

# **Steering the ship: Building an economy that works for society**

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*‘The test of our progress is not whether we add more to the abundance of those who have much, it is whether we provide enough for those who have too little’*

– Franklin D Roosevelt, 1936<sup>1</sup>

Britain is both an immensely rich and immensely poor country. Personal fortunes have reached new heights, while levels of poverty are close to record levels.<sup>2</sup> After two decades of feeble growth, the nation has fallen to 28<sup>th</sup> place across the world in national output per person.<sup>3</sup> Average living standards have been little better than static since the 2008 financial crash, and have been falling behind those of other comparable European nations. A poll for the children’s charity Barnardo’s found that ‘55 per cent of teenagers said they believed their lives would be worse than the previous generation while another 34 per cent thought the next generation of children’s lives would not be any better’.<sup>4</sup>

This paper explores three interconnected structural faults that lie at the roots of Britain’s increasingly broken economy and fragile society. These are: the growth of unproductive and pro-rich forms of wealth accumulation, a return towards wealth and income concentrations of the past, and a shift from democratic and social control over the economy to elite and unaccountable financial institutions and individuals. Together these forces have brought both an economic slowdown and widened the gap between economic activity and high social value.

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1 [“One Third of a Nation”: FDR’s Second Inaugural Address](#)

2 [Is scrapping the two-child limit enough to tackle poverty? | British Politics and Policy at LSE](#)

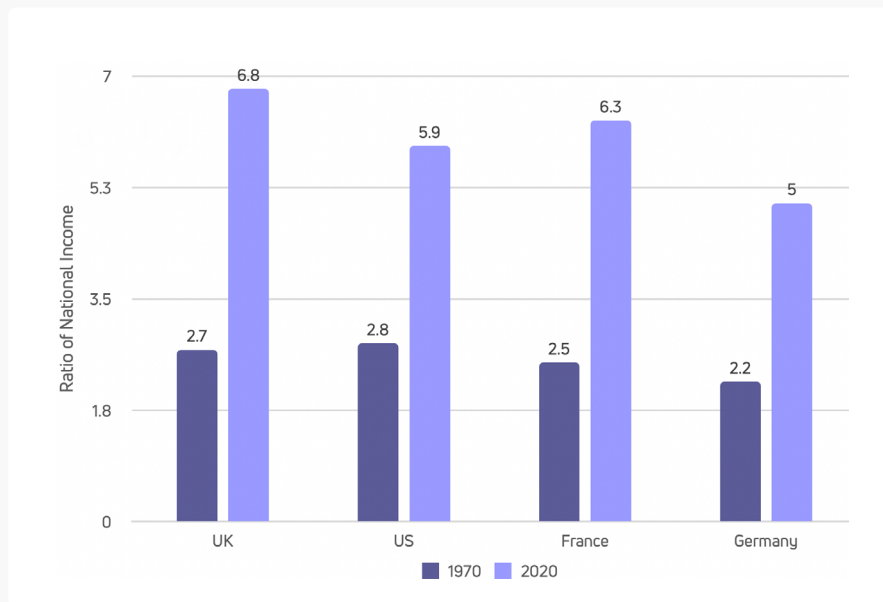
3 World Bank, GDP per capita, UK, [worldbank.org](#).

4 Barnados, Changing Childhoods, Changing Lives, [baranados.org.uk](#), 4 March, 2024.

## Wealth accumulation: a slippery concept

Keir Starmer has called ‘wealth creation’ Labour’s No.1 mission. By this he means activity that creates new value. But ‘creation’ and ‘accumulation’ are slippery concepts. Since 1980, for example, the market value of privately held wealth (property, physical and financial assets net of debt) has risen at more than twice the pace of the economy, a pattern repeated across the globe (chart 1).

**Chart 1: Private wealth holdings as a ratio of national income, 1970-2020<sup>5</sup>**



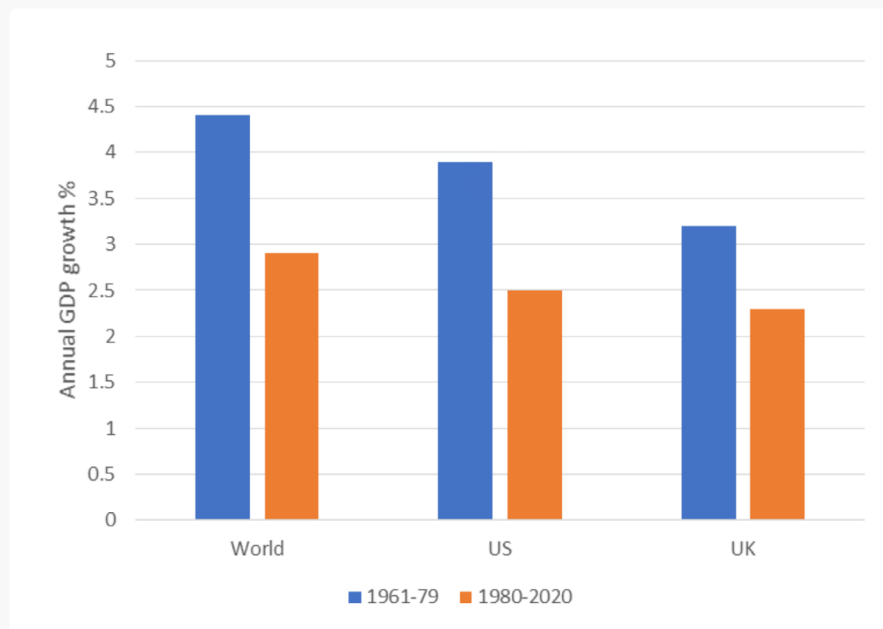
Surges in wealth holdings are usually presented as good news. Accumulation that arises from innovation, investment in social and economic infrastructure and productivity driving business methods is essential for economic and social progress. But the four-decade long leap in personal wealth holdings has been associated with falling rates of investment, productivity and growth. It is less the product of a more dynamic economy than ‘a wealth grab’ enabled

<sup>5</sup> L. Chancel et al, World Inequality Report, 2022, World Inequality Database, 2023, figure 3.2, pp 75-76.

by the accretion of private economic power and elite control over scarce resources.

As shown in chart 2, growth rates per capita since 1980 have been significantly lower across the world than in the period from 1961-1979 when personal wealth levels grew more slowly. In the UK, the average annual growth rate per head has fallen from 2.5 per cent in the 1970s and 1980s to 1.3 per cent in the 2010s, and 0.3 per cent since 2020.<sup>6</sup> While wealth holdings have grown, other measures of the state of the nation have been set in reverse. The Global Social Progress Index, an international measure of wellbeing shows that between 2011 and 2024 the UK slipped from 13th to 20th place among developed nations.<sup>7</sup>

**Chart 2: Annual GDP growth per capita, percentage<sup>8</sup>**



Added to this, the wealth boom, globally and in the UK, has bypassed the great majority of citizens. Between 1995 and 2021, the world's top 1% captured 38% of total wealth growth. In contrast, the bottom half ended up with just

6 Office for National Statistics, Trends in GDP per head, 18 October, 2024.

7 Statbase, Social Progress Index, 2011-2024, 2024.

8 World Bank Data, GDP growth (annual %), 1961-2024. [GDP growth \(annual %\) | Data](#)

2%.<sup>9</sup> Aggregate wealth in the UK grew by £5.68 trillion between 2010 and 2018, with the poorest half gaining 6% of this rise and the top half 94%.<sup>10</sup>

## A plutocratic wealth and power grab

Wealth accumulation has followed an uneven path across history. Capitalist animal spirits have sometimes operated as a meritorious and dynamic force, unleashing exceptional innovation and leaps in living standards. But they have also been associated with damaging and predatory business behaviour with high social costs and harmful economic effects. The impact of wealth booms ultimately depends on how far they are sourced from ‘good’ accumulation that makes a significant positive contribution, as opposed to ‘bad’ that hinders progress.<sup>11</sup>

