Comment w/c 17th February 2020

All change at HM Treasury - time to democratise capitalism across the UK

"Much of our intellectual elite who think they have 'the solutions' have actually cut themselves off from understanding the basis for much of the most important human progress." Michael Nielsen

immediately followed by: *"People, ideas, machines - in that order"* Colonel Boyd

Opening quotes from **Dominic Cummings' Blog** - Home page

While it's indeed unfortunate to see Sajid Javid move to the backbenches, there's a lot of truth in the old saying that a house divided against itself cannot stand. In this case, it's the **House of Special Advisers** (SpAds), not ministers, but the same holds true. I wonder if we ever will discover whether the pre-emption of the HS2 decision by HM Treasury was the final straw that broke the camel's back.

Whatever it was, we now need to look forward - there are major things to be delivered, and they need to focus on people, as Colonel Boyd says above.

So, in this commentary we look at what a Task Group working with the new HM Treasury/combined SpAd team could achieve in bringing about a more egalitarian form of capitalism, together with reporting on some encouraging 30-year projections from Capital Economics at their Emerging Markets Forum last Wednesday.

The new agenda at HM Treasury needs to be all about people: making the economy, including the great financial engine of the City and its markets, work for the benefit of people right across the United Kingdom. The key ingredients for the Task Group should be:

- Financial awareness and participation for all - all ages, and at all levels of society. We have to move away from seeing financial regulation as being primarily about protecting people from the 'evils' of financiers and more about ensuring people's right of access, and a level playing field for everyone: based on **straightforward communications** and better understanding. And, for young people approaching adulthood, the **Child Trust Fund** presents the greatest opportunity we have ever had to bring financial awareness to a whole generation. The new Treasury team must stop putting its head in the sand and embrace this great opportunity, working with The Share Foundation to **link the missing accounts** for millions of young people.

- Reversing the decline in public listings - while private equity has an important role to play in re-organising and releasing business efficiency, their involvement should be time-limited. Publicly-listed companies, owned by their customers and employees - by people, are at the heart of democratic capitalism, and we should explore how they can flourish in the future.

- Building on (2) above, there needs to be a dramatic change in opening up new issues of shares to the general public - not just with 'IPOs', but also with the 'rump' of rights issues in established companies not taken up by existing shareholders, and by encouraging shares to be included in the customer loyalty schemes of large retail businesses.

- Stamp Duty on share purchases needs rebalancing in favour of individuals. At present, too many institutional investors evade it while the only retail benefit is for purchases of AIM-listed securities (which are exempt). The London Stock Exchange, which of course needs to be included in the Task Group we're proposing, needs to demonstrate the huge benefit to liquidity which has come from releasing AIM investment from SDRT/Stamp Duty, and how to encourage personal investors further.

- As described in our **[commentary on 20 January 2020]**, we need an 'Investment Club' ISA to open up access to share ownership in pubs and clubs across the country, getting people talking about opportunities and local businesses, and building their confidence to get more personally involved.

And with respect to ISAs, their acceptable range of investment needs to be broadened so that it includes more overseas stocks, including Chinese and Indian.

One of the most important slides in the Capital Economics Emerging Markets Forum showed the forecast rankings of countries by GDP in 2050. The most dramatic advances are for India and Indonesia; and, interestingly, China remains below the United States, held back by its authoritarian regime (a reflection on not adopting democratic capitalism), its demographics, and a levelling out of its export growth.

While reporting on that Forum, there was another piece of really good news: confirming that in 2025 the cost of generating energy in China from wind and solar will fall below that of coal - so finally we can look forward to a major economic driver behind halting global warming. There was a specific challenge on this point last week, in the General Synod's debate on Climate Change.

Finally, and with a nod to that Bus Summit which was on the news last week for potentially spreading the coronavirus, perhaps the new Chancellor will announce a nation-wide annual season ticket for local buses, giving everyone across the country the opportunity at a modest cost to benefit from the same very convenient (but free) service as senior citizens.

All things which benefit people, and people are at the heart of the economic revolution that Boris Johnson and Dominic Cummings want to bring about.

They're also at the heart of the Share enterprises and, in that context, we should report on the major strategic transformation being undertaken by The Share Centre and its parent, Share plc. At 7 am today Share plc and Interactive Investor announced a major combination of their businesses, which will underpin the whole move to a more egalitarian form of capitalism. I cannot comment on it for obvious reasons - I am Share plc's chairman - but we can provide you with **this link, directly to the announcement**.

Plus ça change ..

Gavin Oldham OBE

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