance new universal public services that command widespread public support but are currently not fully funded.

This model has a strong element of intergenerational fairness, as we are saving up now to provide key services that the next generation may well find it more difficult to fund in the future. In addition, by taxing wealth to provide some of the funding, we are ensuring that existing wealth pools – which are disproportionately owned by older generations – are preserved and shared across all generations, current and future.

A number of different Social Investment Funds could be created, for example aimed at preventive services for young people, as suggested by the Early Action Task Force.[49] However, we focus on social care for three reasons: the demographics suggest that demand for these services is going to rise rapidly, increasing the intergenerational problem of future funding; public support for this service, particularly in conjunction with the NHS, is high; and social care provision is widely recognised to be in serious crisis, with urgent debate on how to meet its long-term funding needs. The Treasury and the Office for Budget Responsibility have both made long-term projections that show the pressures on spending on both health and social care that will arise in the future due to an ageing population.[50]

While there is broad agreement that the current system is both unsustainable and unfair, there is little consensus on how to fund a more equitable replacement. The creation of a Social Investment Fund could provide the long-term funding solution needed, by creating a dedicated, permanent trust fund whose dividends would ultimately provide the basis for fully funding adult social care free at the point of use on a long-term basis.

While this would be a new departure for the UK, some elements of such an approach have already been adopted by Australia, which has set up a series of Future Funds to fund a variety of social investments in key services.

Australian Government Future Fund

The Australia Future Fund is an independently managed Sovereign Wealth Fund that was initially established in 2006 to meet future Civil Service pension obligations. It is funded by receipts of AUS $50bn from the sale of Telstra, the national telecoms company, but supplemented by direct government grants, and is now worth AUS $139bn (£75bn, US $107bn).

Over time, Australia has taken the unusual action of creating four additional funds for a variety of social goals, all managed centrally by the Board of Guardians of the main Future Fund in a common investment pool.

In 2008 two Nation Building Funds were established: the Education Investment Fund to help fund the school system; and the Building Australia Fund to invest in infrastructure like roads, rail, ports and broadband.

In 2013 the Disability Care Australia Fund was set up to fund the National Disability Insurance Scheme and this currently has AUS $10.4bn under management.

Finally, in 2014 the Medical Research Future Fund was created to fund critical medical research. The fund currently has AUS $6.7bn under management.

The principles of a Social Care Trust Fund

Our proposal is that the government set up an independently managed, ring-fenced and permanent Social Care Trust Fund for England,[51] funded by contributions both from an increased and hypothecated National Insurance tax and taxes on private wealth, as discussed in Section 4, but with less emphasis on corporate wealth. Once properly funded, the Social Care Trust Fund could within a decade provide a regular, sustained and permanent dividend that would be enough to fully fund a universal social care system.

The logic of treating social care as a universal service is compelling. It would be fairer to patients, who would have a uniform and integrated system of free care, from hospitals to residential care to domiciliary support, eliminating the postcode lottery of which services are funded and at what level by cash-strapped local authorities. And, crucially, it would tackle the unfair burden that currently falls on some people who suffer from certain illnesses such as dementia, but not others such as cancer, a key failing identified by the 2011 Dilnot Report into social care funding, by spreading the risk among the whole population.[52]

It would also help facilitate the goal of having the NHS and social care systems working together to deliver a seamless service for patients, something that many recent reports have recommended. In the long term, better provision and better funding of social care could save money for the overall health budget by releasing beds needed for acute hospital care that are occupied by patients who could be better served by social care.

The Social Care Trust Fund would be set up as an independent body with its own trustees who would be responsible for managing the fund's assets, deciding on disbursement rates, and investing responsibly, leaving government with the ultimate responsibility for managing social care on behalf of its citizens. They would be advised by two advisory boards, one consisting of medical experts and another of citizens, which might take the form of a Citizens' Council.[53] As with other funds, it would employ professional managers to build a global investment fund and set targets for its returns that take into account ethical considerations.

The trustees would also be responsible for preparing a five-yearly long-term evaluation over a 30–40 year time horizon of the demand for adult social care, and what level of funding would be needed to meet that demand. The trustees would use the evaluation to balance future needs, met by retaining gains to grow the fund, and current needs, met by disbursements. The evaluation would also be used to inform public debate.

Who would be eligible?

The anomalies and inconsistences in our current system of social care have been thoroughly documented by a 2014 National Audit Commission report[54] and more recently by a 2017 House of Lords report on the long-term sustainability of the NHS and adult social care[55] and the Communities and Local Government Committee on Adult Social Care.[56]

Our initial focus would be on the residential and care needs of the over-65s, who make up two-thirds of all adult social care users.[57] The new approach would mean that there was a uniform assessment of the level of needs and equal ability to fund both residential and domiciliary care if needed across the country as a whole. Current government estimates are that 300,000 older people are in residential and nursing homes, while 800,000 receive domiciliary care, but equality of treatment could lead to fewer people in residential or hospital care and more looked after at home.

Costing our proposal

The Institute for Fiscal Studies has calculated that the total cost of adult social care provided by local authorities in England is £16.5bn,[58] while the National Audit Office estimates an additional £10bn[59] is spent on care and support by self-funders, and there is an additional £1.6bn spent by the NHS in its continuing care budget. We have not costed the amount of voluntary care provided by friends and relatives, and how that might be affected by the changes we are proposing.

We therefore take £25–£30bn as our baseline funding objective, while recognising that strains in the system have already led to the underfunding by local government of both domiciliary and residential care services, putting pressure on private providers and staff working in these services alike. The aim would be to create a single budget for social care independent of local authority funding, who would have more resources released for their other responsibilities.

Drawing on the higher funding model laid out in Section 4, a Social Care Wealth Fund could reach this level of payout in 10 years if all dividends were fully distributed. This would require a higher contribution from hypothecated payments such as National Insurance.

The funding model

Evidence from the British Attitudes Survey suggests that there has been a shift in public opinion towards spending more on funding services rather than cutting taxes.[60] This is especially true if citizens believe their taxes are going to be used only for a specific service that has wide public support, and cannot be 'raided' by the Treasury. This can be demonstrated by attitudes to the National Insurance system, which many people already believe, incorrectly, is being used to fund the NHS.[61]

This suggests that a hypothecated tax that focused just on health or social care could be both popular and politically feasible, a point now conceded by Lord Macpherson, the former Permanent Secretary to the Treasury, who has changed his mind and now accepts there would be public support for a hypothecated tax to fund the NHS.[62] Building a permanent trust fund would also mean that one of the main objections to hypothecation, namely that demand for services would rise precisely when tax revenues fell, would not apply. The Barker Report,[63] the House of Commons CLG Select Committee,[64] and the Lords Select Committee[65] have all argued that further consideration should be given to the possibility of fully hypothecated taxes to pay for NHS care. The Barker Report also suggested an increase in National Insurance rates and the partial abolition of the exemption from National Insurance payments for those over 65.[66]

There is also growing recognition that in the interests of intergenerational fairness, taxes on wealth might need to be increased to pay for services such as social care that will become more expensive in the future. This view is strongly held by the Intergenerational Commission headed by Lord Willetts.[67] The Barker Report suggested that the government should undertake a comprehensive review of wealth and property taxation with a view to spending all of the proceeds on social care.[68] The House of Commons CLG Committee have also recommended looking at the possibility of taxing wealth, for example through Inheritance Tax.[69]

Of course, this long-term approach does not eliminate the need for further tax-funded expenditure to meet the immediate needs of the NHS and social care system – but it would change the terms of the debate by introducing a separate but permanent funding stream for the most under-funded and poorly organised part of the health care system.