The contemporary wealth boom, still to run its course, is high on bad accumulation through capital’s ability to rig the way economies work. The pioneers of economics in the 18th and 19th centuries drew an important distinction between wealth creation that contributes to the common good, and wealth extraction that merely serves the interests of a powerful few at the expense of weaker members of society. ‘The efforts of men are utilized in two different ways’, declared the influential Italian economist Vilfredo Pareto in 1896. ‘They are directed to the production or transformation of economic goods, or else to the appropriation of goods produced by others.’<sup>12</sup> The critic of orthodox economics, J.A. Hobson, distinguished between ‘property’ and ‘improperty’, while the eminent economic historian and social critic R.H. Tawney called assets used simply to extract payments from others, and not to perform a positive role, ‘property without function’.<sup>13</sup>

A key characteristic of the post-war economy was a rebalancing of power in favour of greater social control, with capital owners conceding, if unwillingly, much of their pre-1939 dominance. From the early 1980s, powered by a

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9 L. Chancel et al, *The World Inequality Report, 2022*, World Inequality Lab, 2023, p 92-94.

10 B. Gelblum, ‘A decade of Tory austerity in numbers’, *The London Economic*, 31 December, 2019.

11 S. Lansley, ‘Wealth Accumulation: The Good, the Bad and the Ugly’, *The Political Quarterly*, 21 November 2024.

12 V. Pareto, *Manual of Political Economy*, Augustus M. Kelley, 1896.

13 R.H. Tawney, *The Acquisitive Society*, 1920, republished by BiblioLife, 2008, pp76-77.

fundamental shift in governing philosophy, this structure of power was shifted again through the state's outsourcing of economic control to private capital. Seduced by the claims of neoliberal evangelists, democratically elected governments unpicked the post-war constraints on market freedom and downgraded their own role in the management of economies. This transfer came through weakened regulation, especially over financial activity, privatisation and the dismantling of a number of progressive economic levers. Examples of the latter have included a weakening of the progressive tax regimes of the post-war era, the withdrawal of regional and industrial policies, the extension of markets into a range of areas of social provision from social care to adoption and fostering, and the rolling austerity programmes from 2010.

Today, government has lost much of the agency necessary to steer the economic ship. This has been replaced by a form of corporate imperialism. The recalibration of the power balance has been a significant source of greater economic turbulence, undermined the ability of government to control events, and distorted the pattern of resource use away from the most basic of priorities. It has made Britain more vulnerable to external shocks, driven the rise of a new plutocratic class, and upended the collective politics of the post-war years.

Despite its limitations, post-war social democracy delivered relatively rapid levels of growth, low levels of joblessness and an historic low point for poverty and inequality. One of the factors behind its success was the fusion of Keynesian macro-management, social egalitarianism and active resource management that gradually softened the co-existence of extreme opulence and mass social scarcity of the pre-war age. The active management of demand was accompanied by a range of policies aimed at greater equality. Not only did demand rise, but the pattern changed in favour of meeting social and basic economic needs, and away from the pre-war demands of the super-rich.

The social achievements of Attlee's Labour government from 1945 were in large part a product of democratic control over the economy through a strategy of 'progressive austerity'. Classical economic theories – of the need for a balanced budget, and market control over resource allocation – were discarded. Slow rises in consumption through rationing and controls to steer

resources into rebuilding the economy and social priorities weren't always popular, but they were effective.<sup>14</sup>

In contrast, the dismantling of the post-war social and economic model has delivered post-war highs in the division of income, wealth and life chances. The income gap has widened sharply, while the level of child poverty has doubled.<sup>15</sup>

There are strong links between the four-decade long pro-capital governing philosophy and the multiple crises - from economic fragility to fiscal weakness - facing many of today's most advanced economies. Rolling privatisation, for example, has reduced the share of national wealth pools that are publicly owned. In the case of the UK this share has fallen from 28% in 1980 to 13% today.<sup>16</sup> The UK's public debt - 96% of GDP in 2025 - stands somewhat below the average among leading economies of some 110%. But, with the state debts now exceeding the aggregate of publicly owned assets, the country owes more than it owns. The national finances are in negative equity.

As shown in chart 3, the value of the UK's national assets exceeded debts by a healthy 28% in 1980. That balance now stands at minus 8%. Most of the rich world has presided over a weakening of state finances, with two nations, the UK and the US, now sitting on net deficits. The malign effect of the decline of these fiscal surpluses has been to make states poorer, lowering their capacity to handle issues like inequality, poverty, social reconstruction, climate change, the Covid crisis and the growing costs of pension provision including from demographic change.

This twin development - the growth of capital's control over economies alongside state disempowerment - is evident in a number of key trends of recent decades. National assets are increasingly privately and more narrowly owned, while transnational corporations are bigger, richer, and more lightly regulated than in the past. America's giant-tech companies, from Google to

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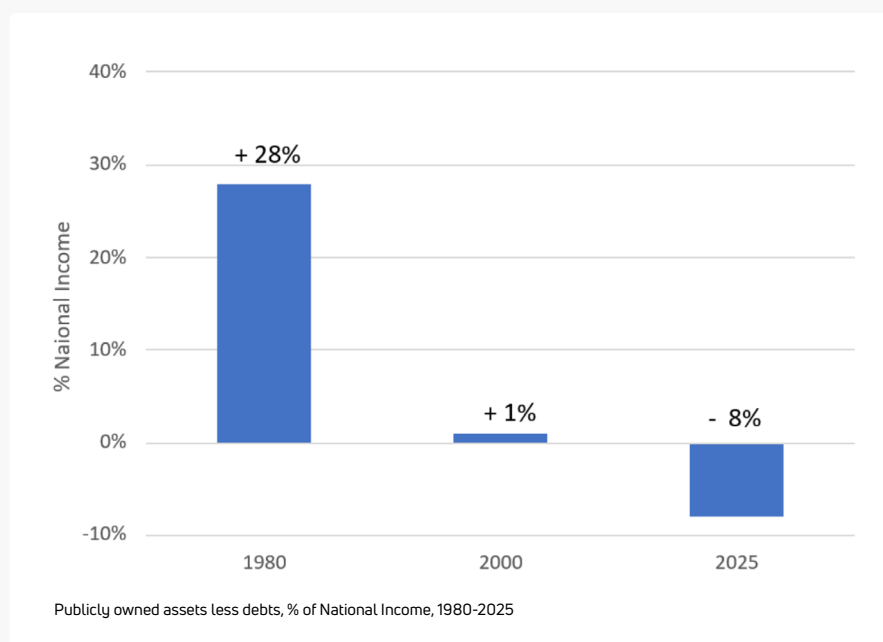
14 S. Lansley, 'Lessons from Attlee', *History Today*, June 2024.

15 [Living standards, poverty and inequality in the UK](#) | Institute for Fiscal Studies

16 L. Bauluz et al, *Global Wealth Accumulation and Ownership Patterns, 1800-2025*, World Inequality Lab, September, 2025, figure 8.

Apple are sitting on asset holdings that are close to those of small to medium sized national economies, from Sweden and Belgium to Singapore.

**Chart 3: Britain's deteriorating public finances**<sup>17</sup>



The level of footloose cash circulating across the globe has surged. Controlled by an increasingly concentrated and interwoven global network of the world's wealthiest individuals and private institutions – from ever larger corporations to private equity consortiums – big finance has secured a commanding nexus of control over the investments of the future, the pattern of production, the management of resources and thus the shape of economies. Among the leading players in this nexus of power are the giant asset management companies who together control some \$128 trillion of investible funds, more than four times the size of the American economy.<sup>18</sup> The largest of these – Wall Street's BlackRock, Vanguard and Fidelity – control some 40 per cent of these holdings.

<sup>17</sup> L Bauluz et al, *Global Wealth Accumulation and Ownership Patterns, 1800-2025*, World Inequality Lab, September, 2025, figure 9.

<sup>18</sup> Boston Consulting Group, *Global Asset Management Industry Hit New Record High in 2024—and a Critical Turning Point*, April 2025. B Christophers, *Our Lives in Their Portfolios*, Verso, 2023,

The embodiment of largely unrestrained corporate power, this network enjoys remarkable freedom in the investments they choose, the fees they charge, and over the industries of the future. This control has been a key factor in the separation of financial markets from socially useful accumulation. Despite the impact exercised over everyday lives for millions across the globe, these financial and corporate giants along with the billionaire class face limited accountability and minimal disclosure requirements. They mostly accept few social obligations and exercise a growing influence over state decision-making.

Boardrooms have been only too happy to embrace the dictum of the pro-market Nobel laureate Milton Friedman that: ‘Few trends could so thoroughly undermine the very foundations of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their stockholders as possible.’<sup>19</sup> Economists have long warned of ‘too much finance’, the decoupling of the value of assets from the real economy and the growth of finance out of all proportion to the needs of economies.<sup>20</sup> The total value of global financial assets held by private financial entities rose almost fivefold between 2003 and 2023, a rise which greatly outstripped the value of productive assets – infrastructure, machinery and equipment.<sup>21</sup> In 2023, the UK financial system had assets of £27 trillion – around ten times the size of the economy.<sup>22</sup> This ratio had risen from around a quarter in 1970, and stands at the third highest after the US and Japan.<sup>23</sup>

This apparently ceaseless growth has been powered in part by a hike in financial speculation on movements in share values, foreign exchange rates, commodity prices and interest rates, each of them divorced from productive activity. Almost a century ago, JM Keynes had warned of the risks of an unregulated finance sector to turn into a ‘whirlpool of speculation’ and ‘a by-product of the activities of a casino’.<sup>24</sup>

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19 M. Friedman and R. Friedman, *Capitalism and Freedom*, University of Chicago Press, 1982, p133.

20 Georgina Hutton, Abbas Panjwani, Matthew Ward, *Financial Services in the UK*, House of Commons Library, 2024.

21 [Global Monitoring Report on Non-Bank Financial Intermediation 2024 - Financial Stability Board](#)

22 Of these assets, just over a half – some £14 trillion – were held by UK banks.

23 Satoru Hagino and Lilita Cavieres, [OECD financial statistics for measuring the structure and size of the shadow banking system](#), IFC Bulletin No 36, chart 1.

24 J.M. Keynes, *General Theory of Employment, Interest, and Money*, New York: Harcourt Brace, 1936.

Governments and regulators have been slow to wake up to the risks of an over-sized financial sector. It not until after the 2008/9 Crash that Adair Turner, the chairman of the Financial Services Authority, told a business audience that some financial activities which proliferated from the millennium were ‘socially useless’, and that ‘some parts of the system were swollen beyond their optimal size.’<sup>25</sup> ‘The global economy is out of balance’ concluded a 2025 international study, ‘with wealth, debt, and cross-border liabilities growing faster than the productive output that underpins them... This puts the world in a precarious position.’<sup>26</sup> When the Financial Stability Board warned in 2023 that non-bank financial intermediaries, such as hedge funds and non-bank institutions need to ‘face limits on the amount of leverage they can use and provide more disclosure to regulators, ‘it went down like a cup of cold sick among hedgies.’<sup>27</sup>

After a certain threshold financial sector growth harms economic performance through over-speculation, excessive leveraging, runaway profits and a diversion from value creation. One study has estimated that the cost to the UK economy of ‘too much finance’ over the 20 years from 1995 to 2015 adds up to some £4,500 billion in terms of lost growth. That’s roughly 2.5 years of the average GDP across the period.<sup>28</sup>

It was the abuse of the freedom granted to Wall Street and City financiers and global conglomerates that led to the huge hike in leveraged lending and debt that triggered the 2008 crisis. The decade before the crash had seen a plethora of corporate scandals. A string of giant American companies – from Enron to WorldCom – were brought to their knees by accountancy tricks used to siphon off corporate wealth to top executives, actions that left tens of thousands of employees losing their jobs, health care plans and pensions. As bankrupt companies were heading for the rocks some top executives continued to enrich themselves through insider dealing and by quietly exercising their stock options before their companies collapsed. At work according to one critic was a ‘titanic redistribution of wealth achieved by corporate leaders’.<sup>29</sup> The rock

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25 A. Monaghan ‘City is Too Big and Socially Useless’, Daily Telegraph, 26 August 2009.

26 [McKinsey Global Institute](#), Out of balance: What’s next for growth, wealth, and debt? 9 October, 2025.

27 T. Nangle, ‘How large are global financial assets?’, Financial Times, 14 July, 2025.

28 A. Baker, G Epstein, and J Motecivo, The UK’s Finance Curse, SPERI, University of Sheffield, 2016.

29 R. Brenner, ‘Towards the Precipice’, London Review of Books, 6 February 2003.

star turned protest singer Bruce Springsteen, put it more strongly in Death to my Hometown:

*Send the robber barons straight to hell  
The greedy thieves who came around  
And ate the flesh of everything they found  
Whose crimes have gone unpunished now  
Who walk the streets as free men now*

Little has changed. Recent examples of corrupt and unethical corporate behaviour include the billionaire Sackler family – owners of Purdue Pharma – who eventually pleaded guilty to charges related to the US opioid crisis through drugs like OxyContin.<sup>30</sup> Boeing, the world's largest plane manufacturer and with its planes falling out of the sky, has been accused of repeatedly cutting corners on safety. Volkswagen was exposed for doctoring emissions of its diesel models. British high street banks and insurance companies have a long history of self-serving and exploitative business practices, including the mis-selling of financial products from income protection insurance to car finance.

## **Extraction**

Central to this dealignment has been the spread of 'appropriation' or 'extraction' with business methods used to 'skim' or 'top slice' the gains from economic activity in ways that work against long term dynamism and social resilience. Acting as a kind of private tax on the industry of others, appropriation is most prevalent in economies where business elites are empowered by weak regulation, a pro-rich culture, and a passive state. Extraction was widespread in the Victorian age and the inter-war years but became less prevalent in the post-war decades. Its revival in recent times has been one of the central sources of today's deep-seated pro-inequality bias, weakened growth, stalled living standards and the spread of impoverishment.<sup>31</sup>

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30 E.B. Campbell, 'OxyContin created the opioid crisis, but stigma and prohibition have fueled it', *The Conversation*, 16 September, 2021.

31 S. Lansley, *The Richer, The Poorer, How Britain Enriched the Few and Failed the Poor*, a 200-year history, Bristol University Press, 2021, pp177-206.

The contemporary wealth surge is at best marginally linked to merit, skill or prescient risk, and has a strong ‘unearned’ or ‘passive’ element. Over a half of the increase in wealth in the UK since 2010 has come from rising asset prices, especially in property, rather than from ‘active’ or more productive activity.<sup>32</sup> These passive capital gains are most evident in the wealth growth among the richest.<sup>33</sup>

One of the most significant effects of the ideological counter-revolution against post-war managed capitalism and the weakening of the role of economic management by states has been a rebirth of plutocratic forces. The result has been the resurrection of economic activity geared to personal enrichment too often at the expense of socially productive entrepreneurialism, corporate durability and social advance.