Section 7

The Urban Land Trusts

Our third proposed Social Wealth Fund, the Urban Land Trusts, differ from the previous two proposals in several ways. First, they are based on the better utilisation of existing public resources – development land and public property holdings – rather than relying on taxation. Second, as they are local rather than national, they could be rolled out on a regional basis, for example in areas of high housing demand. Third, the trusts can take advantage of many existing or previously used powers. Nevertheless, they also share many of the key characteristics of all our collectively owned funds: the common ownership of a public resource held in trust for its citizens; a shared collective goal of providing what was once seen as a quasi-universal public service (housing); and independent management and control coupled with a team of in-house development professionals working towards public rather than private goals.

Urban Land Trusts that are locally based would have many advantages. They are more likely to be able to adapt to local conditions, to gain public buy-in, and they could be created sequentially so that their benefits can be demonstrated before they are adopted nationally.

Our proposal would mean a phased expansion of the role of the state to ensure an increase in housing supply, including public housing. The Land Trust should primarily be responsible for ensuring there is enough land available for future housing development, building on the huge reservoir of land already owned by the public estate. This would ensure that land for public housing was available where it was needed, and increasing the overall supply of development land would also reduce the cost of land, now a key element in the explosive growth of house prices.

Our proposal aims to create a series of Urban Land Trusts based on consolidating and professionally managing the portfolio of existing publicly owned land and property suitable for development, which they would hold and own in perpetuity as a public trust. This would include the land that is currently under the control and management of the Crown Estate, central government, and other public bodies such as the NHS and Network Rail.[70]

Key aims of the Urban Land Trust

1. Retain public land in social ownership.
2. Acquire additional land at existing use value.
3. Ensure an adequate supply of social housing on public land.
4. Lease land to the private sector for residential and commercial development, with strict conditions.
5. Ensure that land held by house builders and investors that already has planning permission is used for development.

We recognise that while the supply and cost of land plays a key role in the provision of housing, other policies will also be needed to tackle the housing crisis, including increased borrowing for public housing, controls on the private rented sector and changes to the planning system.

Core principles

The trusts would be bound by a number of core principles. First, they would be managed by an independent board, consisting of local people as well as local government and social landlord representatives; the board would manage the governance of the trust and ensure that it met its social purposes. The primary aim of these regional Land Trusts would be to retain the public land that they own and use it to build the next generation of social housing as well as other suitable private sector developments, on a leasehold basis.

The government owns substantial land, which it struggles to either identify or value. We estimate that there is £300bn of publicly owned land suitable for development, much of it located in urban areas of high housing demand.[71] Some estimates suggest it could accommodate two million homes.[72]

Working closely with the planning authorities, the trusts would be required, where there is demand for new housing, to identify and obtain additional parcels of land suitable for housing, which they would acquire at existing agricultural use prices. Social housing would have the first call on development land owned by the trust, but over time excess land could be used for private development, which would be offered on a leasehold basis. The trust would have the power to borrow in order to acquire land and carry out site preparation, secured against its existing land portfolio, and, where appropriate, borrow to build social housing.

The lease arrangement would enable the trusts to ensure that they retain control over private developments, including the provision of adequate infrastructure and inclusion of social provision. It would also include provisions for the forfeiture of land for non-compliance with the conditions stipulated in the lease.

Any leasing income from residential, commercial and retail development would be ring-fenced and used by the Urban Land Trust to meet its aims, including improvements to local infrastructure and repayment of debt.

The day-to-day management of the trust would be done by property management professionals directly employed by the trust. They would work closely with the planners, the local authorities and other social landlords, and, where appropriate, private sector developers who are prepared to adhere to social goals. A good example of how this could work in practice is provided by the Crown Estate.

The Crown Estate

The Crown Estate comprises the land and property that belongs to the monarch by virtue of holding that office. Since 1760 the net income from the management of the property under the Crown Estate has been passed to the Treasury in return for living expenses for the monarch.

The Crown Estate is now a decidedly modern and independent property management company that has transformed the estate into a significant revenue-raising vehicle. It generated £329m a year of net profit in 2017 on its £12.4bn portfolio that grew by 6.7% and 12.2% respectively in the last year.[73]

The Crown Estate's approach combines the effective management of a large and diverse portfolio of land and property – on a leasehold basis – with a high rate of return, while taking into account social as well as commercial objectives. Its investment strategy takes into account social and environmental costs of development, for example building key worker housing in central London.

Joined up action by the public sector

It is important that Urban Land Trusts works closely with local authorities, both in terms of their planning and housing responsibilities, including the creation of strategic plans.

In addition, local authorities could transfer all their land and property to the trusts. This would ensure that their public land could not be sold, and would enable the trusts to coordinate the management to achieve efficiencies and improve service delivery through co-location of services and potentially free up both land and floor space (developed or leased). This is already being pioneered in England by the Place Partnership, which manages the land owned by six public sector bodies in Worcestershire.

The Place Partnership

The Place Partnership is a mutual, set up with support from the One Public Estate team by six local agencies in Worcestershire, to collectively manage their entire land and property portfolio with the goal of improving service delivery, lowering costs and releasing land and property for other uses. The partners are Worcester City Council, Worcestershire County Council, Hereford & Worcester Fire Authority, Redditch Borough Council, West Mercia Police and Warwickshire Police.

The Place Partnership demonstrates that public sector bodies can already start to benefit from combining their land and property assets without the need for additional legislation or central government action. It has succeeded in improving service delivery and lowering costs by, for example, aggregating property management services and rationalising the existing estate. The co-location of services has also freed up land and property, which can then either be utilised by the partners or leased out to generate an income stream.

Benefits: tackling the high cost of land

A serious challenge to building good quality social housing is the high cost of land. Land now makes up a significant proportion of the cost of housing in many areas (up to 70% in some areas), compared to just 1% for New Town developments such as Milton Keynes or Harlow.[74]

Building on land already in public ownership will allow the Urban Land Trusts to build social housing at a much lower cost. Even after taking into account site preparation costs, this means that the development will recover its costs faster than private developments that need to recover the cost paid for the land.

In addition to building on land already in public sector ownership, there must be a mechanism to ensure that it can acquire additional land at existing use value. Other countries, particularly in continental Europe, have established mechanisms to ensure that the state can acquire land without compensating landowners for any 'future hope value'. For example, Uppsala in Sweden has implemented a programme of municipal land acquisition and development that has expanded the supply of housing (see box overleaf).

Uppsala Land Assembly Model

The Swedish City Region of Uppsala was facing the same challenges as the UK: house builders were not able to meet the demand; the lack of housing supply partly leading to higher prices; a very concentrated house building sector; and a lack of proactive state engagement in the land market.

Uppsala decided to take action. The model works as follows. First the council identifies the development that they want to build and purchases the land at existing use value. The council then develops the master plan and sub-divides the plan into a number of sub-plots. They then sell the land to developers together with a commitment to build on the sub-plots within a given timeframe. The price of the land is dependent on what is going to be built, meaning that land is cheaper for social housing than for market rate developments.

Uppsala has demonstrated that an active role by local government in land supply has increased the supply of housing, given a greater role to small builders and improved the quality and diversity of the properties. By delivering real results (i.e. building new good quality housing and improved infrastructure) they have gained long-term cross-party support for this expansion of the state's role.