Plutocracy has been the norm across long swathes of history. In Britain wealth and political power had been synonymous for centuries, with economic and political elites one and the same at least up to the mid-Victorian era. In America, the immensely rich industrial and commercial barons, such as the banker JP Morgan and the oil baron, J. D. Rockefeller, wielded direct power over the American economy. They were later dubbed the ‘robber barons’ for their ruthless industrial tactics. The term plutocracy was first applied to American society in 1895 by the political activist and member of the House of Representatives, Milford Wriarson Howard. The result was a society divided into two, or as Howard put it, ‘One of these classes represents plutocracy, the other represents the great masses, the toilers of the nation.’<sup>34</sup>

Contemporary examples of extraction include the rigging of financial markets, the manipulation of corporate balance sheets, mass tax avoidance, a range of anti-competitive devices and the skimming of returns from financial transactions, a process City traders like to call ‘the croupier’s take’. In 2024, the Conservative deputy foreign secretary, Andrew Mitchell, acknowledged that nearly 40% of the ‘dirty money’ in the world – including from organised crime

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32 M. Broom and R. Kanabar, *Before the Fall*, Resolution Foundation, 8 October, 2025.

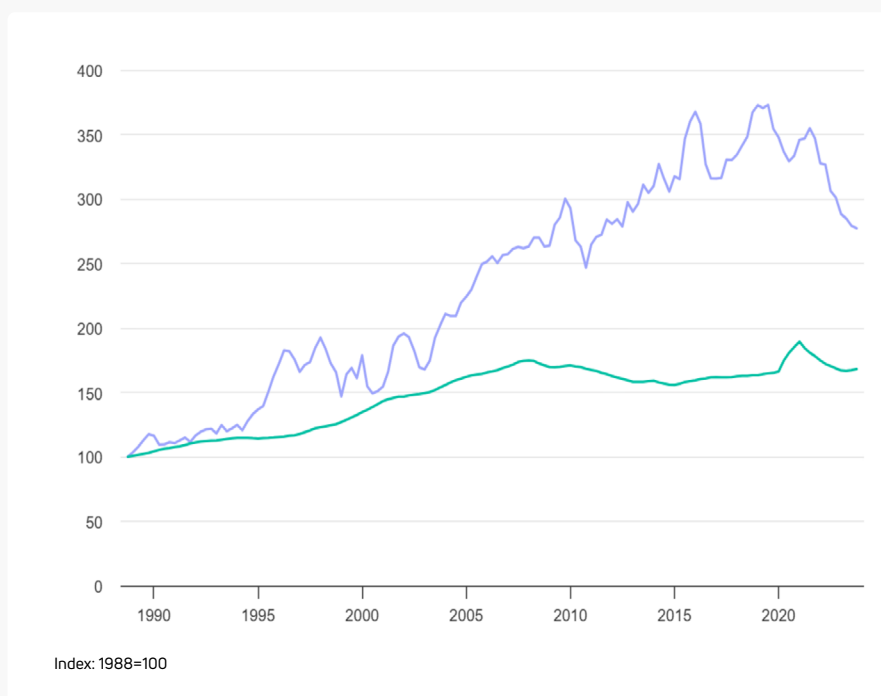
33 A. Advani, and A. Summers, (2022), ‘Measuring and taxing top incomes and wealth’, Deaton Review of Inequalities, Institute of Fiscal Studies, 2022. See also T. Lee, J. Lee and K. Coldiron, *The Rise of Carry*, McGraw Hill, 2019.

34 Milford Wriarson Howard, *The American Plutocracy*, Holland Publishing Company, 1895, p 3.

and money-laundering - was going through the City of London and other UK territories through what has been dubbed 'the London laundromat'.<sup>35</sup>

A growing number of corporations - from those controlled by private equity consortiums to the mega tech companies - have been used as money machines for their owners and investors. In the UK, rising profits have been increasingly used to boost shareholder pay-outs at the expense of both wages and investment. In many cases, as in some of Britain's privatised water companies, firms have paid out more than their net income.<sup>36</sup> Chart 4 shows how dividend payments in the UK have greatly outstripped wage rises since 1985. Globally, dividend payouts in 31 countries climbed 14 times faster than wages between 2020 and 2023.<sup>37</sup>

**Chart 4: How dividends have outpaced real pay, UK, 1985 to 2022**<sup>38</sup>



35 [committees.parliament.uk/writtenevidence/127415/html/](https://committees.parliament.uk/writtenevidence/127415/html/)

36 A. Baker et al, 'Against Hollow Firms Repurposing The Corporation For A More Resilient Economy', The Centre for Research on Accounting and Finance in Context, 2023.

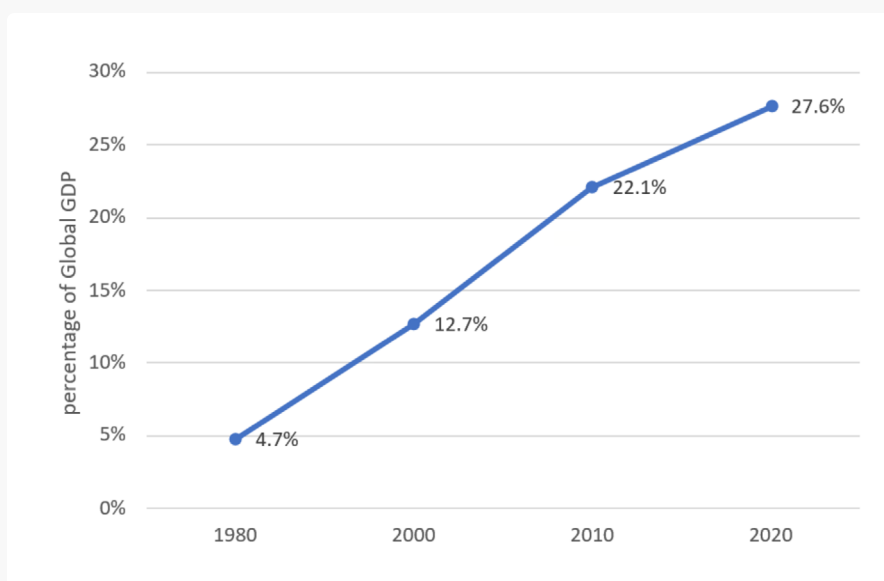
37 Oxfam, Global dividend payments rise faster than pay, Media Centre, May 2024.

38 E. Shearer et al, 'A Firm Partnership', Briefing, Common Wealth, 16 May, 2024, fig 3.

The term ‘neoliberal’ remains a widely used but deeply misleading description of modern capitalism, one that is less addicted to competition than market rigging through the application of raw corporate power. Far from demanding more competitive markets, the global plutocratic class are only too happy with their freedom to create monolithic corporations which are the source of their power and enrichment. The re-empowerment of global capital has created ever more mammoth entities used, according to one critic, as ‘accumulation mechanisms’ enjoying significant leverage over government.<sup>39</sup>

‘The curse of bigness’ as one scholar describes it, has emerged under the cover of the illusion of competition.<sup>40</sup> Chart 5 shows how the world’s top 50 global companies by market capitalisation have grown their share of world GDP fivefold from less than 5% in 1980 to over 27% by 2020. Those at the top today include Nvidia, Google, Amazon, Saudi Aramco, JP Morgan Chase and AstraZeneca. Fifteen of the top 20 are US companies.<sup>41</sup>

**Chart 5: Value of Top 50 Global Companies as a percentage of Global GDP, 1980-2020**



39 J. B. Foster, ‘Monthly Review | Monopoly Capital at the Half-Century Mark’, Monthly Review, Vol. 68, No. 03, 2016.

40 Tim Wu, *The Age of Extraction*, Penguin, 2025. A. Wooldridge, ‘Neoliberalism Isn’t the Problem. Giant Companies Are’, Bloomberg UK, 25 July, 2024.

41 Top 50 companies’ proportion of world GDP, Visual Capitalist, July, 2021.

It has been the elimination of rivals that has given the mostly young, tech founders membership of the global multi-billionaire ‘three commas’ club. Mark Zuckerberg’s Meta Platform, the owner of Facebook, has over 3 billion daily users, seven out of ten global internet users. Google, through a relentless strategy of takeovers, controls over 80% of Europe’s search market. A handful of companies including Bayer–Monsanto, PepsiCo, and Nestlé command the global food system. Three companies– Samsung, Huawei and Apple– hold almost a half of the worldwide market share of smartphones. In Britain, The Competition and Markets Authority has warned of Britain’s tendency towards ‘oligopolistic structure’ and anti-competitive devices from barriers to entry and predatory pricing to cartels.<sup>42</sup>

Modern economies are riddled with examples of what the American heterodox economist Thorstein Veblen called, over a century ago, ‘market sabotage’.<sup>43</sup> Take the boom in the private equity takeover of public companies (those registered on the stock market). British examples include Boots, Pearson, Ted Baker, Travelodge, the AA, Auto Trader, Morrisons, John Laing, personal finance adviser, Hargreaves Lansdown, Matthew Moulding’s THG, Dechra Pharmaceuticals, EMI, estate agent Countrywide, defence contractor Ultra, waste company Viridor, cybersecurity business Sophos, a range of privatised utility companies and many many more.<sup>44</sup> Such companies now employ around a tenth of the UK workforce.

The quick and easy profits from private equity takeovers come from aggressive financial engineering, job losses, company break-up, shortfalls in pension fund payments, hidden fees, opaque accounting, high levels of borrowing and the selling of key assets from property, factories, and equipment. A former CEO of one of the largest US institutional investors, Theresa Whitmarsh, says she was told by one private equity founder that the industry is ‘a blood sport’. The former City minister Lord Paul Myners likened Britain’s openness to such takeovers to a ‘car boot sale’.<sup>45</sup>

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42 Competition and Markets Authority, State of Competition Report, Gov.UK, 2022.

43 T. Veblen, *The Engineers and the Price System*, BW Huebech, 1921, chapter I

44 Neha Bora, ‘[Shining a light on private equity backed corporates in four findings](#)’, *Bank Underground*, 25 September, 2024.

45 Quoted in A Hanton, *Vassal State*, Swift, 2024, p 106.

One of the hallmarks of private equity activity is the leveraging of transactions through borrowing. This offers the prospect of greater returns, but with the heightened risks from much higher corporate debt-to-equity ratios. Leveraging has long been commonplace in bank lending policies, takeover activity, and even dividend payments. Operating with inflated levels of debt, private equity owned companies are much more likely to fold than more conventional businesses. UK examples include the poultry business, Bernard Matthews, department store chain, Debenhams, the care home companies Southern Cross and Four Seasons, and Toys R Us.<sup>46</sup> Other companies sunk by profit-hunting business tactics than long term corporate strength include the chemical giant ICI and the leading electronics firm Marconi.

One of the most notorious and high-profile examples of this process involves the Australian investment company Macquarie. Dubbed ‘the vampire kangaroo’ by critics, it took ownership of the privatised utility Thames Water from 2006 to 2017. Macquarie, a specialist in extracting supersized returns, was one of the first companies to spot the huge financial gains to be pocketed from turning public utilities into lucrative assets. During the 11 years of Macquarie’s ownership of Thames Water, they took £2.7bn in dividends, increased the company’s pension deficit from £18m to £380m, and its debt from \$3.4 to \$10.8 billion.<sup>47</sup> The former Wall Street merchant banker, Edward Chancellor, once launched a broadside against Macquarie for its ‘excessive fees, excessive leverage and excessive complexity’.<sup>48</sup> It was no surprise when Thames Water was close to bankruptcy in mid-2024 because its cash flow was insufficient to meet its debt payments.

Having started with more conventional markets, the private equity industry has been targeting key public services. These include adult and child care and fostering, once carried out mostly by public agencies, with their new owners demanding returns that squeeze the quality of service provided. In 2022 private equity companies owned a third of the fostering sector and four-fifths of children’s residential care. This is despite the evidence that public and third sector

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46 UK Parliament, Southern Cross, House of Commons, 19 July, 2011.

47 Gill Plimmer and Nic Fildes, ‘Managed by Macquarie: the Australian group with a grip on global infrastructure, Financial Times’, 27 June, 2023.

48 G Haigh, ‘Who’s afraid of Marcquarie Bank ?’, *themonthly.com.au*, 4 July 2007.

providers outperform for-profit providers in adult and child care.<sup>49</sup> US Private Equity firms – such as the global giant KKR – have been hovering for years to buy up NHS physical assets including GP surgeries and their properties. Since 2021, private equity consortiums have organised 130 deals involving British healthcare activity, in addition to acquiring care homes. High-cost private operators are also playing a growing role in the education system. These include the provision of supply teachers and in SEND (Special Educational Needs and Disabilities) schools.<sup>50</sup>

## **A growing gap between economic activity and social value**

The end to the temporary truce between capital and labour and rich and poor of the early post-war decades has had profound implications. The operation of the UK economy after the war became a more collective and managed responsibility, with more shared involvement between states and markets, public and private sectors, individuals and social institutions. Underpinned by a broadly supportive political consensus, if one that weakened over time, resources were guided towards social priorities. This reinterpretation of the respective roles of state and business compared with the pre-war years contributed to both faster growing and more socially secure societies. This was a time of private and public affluence. For the first time in modern history, a concern with the ‘distribution question’ – of how the cake is shared – was made central to the political agenda under Social and European Christian democracy.

The 1970s proved the high-water mark of egalitarianism and of greater social control over resources. The reordering of power, the abandonment of distribution as a guide to policy, and the downgrading of state social responsibility have all played a role in today’s slowdown in the rate of economic and social progress and the strengthening of plutocratic power. As fortunes accelerated in the 1980s and 1990s, reaching new peaks, the journalist Thomas Frank described America as entering ‘Gilded Age Capitalism’.<sup>51</sup>

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49 Anders Bach-Mortensen et al, Evidencing the outsourcing of social care provision in England, Nuffield Foundation, 2024.

50 Guy Standing, Human Capital: The Tragedy of the Education Commons, Pelican, 2026.

51 T. Frank, Commodify your dissent: salvos from The Baffler, Norton, 1997

Capital also gave the game away. Two years before the financial crash in 2008, a leading Wall Street investment bank, Citigroup, advised its clients that the US had come to resemble a ‘plutonomy’, a society in which economic decision-making is heavily concentrated in the hands of a tiny super-wealthy minority. ‘In plutonomies the rich absorb a disproportionate chunk of the economy’ the clients were told. ‘There are rich consumers, few in number, but disproportionate in the gigantic slice of income and consumption they take. There are the rest, the “non-rich”, the multitudinous many, but only accounting for surprisingly small bites of the national pie.’<sup>52</sup>

That plutocratic power has continued grow. At his 2025 inauguration as President, Donald Trump was flanked by four of the richest men in the world, Tesla’s Elon Musk, Meta’s Mark Zuckerberg, Google’s Sundar Pichai and Amazon’s Jeff Bezos, all of them having poured huge sums into his election campaign. Trump’s administration includes at least 13 billionaires with a combined fortune of over \$400 billion.<sup>53</sup> His government, is, by some stretch, the wealthiest democratically elected government in US history, and a clear signal of a higher stage of the linking of money and power.

Many of Trump’s inner circle of corporate bosses have long targeted the UK as a source of their growth. The New York based financial giants, KKR, Blackstone and Apollo, each of them welcomed with open arms by British governments, have been buying up physical assets, including infrastructure, from roads, bridges and parking to water supply and health centres. Blackstone holds a huge portfolio of student and other residential accommodation in the UK as well as other countries such as Spain.<sup>54</sup>

One of the American billionaires behind the Trump throne is Peter Thiel. He is the co-founder of the data mining company Palantir which has secured significant contracts to deliver data handling with the public sector in Britain, including the NHS and Ministry of Defence. Thiel echoes the views of the 19th century robber barons that ‘competition is for losers’ and that the primary goal

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52 A. Kapur, ‘The Plutonomy Symposium — Rising Tides Lifting Yachts’, *The Global Investigator*, September 29, 2006.