To implement this would involve two key changes in the law: the right of the Urban Land Trust to acquire land at existing use value, repealing the Land Compensation Act of 1961; and changes to planning law to simultaneously designate such areas as suitable for housing development. This is precisely the approach adopted in the UK when New Towns were set up, and some of the powers of New Towns to do this still exist under current legislation, but have not been used.[75]

Further legal powers may also be needed to force private landowners to bring forward the development of land with residential planning permission, with the threat that it could otherwise be acquired by the Urban Land Trust. According to government figures, there is enough land with planning permission for 420,000 houses where building has not yet commenced, much of it held in land banks by either house-builders or investment firms.[76]

Benefits: building affordable new homes

A trust's primary aim would be to ensure the building of the truly affordable social housing that is so urgently needed. This could be done by the trust in a number of ways. One option would be for the trust to contract out the building of the properties on land that it already owns while retaining full ownership. Upon completion of the social housing the trust could either manage the housing itself or transfer them, together with the debt, to the control of the local authority or social landlord. Alternatively it could lease the land to the local authorities directly at no additional cost but under defined conditions. Finally, it could set strict and enforceable conditions on private developers who would then build within the parameters set out in the leaseholder agreement. In this case the trust would receive an income from the regular leaseholder payments, which could be structured to capture all of the economic rent.

The Urban Land Trusts should aim to build or enable the building of up to 100,000 additional social houses per year, which over 10 years, when coupled with the release of additional land for private sector house building, would dramatically increase housing supply to meet the needs of the next generation. In the immediate post-war years the New Town Development Corporations, using a

combination of these approaches, succeeded in rapidly increasing the supply of good quality housing in metropolitan areas.[77]

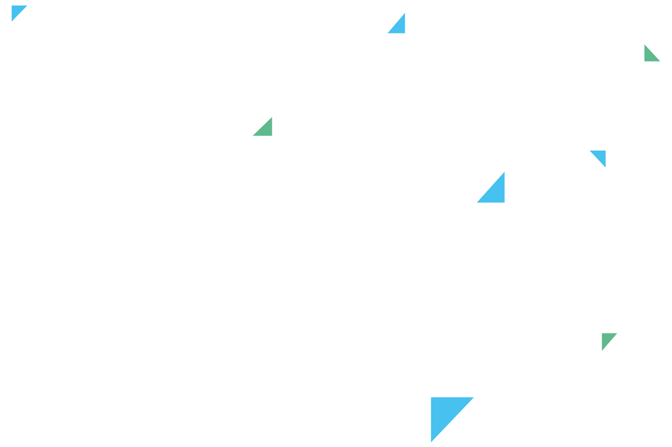
New Town Development Corporations

The New Town Development Corporations (NTDC) were set up in the 1940s to build New Towns around major metropolitan areas such as London to improve the quality of housing and the environment for people living in the inner city. In all, 32 were built, and the building programme generated over 1.4 million new homes.

The Development Corporations were endowed with extensive powers over land acquisition and planning. For example, they had the power to purchase land at existing use value, so that that the cost of land was as little as 1% of the total price of construction. The New Towns programme was supported by both Labour and Conservative governments in order to tackle the post-war housing crisis, and provided with adequate financial resources to ensure that they could establish momentum in the early phases of development.

Growing support for a radical approach to housing and land

There is growing public support across all political parties that something radical needs to be done to ensure the future supply of affordable land for housing. The government itself is considering measures: to force house builders to release land for development; for providing funds for local authority land acquisition and site servicing for development; and to legislate to allow the creation of new forms of New Town Development Corporations. Labour's Shadow Housing Minister John Healey has proposed the creation of an English Sovereign Land Trust.[78] Think tanks and politicians across the political spectrum are urging the repeal of the 1961 Land Compensation Act.[79,80] And a number of local authorities are also already working together to develop a comprehensive approach to planning housing development regionally, for example in the Oxford–Milton Keynes–Cambridge corridor.[81] Urban Land Trusts could play a key role in ensuring that the objective of producing more affordable housing is met in the most efficient way possible with local community buy-in.



Section 8

Conclusion

There is growing support among policy makers and politicians across the political spectrum of the need for a radical alternative to how we fund public services, provide housing for all, and invest in the future of all our citizens.

Influential think tanks, including the Royal Society of Arts[82] and the Institute for Public Policy Research,[83] have proposed the establishment of a Citizens' Wealth Fund to provide cash benefits for citizens, which have been widely reported in the press. The New Economics Foundation has suggested the creation of a People's Land Bank,[84] similar to our proposal for Urban Land Trusts, and the Blair Commission on Social Justice has suggested the creation of a Sovereign Property Fund.[85] Conservative MP John Penrose has called for a fund paid for by budget surpluses and built up over 50 years or longer to help pay for unfunded public pension liabilities.[86] Fund managers at M&G have advocated a gilts-financed fund to pay for increased investment.[87]

There is also a growing recognition that we need to tackle inequalities of wealth as well as income, especially in relation to intergenerational inequality. Former Conservative Cabinet Minister Lord Willetts, Chair of the Intergenerational Commission, has strongly argued the case for higher wealth taxes on the baby boomer generation.[88] The International Monetary Fund have also joined in the growing calls to examine the potential of wealth taxes to tackle inequality.[89] A number of commissions and reports looking at how to provide long-term funding to the NHS and social care budgets have suggested that wealth taxes should be part of the answer.[90]

The principles underlying such funds are now being more widely acknowledged. 'Future funds' – through the pooling of public assets – already exist in other countries, notably in Norway, Alaska, Australia and New Zealand. Our proposals have drawn on a wide range of experience from many countries around the world as well as some important examples in the UK. While many of these suggestions differ significantly from the model we are proposing, or only include some elements of our approach, similar proposals are emerging across the world. Matt Bruenig, founder of the US People's Policy Project, called for a very similar approach in the *New York Times*.[91]

The drive for radical solutions to tackle the housing crisis is also gaining steam, driven by successful overseas models of land management, particularly in continental Europe, as well as our own successful experience with New Towns. There is growing support across the political spectrum for changes to the Land Compensation Act, including from former Conservative Planning Minister Nick Boles MP,[92] and from think tanks such as Civitas[93] and the Centre for Progressive Policy.[94] Independent inquiries into how to solve the housing crisis are underway by Shelter, the Chartered Institute of Housing, the Royal Town Planning Association, and the Royal Institution of Chartered Surveyors.

The models being advanced in our report are at the radical end of the possible range of proposals. Nevertheless, we believe that it is possible to build strong public support for our approach across the political spectrum. Social Wealth Funds would provide intergenerational fairness, better public services and redistribution of wealth from the few to the many. They would build in a long-term, pro-equality bias, allow a new social contract between citizens, state and business that could transform the way we run the economy and society, and offer a new strategic route map to a better society.

Section 9

Recommendations

General

1. The UK should establish one or more Social Wealth Funds, collectively owned and managed independently of government, and held in perpetuity by its citizens.
2. There should be a new legal framework to ensure the independence of these funds from ordinary government spending with an independent Board of Guardians to manage them.
3. The Board should be required to set investment objectives, including ethical criteria, target rates of return, and proposed rate of disbursement, which must not exceed the fund's income.
4. Citizens' Economic Councils should be created to provide input into the objectives and operation of the funds.
5. The funds should receive an initial endowment from the government, including transfer of some state assets.
6. Any taxes raised to build the funds should be hypothecated to the specific purposes of the funds and ring-fenced.
7. New taxes on wealth and corporations should be considered to help raise the necessary funds.
8. Initially the funds should be allowed to grow for at least 10 years before any disbursements are made.
9. There are two options for spending the proceeds of a new Wealth Fund established on the above principles, one based on cash payments and one on funding universal basic services.