53 [Trump’s Billionaire Cabinet Represents the Top 0.0001% - Public Citizen](#)

54 K Schwenk, ‘[Private Equity Is Coming for Public Utilities](#)’, *Jacobin*, 18 August, 2025.

of modern capitalism should be to create monopolies.<sup>55</sup> As he once admitted, ‘I no longer believe that freedom and democracy are compatible.’<sup>56</sup> The building of the infrastructure to make artificial intelligence (AI) work will depend on deals, and the level of subsidy on offer, with American technology giants from Microsoft to Nvidia. As with responding to Covid, AI is another example of Britain’s dependency on external private companies, and a further step in the ownership of British infrastructure overseas.

It is also another sign of the way state economic strategies become dependent on the preferences of private capital. UK national renewal is heavily dependent on state deals with the world’s most powerful corporations, despite their insistence on excessive returns. As the economist Daniela Gabor has warned, public/private deals that put the UK’s fate in global asset managers, mostly based in New York, is to ‘get BlackRock to rebuild Britain.’<sup>57</sup> Indeed, it was not long after the 2024 general election before Larry Fink, BlackRock’s chief executive, was having lunch in Downing Street.

The growth of an ever-larger global mountain of financial assets reveals that despite claims to the contrary, contemporary economic crises have nothing to do with a lack of resources or low economic capacity. Far from there being ‘no money left’ for national renewal, there is plenty of money but it is too often being used for the wrong things in the wrong places.

Since the millennium, the lion’s share of these ever-expanding pools of global funds held by western agencies has been poured into big, safe, but highly questionable money spinners – the fossil fuel industry, big luxury property developments across the globe, crypto, gambling. These industries mostly offer high market returns but are especially prone to cronyism and extraction. Mining corporations and conglomerates are still riddled with ‘lucrative speculation, low-cost labour and rapacious corporate control’ writes a leading authority on the oil industry Laleh Khalili. ‘Their commodification and trade hold mirrors to global inequalities and ecological plunder... Extractive

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55 P.Thiel, ‘Competition Is for Losers’, Wall Street Journal, 12 September, 2014.

56 P.Thiel, ‘The Education of a Libertarian’, Cato Unbound, 13 April, 2009.

57 Daniela Gabor, ‘Labour is putting its plans for Britain in the hands of private finance. It could end badly’, The Guardian, 2 July, 2024.

capitalism is about how the commodification of prosaic everyday things affects lives here, now and half a world away'.<sup>58</sup>

The current target for investment - artificial intelligence - symbolises the high stakes at work in capitalism's onward march. The investment comes with hyped claims of transformative change and boosts to productivity, which may or may not materialise, but also a range of potentially harmful downsides. The technological breakthrough poses big questions for societies, economies and humanity. Yet far from governments taking the lead role in balancing the potential rewards and risks involved, it is capital that is setting the rules. Beguiled by its prospects, government is proving largely helpless to control the speed or nature of the changes at work. Instead, the risk is that AI will come with a further downward notch in state regulatory power, and a ratcheting up of corporate and financial control. As the economist and leading authority on information technology, Erik Brynjolfsson has warned, in this new world, most of us 'would depend precariously on the decisions of those in control of the technology.'<sup>59</sup>

Too little of this growth of private financial power has been used to power high social value activity from affordable homes to investment in medical and scientific advance and improved training and educational opportunities for young people.<sup>60</sup> The extension of corporate and market control over resource allocation has come with falls in total private investment in G7 countries and especially in the UK.<sup>61</sup> Key social areas, including health, have seen inadequate levels of capital spending, leading to a deterioration in the quality of the NHS estate. Productivity growth has slowed significantly in all advanced economies since the 2008 financial crisis, but it has been sharpest in the UK.<sup>62</sup>

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58 Laleh Khalili, *Extractive capitalism*, Profile Books, 2025.

59 Erik Brynjolfsson, 'The Turing Trap: The Promise & Peril of Human-Like Artificial Intelligence', *Dædalus*, Spring 2022.

60 L. Calafati et al, *When Nothing Works*, Manchester University Press, 2023.

61 G. Dibb and C. Jung, *Rock bottom*, Institute of Public Policy Research, June 2024

62 [The past and future of UK health spending. Getting Britain out of the hole – A plan for the UK economy](#)

## An economy that works for society

How society's resources are allocated depends on how income and wealth is shared and on the division between market and non-market activity. High-inequality, heavily-marketised, low publicly-owned and weakly-regulated economies will steer more economic activity towards the demands of boardrooms and a growing billionaire class. Indeed, the hikes in personal fortunes and in relative purchasing power at the top in recent decades has fed a redirection of private resources towards the lifestyles of a super-rich class.

More of the global supply capacity becomes geared to high level luxury spending, and away from essential social infrastructure, and the key foundational and everyday goods and services - from local shops and transport to adequate child and adult care - on which successful communities depend. This foundational core - provided by a mix of private, public, and social sectors - employs around 40% of the workforce in England and Wales, a share insufficient for sustaining communities and opportunities.<sup>63</sup> It would be larger under a less unequal society and less extractive economy. This diversion lies at the roots of the rising social crises of the last decade and the juxtaposition of enfeebled public services, growing levels of impoverishment and high levels of elite consumption.

Scarce resources have been absorbed by grand property developments, bigger cars and more private airports. Of the 40,000 airports in the world, three-quarters are only open to private jets.<sup>64</sup> In London and other conurbations, scarce land and construction resources that could have been used to tackle a growing housing crisis has been used to build expensive and exclusive houses and flats. Many of these including those in super-prime areas of London and other urban areas have been bought for speculative purposes by the mobile super-rich and left empty for most of the year. Such skewed allocation lies at the heart of today's mounting homes crisis.

It is wealth concentration that has fuelled the booming demand for extreme positional goods - from the private jet to the luxury yacht - that are only

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<sup>63</sup> L. Calafati et al, *When Nothing Works*, Manchester University Press, 2023.

<sup>64</sup> [Over 40,000 Airports in The World, only 9,000 Served by Commercial Airlines - Sentinel Aviation](#)

available to the super-rich. Yet it is this demand that has been the principal driver of global warming. The richest tenth of the global population emitted 48% of all global emissions in 2019, while the poorest half of the global population emitted 12%.<sup>65</sup> The global fleet of private jets has more than doubled in the last two decades, while the superyacht is one of the most polluting assets. Jeff Bezos's 11-minute space flight was 'responsible for more carbon per passenger than the lifetime emissions of any one of the world's poorest billion people'.

Misallocation comes in multiple ways. The process of extraction itself employs human labour and natural, social and industrial infrastructure that could be used in more productive and socially useful ways. Greater concentrations of economic power change the pattern of spending power. Britain hosts vast and lucrative industries, from tax avoidance to lobbying and public relations, that usurp resources for the sole purpose of protecting and building personal fortunes and buying economic power. These are all examples of positional goods open only to the super-rich. Other examples include exclusive education, political funding, the hiring of 'reputation professionals' paid to protect the errant rich and famous, the use of over-restrictive copyright laws and ways of overseeing and micromanaging workers and neighbourhoods.

Eighty years ago the influential Canadian-American political economist J.K. Galbraith warned, in his 'theory of social balance', of how excessive reliance on markets would deliver too many luxury goods, and inadequate public and social provision. His theory is only too visible today in deteriorating services for children, long waiting lists for health care, and declining high streets.<sup>66</sup> Studies have revealed a steady decline in core physical and social infrastructure, from transport links to schools.<sup>67</sup> One in five commercial bus services have disappeared since 2019.<sup>68</sup>

These problems have been compounded by bad political choices, from the excessive deregulation of finance to the dismantling of pro-equality

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65 L. Chancel, *Climate change & the global inequality of carbon emissions*, *World Inequality Database*, 21 October, 2021.

66 *Data Dashboard | Who Owns Britain*

67 D. Coyle et al, 'Townscapes, A Universal Basic Infrastructure for the UK', Bennet School of Public Policy, December, 2023.

68 G. Topham, 'Almost a fifth of England's rural bus services have vanished in the past five years', *The Guardian*, 7 January, 2025.

institutions, and damaging state economic strategies. The consequence of the Chancellor, George Osborne's austerity measures from 2010 was that the UK was much slower to recover than other nations which opted for less restrictive policies. Austerity led to a near-decade of wage freezes in the public sector, cuts in public sector capital investment, and the weakening of capacity in key public institutions that later contributed to the UK's mixed response to the Covid crisis, which according to the Covid-19 Enquiry, exposed several failures of government.<sup>69</sup> It contributed to near static living standards, widening social divisions and public sector attrition.

Since 2010, the number of care home beds for the elderly declined from 11.3 to 9.3 per 100 people.<sup>70</sup> England has an average of 1.8 acute hospital beds per 1000 of population, less than half the average across the world's richest nations.<sup>71</sup> In 2024, around 600 people left prison into homelessness every month.<sup>72</sup> The loss of youth clubs in London has increased the risk of knife crime according to one study.<sup>73</sup> Rolling cuts in Westminster funding for councils has brought a decade long squeeze on libraries, road maintenance, play areas, park maintenance and the closure of 1500 Sure Start Centres for children in England.<sup>74</sup>

Another example is the Bank of England's quantitative easing (QE) programme. To counter the deflationary effect of fiscal austerity, this pumped liquidity into the economy via the banks in the aftermath of the 2008/9 downturn. The economic strategies applied by the Treasury through fiscal policy and the Bank of England through monetary policy were working against each other. QE had a fitful impact on recovery, but fuelled speculative activity, the takeover boom and property and share prices.

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69 T. Arrieta, 'Austerity in the United Kingdom and its legacy: Lessons from the COVID-19 pandemic', *The Economic and Labour Relations Review*, Vol 33, Issue 2, June 2022. Cabinet Office, UK Government Response to the Covid-19 Inquiry Module 2 Report, 25 March 2026.

70 [Nuffield Trust, Care home bed availability, Nuffield Trust, 25 April, 2024.](#)

71 T. Pope, et al, [Capital spending in public services, Institute for Government, 26 June, 2024.](#)

72 A. Gregory, 'Thousands of prisoners being 'set up to fail' with release into revolving door of homelessness and jail', *The Independent*, 28 December, 2023.

73 National Youth Agency, ['Youth centre closures linked to greater risk of young people entering criminal justice system', nya.org.uk, 6 November, 2023.](#)

74 Institute for Government, ['Local government funding in England', Institute for Government, 10 March, 2020.](#)

One of the architects of QE, Richard Werner, had stressed the distinction between newly-created money used for productive purposes, and that used for unproductive purposes such as financial asset and property transactions which merely transfer ownership from one party to another without adding to economic strength.<sup>75</sup> With his warnings ignored, much of that stimulus ended up in the wrong place in financial markets – thus strengthening the power of finance – and from there into the net worth of the ultra-rich. QE was repeated during the Covid outbreak, making it a more permanent feature of macroeconomic policy. The total wealth of billionaires worldwide rose by \$5tn – a 60% jump – in the 12 months to mid-2021, the biggest surge ever registered on the annual billionaire list compiled by Forbes magazine.<sup>76</sup> Even its own Independent Evaluation Office concluded that ‘the Bank of England does not understand its own flagship quantitative easing programme’.<sup>77</sup> Other critics asked why at least part of such vast infusions of public funds could not have been used directly to improve public investment.

In the UK, the citadels of policy making – from the Treasury to the Cabinet Office and the Bank of England – have rarely shown much interest in wider political economy. This is in part because of the attempts by political and financial elites to close down the debate about alternative ways of running economies. The 1980s saw the most powerful Whitehall Department, the Treasury, colonised by economists committed to an extension of the role of markets, with the department’s elite acting ‘as a sort of advance guard for the implementation of neoliberal ideas’.<sup>78</sup>

The Treasury long ago dropped former economic instruments such as controls over some areas of bank lending and the ownership of key industries and still takes a very narrow view of its role. It shows little interest in big issues from the costs of inequality to soaring house prices and the way resources are used while the process of policy making has become, according to critics, increasingly technocratic. In a lecture in 2014 its Permanent Secretary,

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75 R.A. Werner, ‘Towards a new monetary paradigm: a quantity theorem of disaggregated credit, with evidence from Japan’, *Kredit und Kapital*, 30 (2), 1997, pp 276-309.

76 Ruchir Sharma, ‘The billionaire boom: how the super-rich soaked up Covid cash’, *Financial Times*, 14 May, 2021.

77 Bank of England’s Independent Evaluation Office, *Evaluating the Bank of England’s Approach to Quantitative Easing*, January 2021.

78 A Davis, *Bankruptcy, Bubbles and Bailouts*, Manchester University Press, 2022, p 5.

Sir Nicholas Macpherson, set out the department's priorities: support for markets, scepticism of government intervention, adherence to 'sound money' (controlling inflation) and disciplined spending. It has a big say, rightly, in the pattern and scale of public spending, and how to fund it, but has long insisted on the market controlling the rest.

As Macpherson admitted, 'The Treasury historically has tended to prefer to leave the allocation of resources to the market rather than to central planning'.<sup>79</sup> This is a statement of the separation of economics from politics. Until the end of the nineteenth century, there was no single discipline of economics. It was called 'political economy', an acknowledgment of the interdependence between the two.

With this separation of technical economics from the political, no recent government has set out a vision for how a fair, progressive society and dynamic economy could work in the conditions of the 21st century. Central to this vision must be an economy that works for society not the other way round. In 1944, the Austrian-Hungarian political economist Karl Polanyi, published *The Great Transformation*, his critique of dogmatic market fundamentalism. 'Instead of the economy being embedded in social relations' he wrote, 'social relations are embedded in the economic system... The subordination of society meant no less than the running of a community as an adjunct to the market'.<sup>80</sup>

His analysis is especially relevant to today's model of 'capitalism without brakes' as the economist Ann Pettifor describes it.<sup>81</sup> Polanyi's analysis was in many ways central to the political vision of the post-1945 Attlee governments while the economic and social history of the last 40 years can be seen as a real-life demonstration of Polanyi's warning. Today's dominant, self-serving economic and business model has played havoc with ordinary life chances while contributing to Britain's low-growth, low-productivity, low-wage economy.<sup>82</sup> Along with other affluent nations, the country has returned to the long run historic norm when impoverishment and excess sit together. The number

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79 A Davis, *Bankruptcy, Bubbles and Bailouts*, Manchester University Press, 2022, p9

80 K. Polanyi, *The Great Transformation*, 2nd edn Beacon Press, 2002, p57.

81 A. Pettifor, 'Beyond Growth: A Strategy for Tackling Power', *System Change*, 29 May, 2023.

82 S Lansley, *The Richer, The Poorer, How Britain Enriched the Few and Failed the Poor, a 200-year history*, Bristol University Press, 2021, Parts IV – V.

experiencing destitution, the most severe form of hardship, has risen sharply.<sup>83</sup> Despite its deep-seated economic problems, Britain is a resource rich country, but governments have presided over the return of the co-existence of opulence and impoverishment and of plenty and social scarcity of the past. The 1970s' dictum from the influential and prescient economist Fred Hirsch that 'So long as material privation is widespread, conquest of material scarcity is the dominant concern' has been discarded.<sup>84</sup>

Market control over resource allocation is one of the principal doctrines of mainstream economics. Yet the multiple distortions at work in today's dominant economic model result in large scale resource misallocation. Monopolisation and other forms of market rigging lead to excess profits, and a range of significant transfers – from wages to dividends, from investment to consumption, from small to big firms and from meeting everyday needs to luxury wants.