Option one: a Citizens' Dividend Fund

10. The annual revenue from the fund should be used to pay an annual, equal cash dividend to all citizens together with a one-off payment of £5,000 to all citizens at the age of 25.
11. Eventually, the fund could build to a level sufficient to pay for a Universal Basic Income.

Option two: a Social Care Trust Fund

12. As an alternative to a citizens' dividend fund, a ring-fenced Social Care Trust Fund could be established to fully fund adult social care, both residential and domiciliary, in the long term.
13. The fund would underpin the transfer of responsibility for adult social care funding, and the setting of criteria for eligibility, from local authorities to the national level, with over-65 social care as the first priority.

Urban Land Trusts

14. As well as paying a social dividend or ensuring free social care, the UK should establish a series of Urban Land Trusts to ensure an adequate supply of land for housing by consolidating the ownership of undeveloped public land into a series of local bodies that would hold it in perpetuity.
15. The Urban Land Trusts should have the power:

- to develop land and build housing and infrastructure, including borrowing powers, based on the powers that have been available to both New Town and Urban Development Corporations;

- to acquire additional land for residential and housing development at existing use values. This would require changes to the Land Compensation Act 1961 and planning law;
- to take action to ensure that privately owned land with planning permission is brought forward for development, including by acquisition;
- to lease rather than sell land to private builders and developers, using any income received to fund improvements to local infrastructure and repay any borrowing.

Appendix

Modelling a Citizens' Wealth Fund

Endowment £100bn & annual contribution £50bn					
	10 years (£bn)	20 years (£bn)	30 years (£bn)	40 years (£bn)	50 years (£bn)
4% payout – fund total	713	1203	1693	2183	2673
4% payout – dividend	27	46	66	85	105
2% payout – fund total	726	1422	2269	3303	4563
2% payout – dividend	13	27	44	64	89

Endowment £100bn & annual contribution £25bn					
	10 years (£bn)	20 years (£bn)	30 years (£bn)	40 years (£bn)	50 years (£bn)
4% payout – fund total	388	628	868	1108	1348
4% payout – dividend	15	24	34	43	53
2% payout – fund total	395	744	1170	1689	2322
2% payout – dividend	7	14	22	33	45

Only endowment £100bn					
	10 years (£bn)	20 years (£bn)	30 years (£bn)	40 years (£bn)	50 years (£bn)
4% payout – fund total	74	74	74	74	74
4% payout – dividend	3	3	3	3	3
2% payout – fund total	76	92	112	137	167
2% payout – dividend	1.5	1.8	2.2	2.7	3.3

Only annual contribution £50bn					
	10 years (£bn)	20 years (£bn)	30 years (£bn)	40 years (£bn)	50 years (£bn)
4% payout – fund total	650	1150	1650	2150	2650
4% payout – dividend	24	44	64	84	104
2% payout – fund total	662	1355	2199	3228	4483
2% payout – dividend	12	26	42	62	87

Assumptions:

Real rate of return (average) of 4% pa.

Funds grow without withdrawals for the first 10 years.

Dividend payments thereafter at either real rate of return (4%) with no reinvestment, or 2% with reinvestment of remaining 2%.

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Registered charity number 1087053

Autonomy ISSN 2515-9852

The Social Wealth Fund:

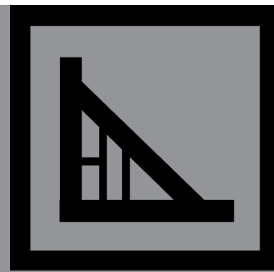
The Social Wealth of Data

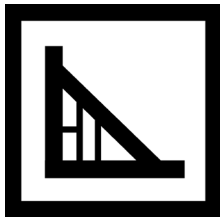
Nick Srnicek

Democratising Capital with Social Wealth Funds

Christine Berry

A journal space for theoretical and empirical research, aimed at critiquing work and speculating on its future





The Social Wealth of Data

Nick Srnicek

This new report on social wealth funds is a significant contribution – nothing less than an attempt to build an institution for collective wealth and control over investment. As the report notes though, one of the key challenges is in finding continual sources of funding that can sustain the fund over time. Here there appears room to bring together the social wealth fund with another idea that is starting to gain traction: that of being paid for the value of our data.

The latter idea responds to the situation of contemporary platform capitalism, where a handful of increasingly powerful and monopolistic platforms are able to extract an immense amount of data and control the wealth generated from it. The biggest companies in the world (measured by market capitalisation) are all increasingly platform companies, while their founders often rank among the wealthiest individuals. Yet at the same time many of the workers for these companies earn a pittance and struggle against miserable working conditions. The median Amazon worker, for instance, earns barely more than a worker at Walmart[1]; while Facebook and Google have outsourced the existentially harrowing work of content moderation to poorly paid workers in the Philippines[2]. All of these companies, in turn, rely to a significant degree upon our data to make their businesses work – yet the sources of that data see no remuneration, even as society mops up and pays for the negative externalities created by these companies.

There is a general recognition that ownership over data is one of the key issues in play here, but the type of ownership varies in different accounts. In this short piece, I want to outline two prominent options – personal data markets, and a national data fund – and critique the first, while suggesting how the second can fit into a social wealth fund.

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The idea of a personal data market is seeing a resurgence in popularity,[3] finding recent support in the pages of the *Economist*,[4] *the Wall Street Journal*,[5] and *the New York Times*.[6] The law scholar Eric Posner and Microsoft researcher Glen Weyl are leading the recent charge, particularly in the pages of their recent book *Radical Markets*.[7] They've been joined by long-time supporter of the idea, Jaron Lanier, who first argued for micro-payments for data and content production in his 2013 book, *Who Owns the Future?*[8] And an increasingly large number of blockchain-based initiatives are proposing systems for individual control over the selling of personal data. But the idea of personal data markets isn't just a right-wing or tech evangelist idea; many on the left have also been demanding 'wages for Facebook' and arguing that our online activities are a form of unpaid labour. (In fact, the latter idea is arguably the default position of the left on issues around the digital economy.) All of these positions, in one way or another, make the argument that individuals should be paid for their data. But should we be individually paid for our data?

There are a number of reasons why a personal data market/wage would be laborious, inefficient, and detrimental to individuals, but here I want to focus on two key points. First, there is the simple fact that individually, data is worth very little. Facebook's average quarterly revenue per user, for instance, is only $6.18 at the moment;[9] while Google's is marginally higher at $6.70 per user.[10] This is a pittance already, but once the basic expenditures of these companies are taken into account, individuals would be left with even less. The Financial Times provides a useful (and humbling) online tool to calculate your data value to the data broker industry –

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[12] *Kenneth C. Laudon, "Markets and Privacy," Communications of the ACM, 1996.*

with almost everyone being worth less than a dollar (my data was worth 22 cents).[11] The value of data emerges from its aggregation and analysis, which means individual data is worth next to nothing. However, and this is our second point, even if our data was worth more we would run into the problem that it intersects with inequality. With personal data markets, we would create a system whereby the rich can afford privacy, while everyone else is incentivised to relinquish their basic rights to privacy. A personal data market would mean allowing the highest bidder to purchase mass surveillance over us. For all these reasons, the idea of being individually paid for our data should be rejected and remain the preserve of neoliberal dreams.[12]

By contrast, a national data fund presents a fundamentally different approach to the ownership of data.[13] Rather than individuals being responsible for the selling of their data, a national data fund would collect (anonymised) public data, as well as any (anonymised) private data that people might wish to share. Ownership of this data would always remain with the collective, and differential levels of access would be provided. For researchers, they might be given open and free access to the healthcare data of a country, fostering the flourishing of medical insights and developments. Likewise, other public bodies might be given open and free access to relevant data (e.g. a public health body could be given access to transportation data in order to manage and reduce localised air pollution problems). And for the global tech giants, any access to this data would come at a high cost for them. In every case, access and use would be highly regulated and controlled, ensuring that privacy and data protection are in place at every step.

The system would be designed in such a way as to ensure privacy (and regulations could be passed to, for instance, restrict re-identification procedures), and to ensure individual control over their own data. If individuals prefer to not let a company use their location data, for instance, they should be given fine-grain controls over this. (One side benefit of this fine-grained control is that we could imagine collective and spontaneous withdrawals of data from companies that were stepping beyond the assumed social contract.) With such an institution, the incentives for individuals to sell their privacy would be gone, since any individual data point would be an imperceptible drop in the national data pool. The data could be as accessible as possible for those who are tasked with building up public goods and services.[14] Yet at the same time, the value of this data for private companies would no longer be channelled into Jeff Bezos' or Mark Zuckerberg's wallet. Instead, the value would be more equitably shared with the public – which brings us back to the social wealth fund.

If the social wealth fund requires annual top-ups to ensure its sustainability, then a national data fund could be a key component of that. As the report argues, this wealth could then be spent on any number of socially useful tasks. In an age of platform capitalism, we should recognise that our data is part of our social wealth.

[13] *To my knowledge, the first mention of this term is in Evgeny Morozov's article, though related ideas around data trusts have been circulating in a number of policy papers. The fundamental difference being that data trusts aim to establish trust between particular stakeholders in a sector in order to foster sharing of data, while a data fund aims to generate collective remuneration for public data. Evgeny Morozov, "To Tackle Google's Power, Regulators Have to Go After Its Ownership of Data," The Observer, July 1, 2017, http://www.theguardian.com/technology/2017/jul/01/google-european-commission-fine-search-engines.*

[14] *For one example, with respect to healthcare data, see: Marc A. Rodwin, "The Case for Public Ownership of Patient Data," Journal of the American Medical Association 302, no. 1 (2009): 86–88.*

Democratising Capital with Social Wealth Funds

Christine Berry

This report is an important and timely contribution to one of the central questions of post-neoliberal political economy: how can we democratise the ownership and control of wealth, rather than simply focussing on how that wealth should be (re) distributed? The idea of Social Wealth Funds offers the exciting possibility of genuinely transforming the social relation of capital – from private accumulation via dysfunctional markets to common dividends from common resources.

To see how the three models in the report measure up against this ambition, it's worth drilling down into the specifics of each from a capital ownership perspective: what are the sources of capital on which the funds are built, and how is that capital to be invested and managed for the common good?

Let's start with the 'social investment fund'. This is essentially an extension of the conventional model of funding public services out of taxation, with the added step of multiplying this tax income (and smoothing it over time) through investment on the global financial markets. This doesn't really move us on from the dependence of the traditional welfare state on capitalist production and growth: indeed, arguably it introduces a 'double dependence', as the tax earned on company profits is then invested back into the same companies' stocks and bonds. The same applies if the fund is to be capitalised through a state bond issue (i.e. borrowing on global financial markets), albeit via a different route.

The risk is that this approach merely accelerates the financialisation of public goods, turning the state into a capitalist rather than turning capital itself into a democratic force. The experience of private pension saving offers a salutary lesson here. Many had high hopes that the rise of this "workers' capital" would have a transformative effect on the ownership and control of the economy's productive base: ordinary workers were now shareholders in the world's biggest companies.

But so far, this has not materialised: far from capital markets being put at the service of their worker-owners, it is workers' pensions that have become financialised, marketized and subordinated to the skewed logic of short-term shareholder value. The main – perhaps only – beneficiaries have been the City intermediaries who manage the funds. If social investment funds are to be entrusted to professional investment managers with a mandate to maximise returns, we might reasonably expect the same fate to befall them.

So how could we rethink this model into something more genuinely transformative? If we want to fundamentally democratise wealth creation, rather than just siphoning off some of the profits of capitalist wealth creation for public goods, we need to imagine whole new ways of capitalising such funds and investing that capital.

Let's take the scenario of a post-work future where tech companies like Google and Facebook dominate the economy. Under the social investment fund model, we would tax Google's profits, invest the proceeds in Google shares, and use the returns to fund social care. But what if we capitalised a fund by socialising the common resources on which these companies' business models depend - such as our personal data (as Nick Srnicek argues for elsewhere), or technological advances built on publicly funded research?

And what if we invested that capital for social good in ways that sidestepped our dysfunctional and unfair equity and debt markets - like building social housing or energy infrastructure that generates long-term returns, or capitalising public banks? In this way the investment process itself would become a core part of the democratic delivery of public goods – rather than simply the goose that lays the golden eggs to be spent on those public goods. If these lines of thinking are pursued, the social investment fund concept does contain the seeds of genuine economic transformation.

So how about the 'Citizen's Wealth Fund'? Similar considerations apply in terms of the capitalisation and investment of the fund, so most of the ideas above could equally apply to this model. The main difference is in how the returns from the fund are used: for a flat-rate 'citizen's dividend' rather than for collective provision of public services. (As an aside, it's not clear to me that this model is in fact the one that "most directly achieves" the goal of increasing social equity – since it offers a flat payment to every citizen, while the services provided by the other two types of fund are likely to be redistributive.)

In this sense, it is the closest of the three models to a conventional investment fund or unit trust – just one in which every citizen has a stake. Again, the risk here is that, like our mortgages and our pensions, this could effectively give citizens a greater stake in maintaining the status quo (i.e. the protection of corporate profits and the pursuit of growth at any cost), rather than moving beyond it. And again, rethinking the way such funds were capitalised and invested could mitigate this risk. Whether it is worth it probably depends on whether the fund truly could evolve to the point of paying a Universal Basic Income sufficient to provide a livelihood.

This brings us to the Urban Land Trust model, which for me is the most exciting of the three. This proposal really illustrates the radical potential of the Social Wealth Fund model. It takes a common resource (land), puts it into common ownership, and sets it to work for the common good (social housing). Most importantly, it does so in a way that bypasses the capital markets and ownership structures which currently allow the extraction of rent from this common resource on a massive scale.

Rather than making public goods more dependent on financialised capitalism, it makes the provision of a basic human need – decent housing – more independent from a broken and highly financialised housing market. It replaces relations of rent extraction and marketisation with relations of democratic ownership and control. It would be interesting to explore whether a similar approach could be extended to other types of common resources, such as energy and water. This is the new economy in action.

Herein lies the real potential of Social Wealth Funds: not merely as ways for democratic actors to adopt existing market mechanisms to mobilise and generate wealth, but as new, inherently democratic means of doing the same - grounded in shared ownership of resources that should always have been held in common. Socialising the income from our rent-extracting financial markets might be a worthy goal – but building an economy that is fundamentally less dependent on these markets is an even better one.