Despite growing concern about the disproportionate power of finance capitalism, its lack of moral compass and its structure of perverse incentives, governing systems around the world operate under the deepening shadow of the power of capital. While all nations are affected, Britain, which has embraced the market revolution more fully than some other countries, has made itself especially vulnerable to the forces at work. Successive governments have done little to tackle the hijacking of resources or strengthen the role of regulation. The British state has been much too passive in response to market manipulation. It has made minimal attempts to control excessive risk-taking and speculation by finance, applied weak rules governing takeovers, and failed to impose tougher disclosure rules on private equity companies.

'Britain is much worse off than it understands' headlined the journal *Foreign Affairs* in 2023. 'Yet there is little sense of this crisis among the country's elite.'<sup>85</sup> Asked to describe 2024 Britain in a word, the most frequent choices among the public were 'broken', 'mess', 'struggling', 'divided'.<sup>86</sup>

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83 Joseph Rowntree Foundation, Flagship study finds a million children experienced destitution in the UK last year, June 2023.

84 F. Hirsch, *The Social Limits to Growth*, Abingdon, Routledge & Kegan Paul, 1977, p. 190. Limits

85 Simon Tilford, 'Britain Is Much Worse Off Than It Understands', *Foreign Policy*, 3 February, 2023.

86 N. Simons, 'What Britain Thinks About Life', *Huffington Post*, 29 May, 2023.

## **A progressive strategy for change**

Restoring economic and social progress depends on a comprehensive shift in governing philosophy. This requires a recognition of the fundamental structural problems facing Britain, from high levels of inequality to mass resource misallocation, both driven by the return of extractive activity and excessive private control. The solutions depend on a correct diagnosis, yet lacking a theory of contemporary capitalism and an acknowledgment of the central sources of today's crisis-ridden economy, Labour is failing to offer the scale of change required.

Long term sustainable prosperity for all needs a new more restrained model of capitalism aimed at breaking up today's great concentrations of wealth and control, and locking in higher social value activity. This requires greater social control of the economy through the restoration of democratic and accountable institutions.

Measures are needed to tackle extractive business behaviour, starting with tougher regulations on anti-competitive behaviour, including takeover activity and foreign ownership. New rules are needed on the scale of leveraged borrowing, and on private equity, including restrictions on profiteering in areas like social care and children's services. It's time to repeal section 172 of the 2006 Companies Act, which effectively licenses the pursuit of shareholder value, with a new requirement for boardrooms to align the interests of shareholders and wider society. Asset inflation - a form of 'passive accumulation' - involves a vast misallocation of resources, and has been a key source of the surge in 'paper wealth'. There is a strong case for adding control of asset prices to existing anti-inflation measures.

Also crucial is a plan and timetable for building a more progressive tax system. Even tweaks to Britain's £1 trillion tax take can make a difference. As the Resolution Foundation have showed, raising income tax by 2p and cutting national insurance contributions by the same amount would raise around £6

billion from landlords and higher income pensioners, while protecting wage earners.<sup>87</sup>

Since the 1970s, the tax rate on capital income in advanced economies has steadily declined relative to the rate on earnings.<sup>88</sup> In the UK, capital taxes - stamp duty, inheritance and capital gains tax - account for a mere 3.7% of all tax revenue, despite wealth being much more unequally distributed than income.<sup>89</sup> Tax systems have simply failed to catch up with the rising importance of wealth in the way economies function. There is an overwhelming case to rebalance the tax system from earnings towards capital. This should include replacing council tax and stamp duty, the tax on the purchase of homes, with a single, progressive property tax. Labour has committed to a partial reform of council tax with several higher tiers on properties valued at £2 million or more. Reform also needs a property revaluation. Relative values are currently based on 35-year old levels. Also central should be much tougher measures on tax avoidance. There is also a powerful case for the introduction of a direct tax on wealth holdings of over £2 million - a kind of social renewal tax with the revenue hypothecated for improving key areas of social provision such as social care or youth provision.

The share of national wealth that is held in common, which has fallen sharply, needs to be raised. Greater socialisation and wealth sharing would ensure that where value is created collectively, it is not captured, as now, by the few. Key measures would include a new principle that most key services - from water, energy and public transport, to a range of vital social services - should be collectively provided and publicly accountable. This would mean new limits on market provision and a gradual process of de-privatisation. Greater socialisation could take multiple forms including more municipal ownership and co-operative enterprise, more not-for-profit companies geared to social goals and dynamic forms of community wealth building pioneered in councils such as Preston and Manchester.

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87 Resolution Foundation, 2p switch from National Insurance to Income Tax could raise £6 billion while protecting workers' pay packets, 23 September 2025.

88 Era Dabla-Norris and Ruud de Mooij, 'Fiscal Policy Can Help Broaden the Gains of AI to Humanity', [imf.org](https://www.imf.org), June 17, 2024.

89 W Snell, Why Britain's outdated tax system needs to shift from earnings to capital, Fairness Foundation, 30 September, 2024.

Having missed several chances to create a sovereign wealth fund, it's time to introduce a Citizen's Wealth Fund aimed at giving all citizens a direct stake in the economy.<sup>90</sup> This would be a collectively-owned fund with explicit social goals, generated by independent sources of funding outside the general tax pool and managed independently of government through a Board of Guardians. Such a fund would take time to build but provide a national socialised financial asset that would continue to grow over time, with returns used for socially beneficial activity. There are several examples of how such a scheme could work. One source of funding could come through state equity stakes in companies receiving state subsidies including private/public partnerships. These stakes could be held by the fund.

The dominant role played by private banking in the creation of credit and investment decisions needs to be rethought. Bankers have become masters, not servants. This is not an argument for the nationalisation of the money supply by central banks, but it is time to recognise that the boundaries have been much too lax and to introduce new ways of linking credit creation to more productive and higher value activity. In the case of Britain, the government should be working with the banks and their oversized bank balances to fund essential investment, in part through partnership with the new state National Wealth Fund. This would pave the way for less reliance on private sector-led renewal.

A fundamental reset of the economy along these lines would take time, but significant progress is possible over a single parliament. Such a plan would begin to restore the role of democratic and inclusive institutions and re-integrate the 'distribution question' into the management of economies. It would tackle the bias to inequality embedded in an increasingly marketised and privately owned economy, the inadequate taxation of wealth, and the under-rating of the potential of non-market mechanisms.

This combination of structural reforms would change the forces that determine how resources are used. A more equal society, with more common and social ownership, and tougher state regulation would produce a more even balance between market and social power and a more effective system

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90 S Lansley, D McCann and S Schifferes, *Remodelling Capitalism*, Friends Provident Foundation, 2018.

of checks and balance that would steer more resources into basic and priority needs. Building such a system would be ambitious, but far from utopian. Success would be greater if accompanied by similar reforms in other nations, and by changes at an international level on issues from global governance to tax avoidance. Such a plan would boost real wealth creation and productive activity, and narrow the gap between economic activity and social purpose. Without a more accurate diagnosis of Britain's economic faultlines, and action to tackle them, Britons will continue to face a broken economy, instability and weakened life chances.



#### **About PEF**

The Progressive Economy Forum (PEF) was founded and launched in May 2018. It brings together a Council of distinguished economists and academics to develop a progressive and sustainable macroeconomic programme and to foster wider public engagement with economics. It opposes and seeks to replace the current dominant economic narrative based on austerity.

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