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Autonomy ISSN 2515-9852

The Social Wealth Fund:

Comments From A City Investor

Anonymous

Social Wealth And The Strategy Of New Socialism

Alex Williams

A New Approach To Tackling Inequality

Ursula Huws

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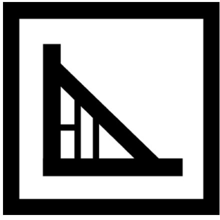

Comments From A City Investor

Anonymous

We live in an age of rising inequality and mass discontent in which the classic socialist remedies – state ownership of segments of the economy, labour and welfare polices – don't seem to work well. Remodelling Capitalism wants to shift the capitalist system in a more progressive direction by building up social welfare funds (SWFs) that would be managed in the interests of the broader population.

Economically, the proposal looks sound, as described below. The real question is socio-political – does the UK want to shift 2.5% of GDP each year from the rich to the population as a whole?

The argument of Remodelling Capitalism can be summarised in four steps:

1. Raise a large and rising amount of capital via progressive taxes, mostly on wealth. (The authors suggest up to 2.5% of GDP each year.)

UK tax rates have been slashed in the last 35 years and are not high by international standards. Raising them modestly would have little effect on incentives, investment and growth. (Right wing politicians would claim otherwise. They are wrong.)

The authors propose the clever idea of a 0.5% p.a. scrip tax on the FTSE 350, slowly diluting the holdings of large shareholders. The SWFs could hold the shares in scrip, rather than selling them right away, while investors seem to regard share issuance in a more favourable light than taxes on earnings. This would be roughly equivalent to raising tax rates on profits by about 3.5%, which would still leave UK corporate taxes competitive on the global scene.

2. Give the money to Social Wealth funds, to be managed independently of government.

This is a key point: in many countries, governments view Sovereign Wealth funds partly as moneyboxes, to be raided when they're in need, and the same might happen to SWFs. Another danger is that government might cut back on its welfare budget pari passu with SWF spending.

3. Invest the money internationally in high-yielding assets, led by equities, that should deliver 4% p.a. real after costs.

Returns of 4% p.a. would beat the real growth of the economy by far and would probably also be ahead of the growth of the wealth of the rich – in which case the SWFs would indeed be a

force for equality in the UK. But the 4% number is ambitious: it seems to be based on the experience of the Norway Sovereign Wealth Fund over 1998-2017, which was a favourable period for global financial assets. With global equities now more expensive and global growth likely to be slower than in the last 20 years, net real returns of 3% would be more plausible.

The authors suggest that professional fund managers should invest the capital of the SWFs. This is questionable. Globally, fund managers charge too much for their services – which could easily eat up 60-80bp of returns p.a. It might be preferable for the SWFs to develop their own investment capabilities, which they would soon be big enough to do. This route could limit costs to less than 30bp p.a.

4. Use some of the income for a citizen's dividend fund, or for social care.

A citizen's dividend fund would make sense and could be a small step towards a universal basic income system in a world of rising inequality with robots increasingly replacing people. It would take decades, though, for the SWFs to grow enough for their annual income to be material. UK citizens would have to be patient.

The problem with social care is that a large portion of such spending is hoovered up by the middle classes. On average, older people are much wealthier than the rest of the population. It would be preferable instead to direct spending towards those old people who live in poverty. Or towards children, who are a far better investment; moreover, spending on children is more progressive than spending on the old.

A New Approach To Tackling Inequality

Ursula Huws

The problems this paper addresses are real and pressing. In Britain today, an ever higher proportion of wealth is concentrated in the hands of the few, with no sign of this trend reversing. The contribution made by business to national revenue is in sharp decline; the corporation tax rate plummeted from 28% in 2010 to 19% in 2017, and is set to fall further to 18% in 2020. Meanwhile there have been chronic shortfalls in the government resources available to pay for health, social care, education and housing. What is spent goes to meet current needs, with little investment in the future. Unlike Norway, the UK has not used the proceeds of North Sea oil or the income from selling off the national infrastructure and public assets wisely, but has frittered them away on tax cuts. Yet major investment will be required to prepare for future care needs as the population ages. A crisis is looming.

A socialist response to this challenge[1] would tackle this head-on by raising corporation tax, employers' NI contributions, income taxes on high earnings and property taxes and using the proceeds to pay for improvements in public services, including large investments in infrastructure, while introducing other policies that are redistributive from capital to labour, such as increasing the minimum wage and providing more generous benefits to those who are intermittently employed or without work. Such a strategy is ambitious, perhaps under present circumstances even utopian. It requires a new political consensus in favour of redistribution, debunking prejudices that have permeated thinking across a broad swathe of the political spectrum since the 1980s: that people will never vote for higher income tax; that taxing business will drive companies away and destroy jobs; and that allowing governments to manage services directly leads to waste and inefficiency.

Stewart Lansley, Steve Schifferes and Duncan McCann's approach is more pessimistic, some might think more realistic, based on the assumption that no future government will grasp the nettle of increasing income tax, taking a bigger share of corporate profits, and thinking ahead for future generations.

They have come up with an elegant and, on the face of it, feasible solution that addresses some of these problems and side-steps others. Without sending out revolutionary scare signals, their proposed Social Wealth Funds would build up resources for future investment, creating funds that are insulated from the Exchequer's day-to-day budget management and therefore less easy for the Treasury to raid to deliver crowd-pleasing tax cuts, whilst leaving fund management in the hands of experienced professionals in the City of London. But would it be genuinely redistributive from capital to labour? How, in practice, would companies be forced to commit a higher share or their profits to public use? If they do not, there is a risk that the introduction of a Universal Basic income could just become a means for redistributing from the poor to the even poorer.

And, however well-meaning the intention behind Social Wealth Funds, what mechanisms could be put in place to protect them in the long term. Past attempts to involve citizens in the funding of state institutions provide a cautionary tale. Remember the National Savings Bank? It still exists, of course, with a back office run by Atos in Chennai. But the role it played from 1916 to 1976 in mobilising citizen volunteers to raise money for the national good is largely forgotten.

[1] *See my discussion paper: Ursula Huws, (2017), 'A new bill of worker's rights for the 21st century', Compass Think Pieces, #92. http://www.compassonline.org.uk/wp-content/uploads/2017/11/A-new-bill-of-Workers-Rights.pdf*

Social Wealth And The Strategy Of New Socialism

Alex Williams

Today is an era of peril and also of opportunity. We are witnessing the death-throws of the basic system of power that has ruled the UK, and much of the world, for the last thirty years, the epoch of neoliberal hegemony. What will replace this system of running the world, and how such putative replacements might operate, is today in contention. Alongside neofascist and reactionary 'illiberal' contenders, from the left has arisen what might be best termed 'New Socialism'. New Socialism synthesises elements of the social democracy of the post-war era, with elements from more recent social and political movements, from the anti-systemic movements of the global 1968 to black civil rights, anti-imperialist, feminist, and alter-globalisation movements. An urgent question for any mode of socialism must be: what is the socialist perspective on the control, distribution, and creation of wealth? This question has two intertwined elements: one of which is normative (what are we aiming for?) the other is strategic (how do we go about getting there?).

The recently released paper by City University on social wealth funds gives a possible partial answer to such questions from a policy perspective. The authors suggest three potential models for a social wealth fund, from a citizens' wealth fund, funding individual dividends via investments, to a social investment wealth fund, funding new or expanded public services via taxation, to urban wealth funds which would operate by consolidating public development land and acquiring private land to help tackle the housing crisis.

If one of the major aims of the new socialism is a democratisation of the economy and more strongly the creation of new ways of living outside of the work relation, alongside negative commitments to end austerity and take apart neoliberalism, we can identify these proposals as strongly contributing to the negative proposition. Providing new sources for benefits (e.g. an annual citizen's dividend and a grant of £5000 to all 25 year olds) and services (expanding social care and / or funding some components of universal basic services) would contribute to an ending of austerity as it has been practiced. The proposal to transform the ownership of public housing would make more substantive progress with undoing a material constituent of neoliberalism in opening up the housing market.

However, it should also be noted that at least the first two proposed funds still enmesh us within the financial system, leaving it effectively strengthened given an influx of new investment funding. Such measures would need to be combined with proposals to regulate and tax the financial sector in new ways to prevent the state effectively shoring up its present powers. Looking more broadly, none of these proposals gets us that far along the way to achieving some of the more ambitious positive ends of New Socialism: democratising the economy and reducing the rule of work.

To achieve such ends would entail a more combative stance on finance, corporate governance, taxation, ownership, and control of the national economy. The tension here which is picked out is one which is inherently strategic in form: how should we go about achieving our ultimate (or even proximate ends)? In what order of priority and with what resources should tasks be approached? From such a perspective we can see that a key tension within any New Socialist government will be precisely how it seeks to deal with wealth. Does it seek to run capitalism better than the capitalists (aggregating collective wealth through social wealth funds invested conventionally) or seek to use capitalism to transition towards something different (with new features such as democracy of control of the economy and the lessening of the grip of work on our lives).

In this sense we might identify the kinds of social wealth funds outlined in this report as potentially useful partial stepping stones, which might be able to strengthen an initial hand and help attack some of the basic social problems that we face, particularly around generational equity, social care, and housing. But from the standpoint of a more ambitious programme, seeking to fully supplant neoliberalism, they must of necessity be superseded in the long run.

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Autonomy ISSN 2515-9852

The Social Wealth Fund:

Urban Land Trusts and The Rising Tide

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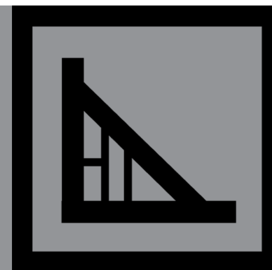


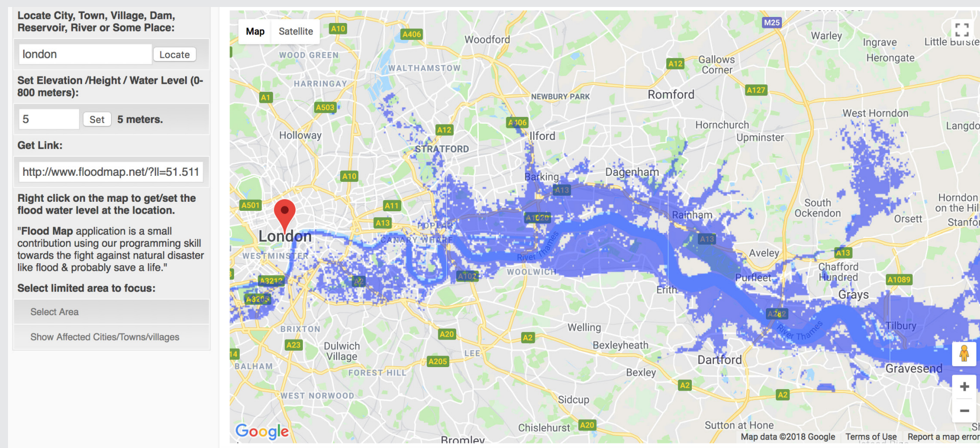
Autonomy

Urban Land Trusts and The Rising Tide

Diann Bauer

'...ending poverty and fighting climate change cannot be done in isolation – the two will be much more easily achieved if they are addressed together,"[1]

Stéphane Hallegatte, senior economist at the World Bank



Above is and image of East London and the Thames Estuary with 5 meters of sea level rise. Five meters is a lot, it's at the high end of predictions for the coming centuries. Predicting precise amount and speed of sea level rise is greatly debated within climate science, however, what is not debated is the fact that seas are rising and this condition is going to force a substantial rethink of our architecture, urban planning and infrastructure. I include this image not to be alarmist but rather to bring attention to the known unknowns that will impact the functioning and potential value of urban land held in public trusts.

[1] Quote from Stéphane Hallegatte, in an article by the World Bank Group. "Rapid, Climate-Informed Development Needed to Keep Climate Change from Pushing More than 100 Million People into Poverty by 2030". The World Bank. http://www.worldbank.org/en/news/feature/2015/11/08/rapid-climate-informed-development-needed-to-keep-climate-change-from-pushing-more-than-100-million-people-into-poverty-by-2030. (retrieved May 2, 2018)

[2] Image taken from http://www.floodmap.net/ with sea level set to 5 meters (retrieved May 2, 2018)

Even if land is not submerged as in the image above, proximity to these areas and the potential for regular nuisance flooding could greatly alter the viability of any land to be used as a site for housing as well as diminishing the value of the trust overall, if alternatives are not considered.

Rather than simply not including land vulnerable to flooding, might there be possibilities to rethink how this land might be used with regard to housing? Could some of the potential consequences of global sea level rise be built into a plan for land trusts as an asset? Could the coming conditions be understood as possibilities rather than threats? By this I mean shifting how we live with water, understanding it as a site condition with positive potential rather than a condition to simply avoid, or unending battle to hold back the tide.

The possibility of letting the water come in, in a controlled manner through dredging potential flood areas for example, and design housing as well as infrastructure explicitly for these conditions could be one way forward. If this were adopted, it would need to include legislation assuring ownership of submerged land would be retained by the trust once it is no longer dry land. Given our precarious and as yet unknown relationship to sea level rise it will become increasingly important to understand how submerged land could still be of value to a public trust rather than simply a write-off. This might well become a problem of urbanism more generally in the coming centuries, due to the proximity of major cities and infrastructure to the coasts globally, and in time, the kind of knowledge developed in this field could contribute to the structuring of the trust. However, at the time of writing, the issue of ownership with regard to submerged land can get a little murky. The example I give if from the US, from 'Climate Changed' a series of articles commissioned by Bloomberg:

> For Centuries a body of law called the public trust doctrine has stipulated that, when it comes to coastal property, anything below the average high-tide line is owned by the government for the use and benefit of the public. Those rules also cover what happens when the high tide line moves. If that move happens suddenly-for example, if a portion of the beach is washed away by a storm - the owner retains the title to the property provided he or she restores it to dry land.[3]

So it is clear in the specific case of a storm, or rapid, exceptional and temporary subsumption, but when the high tide line is moving gradually, changing the average high tide line, it seems state ownership moves with it. This could cut two ways with regard to a public land trust. Would submerged land held in trust continue to be owned by the trust, or because the trust is independent of the state would it lose ownership at that point? Legal questions will proliferate and though pinning all this down is beyond the scope of the proposal at this point, it might none the less be prudent to keep some of these contingencies in mind as part of risk planning. It seems important to any future-oriented project – such as remodeling capitalism and the construction of a care-service fund that would be partly reliant on dry land remaining land – that sea level rise and the changing environmental conditions are foundational to the thinking and structure of the project.

The current climate conditions we are planning in are not the climate conditions we should be planning for, though the conditions we are in are troubling enough.

[3] Flavelle, Christopher. "The Fighting Has Begun Over Who Owns Land Drowned by Climate Change". from "Climate Changed". Bloomberg. https://www.bloomberg.com/news/features/2018-04-25/fight-grows-over-who-owns-real-estate-drowned-by-climate-change (retrieved on May 9, 2018)

The World Bank conducted a study in 2013 that said:

> Global flood losses will multiply from $6 billion per year in 2005 to $52 billion a year by 2050 with just social-economic factors, such as increasing population and property value, taken into account. Add in the risks from sea-level rise and sinking land, and global flood damage for large coastal cities could cost $1 trillion a year if cities don't take steps to adapt.[4]

While there are no cities in the UK that make the top 10 list of most vulnerable cities, our coastal and low lying areas are still at risk. We are in a moment of great flux with regard to sea level. There are many unknowns and it is because of this ongoing condition of contingency that it is crucial to build in agility with regard to how we both plan and react to our changing material and environmental conditions. This agility needs to be built in from the inception of any future-oriented project. This is important as a way to insure a public trust remains not only economically but also materially viable; indeed, one because of the other. Rethinking how we live with water might be one way of future-proofing post-capitalism.

As a post script, I include the above image as an example of housing that takes seriously the idea of living with water rather than just suffering it. It is a project in the Netherlands by Marlies Rohmer Architects, built outside Amst erdam as 'a mix of expensive waterside condos and social housing, with about 30% of the community's 18,000 houses allocated to low-income residents. When complete, the development will provide homes for 45,000 residents on 10 islands.'[5] More information on this project can be found here: http://www.rohmer.nl/en/project/waterwoningen-ijburg/

This is the kind of project I could imagine the trust repurposing to maintain both the aims and equity of the trust in an era if global climate change and sea level rise.

[4] *Tran, Viet Duc."Which Coastal Cities Are at Highest Risk of Damaging Floods? New Study Crunches the Numbers". The World Bank. http://www.worldbank.org/en/news/feature/2013/08/19/coastal-cities-at-highest-risk-floods. (retrieved on May 2, 2018)*

[5] *Ross,Eleanor and Paddison, Laura. "Floating Homes: a solution to flooding, crowded cities and unafforable housing". The Guardian. https://www.theguardian.com/sustainable-business/2016/oct/29/floating-homes-architecture-build-water-overcrowding-cities-unaffordable-housing (retrieved on May 2, 2018)*

Social Wealth Fund And An Avant-Garde Blockchain Accounting System

Maria Dada

The social wealth fund opens up important questions of common ownership and democratic control. It can also serve to start a conversation around the ways in which we value socially useful goods. The production of socially beneficial economic activity through the social wealth fund could, and should, not consider 'profits' as an economic metric. Instead, every time a socially beneficial task is completed, such as tasks implied in social care services, the provision of universal basic services, or production of additional housing, the social wealth fund accounting system could record the 'cost' of the task rather than the 'profit' made from delivering the service. Here are the reasons why this is a good idea.

Accounting in the market economy highlights the important metrics that underpin any economic theory such as debit, credit, cost and profit. The metrics that are highlighted and chosen are enough to make the difference between an economy that is more socially focused versus one that isn't. The social wealth fund, therefore, should be used to reform the economy starting with accounting.

To understand the role of accounting in the economy we need to see the economy as a three-tiered structure. Economic facts are at the base followed by accounting concepts on top of them and finally economic theory, of which the current form of capitalism is only an example. In this model, economic facts are facts in the first order while accounting concepts are facts in the second order and economic theory comes about from the analysis of both economic facts and accounting concepts. In other words, economic theory arises from accounting concepts, which rely on the recording of economic facts.
It means that any economic theory, capitalist or otherwise needs accounting concepts. And since blockchain technologies are avant-garde accounting ledgers of a distributed nature, they are ideally placed to actualise and realise experimental accounting concepts that would remodel capitalism. The blockchain is often defined as a decentralised digital distributed accounting ledger. So how does a ledger function for accounting? Accounting deals with economic facts and a ledger is a means to record these economic facts. As such it provides the needed consensus around the validity of these facts. What they also do is map economic and social relationships. Every record in a ledger is a social exchange of some form and a trace of social consensus around such an exchange. Consensus means that all the members of a particular community agree that the information contained in the ledger is true, that the economic facts are non-disputed.

The current model of capitalism is not efficient enough when it comes to technical productivity and knows nothing of social productivity.
The social side of the life of citizens does not orientate products under the current model of capitalism. In fact, capitalism is indifferent to social utility; private industry cannot account for community life. An example of all this is the way that capitalism allows such things as the arms industry to flourish. In fact, there is a kind of aimlessness when it comes to the goals or utility of production: the only notion that guides it is profit and this has been enabled by an accounting system that does nothing but measure it.

[1]The history of the blockchain also belongs to a lineage that includes the SQL database, JSON files and other forms of digital storage not to mention the history of cryptography and peer to peer networking applications such as bit-torrent. However, this paper will focus on the blockchain as part of the history of the accounting ledger to which it clearly belongs. Simply put, accounting deals with economic facts and a ledger is a means to record these economic facts. Accordingly, the blockchain ledger also records economic facts.

The social wealth fund needs to improve on such a system by ensuring that all products and services are not aimless but are rather directed towards social ends. Since their goal is to achieve some social benefit there would be no need to account for profit since the overall aim would be to produce the most socially beneficial product or service at the least amount of cost. The reduction of cost is the ambition and this can be achieved most effectively with blockchain technologies.

Up until the invention of the blockchain, consensus was attained through the reputation of trusted third parties, banks, government or the church as in the case of the first incarnation of the ledger - a book that was protected by the church. More than this, the shape of the trusted third parties has changed in accordance with the power structures active at any particular time. In neoliberal market economic terms, a trusted organisation is one with a long enough history of economic gains that it is considered the least likely to exploit its relationships. In practice, this depends on what counts as exploitative action. That's why banks are deemed successful in the neoliberal economy despite them being prone to failure and exploitative behaviour. There is supposedly too much at stake in jeopardising their economic history for them to meddle in our personal accounts. Suffice to say that a trusted third party is one that is considered trustworthy by a certain system of power. A "good" economic history in that sense is a form of capital.

The blockchain replaces any trust-based system with one that relies on a trustless protocol invulnerable to reputation. Consensus now means that all the blockchain community agrees that the economic facts contained in the digitally distributed ledger are undisputed and true. Cash in the sense that it exists today, not representative of any gold reserves, is another example of a trustless exchange. Another important aspect of the blockchain is that it achieves this consensus through a community of anonymous agents. The anonymity here is important because without it consensus would go back to relying on personal history and identity.

Most blockchain communities based on smart contracts up until now have attempted to record the benefit, or we could say profit, of a particular task. Such benefit or profit is defined as the value of the task in the system. However, a socially beneficial blockchain community would not be concerned with recording value in this sense. Its only concern is to account for the costs.

The social wealth fund has the opportunity to improve on the current model of welfare capitalism, which is currently comprised of services developed and deployed by companies that ostensibly cater to the welfare of the population in order to maintain a certain political-economic order. The accounting system of welfare capitalism therefore looks distinctly similar to the accounting systems of these enterprises, i.e. they have the aim of recording profit, something that seems a little ridiculous for organisations that are usually deemed not for profit!

A decentralised, citizen-owned fund should benefit, and be accountable to, the citizens that own it. Therefore, using an avant-garde accounting system that simply measures the costs of socially useful goods can and should be made possible through a bespoke blockchain accounting system.

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