The Property Owning Democracy

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Foreword by Rt Hon Jesse Norman MP

Preface by Lord Glasman

Policy Exchange

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About the Author

Dr James Vitali is Head of Political Economy at Policy Exchange. He joined the team in 2022 after completing a PhD in Politics at Cambridge University. He was the JH Plumb Scholar at Christ's College and taught undergraduates in the History of Political Thought. He also served as President of the Cambridge Union. Prior to his time in Cambridge, he worked for a Minister of State in Parliament.

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Praise for The Property Owning Democracy

Policy Exchange's 'The Property Owning Democracy' is a clear-sighted elucidation of the fundamental links between capitalism, ownership and democracy. Ownership not only brings material benefits, but imbues a sense of responsibility, of care and of stewardship in those who possess it. It is why, as Business Secretary, I have been proud to champion those who invest in our industries – and to create the conditions for small business owners to thrive.

The success of the Conservative Party depends upon us broadening the base of those who feel they have a tangible stake in society. There is a clear moral case that those who work hard have the opportunity to enjoy the fruits of their labours. This includes the right to decide how to make use of and enjoy your own property, without undue interference by the state. It is not by redistribution and nationalisation, but by expanding the circle of ownership that we will make our society wealthier, fairer and more inclusive.

Rt Hon Kemi Badenoch MP, Secretary of State for Business and Trade

People feeling that they have a stake in society and can aspire to own property is fundamental to the long-term success of conservative philosophy. Crucially, it is private ownership of assets and capital which underpins the growth of our UK economy which is why we are delivering ambitious plans for an enterprise culture built on reward for risk, support for savers, great access to capital and smarter regulation.

I welcome the publication of 'The Property Owning Democracy' as a powerful intervention in the debate about how to achieve a more prosperous and ambitious United Kingdom.

Andrew Griffith MP, Minister of State for Science, Research and Innovation

This paper is a timely reminder of why widespread property ownership is so crucial for the political legitimacy and social coherence of modern Britain, by giving people, families and neighbours a shared purpose and a stake in our society's future. But if the doors to property ownership are slammed shut in some people's faces, no matter how hard they work and strive, moral legitimacy and a sense of fairness erode quickly. Democratic capitalism doesn't work without democratic capitalists, and this paper argues Britain must reform quickly to put things right.

John Penrose MP, Chair of the Conservative Policy Forum

The Conservative Party needs big ideas about what it should do in Government. Perhaps more importantly, it needs a specific pitch to young people about why it should be supportive of our capitalist economic model. Increasingly, younger generations are being denied opportunities in society enjoyed by previous ones, and this is eroding popular support for our way life.

This paper offers both a compelling vision for the future of the Conservative Party and a framework for restoring faith in popular capitalism. It shows how diffusing property ownership can help deliver economic growth, increase the cohesion of communities, and stabilise our society. The Property-Owning Democracy is a blueprint for a renewed Britain of greater opportunity, moral responsibility and aspiration. It should be read carefully by Conservatives who believe in these values.

Rt Hon Sir Simon Clarke MP, Former Secretary of State for Levelling Up, Housing and Communities

For decades there have been hopes of developing a better, fairer and more widely-shared kind of capitalism. What we have is meant to "work for everyone", but clearly does not do so at the moment.

Could hopes and ambitions for something better now be turning into real and practical opportunities? James Vitali brilliantly analyses the past attempts to create a more stable kind of capital-owning democracy, which in today's transformed world may now at last be in reach.

Lord Howell of Guildford, Former Secretary of State for Energy and author of *Freedom and Capital*

The Conservative Party has always been the party of ownership, but we must be alert to ensure we do not take our eyes off of the ball. If we want future generations to share conservative values about aspiration, moral responsibility, industry and enterprise, then we must recommit ourselves to the ideal of the Property Owning Democracy – a society in which the rights and responsibility that come with being a property owner are widespread. James Vitali presents a compelling case for how to realise this vision in this paper.

Rt Hon Sir Brandon Lewis CBE MP, Former Lord Chancellor and Chairman of the Conservative Party

A renewed sense of ownership is an essential part of our quest to strengthen communities in Britain. For individuals and households to feel responsible for the health of their local neighbourhood or indeed the broader national community, they need to have a genuine stake within it. This is a thoughtful paper with serious ideas about how to ensure that markets serve communities, and not the other way around.

Danny Kruger MBE MP, Co-Chair of the New Conservatives

In The Property Owning Democracy, James Vitali makes a powerful case: that we must transform Britain from a country split between the asset rich and the asset poor into one nation of property owners. It is a vision of a more robust and resilient society, populated by people with a concrete stake in the economy, and imbued with the moral values that come with ownership.

Nick Timothy CBE, Senior Fellow at Policy Exchange and Former Joint Downing Street Chief of Staff

This is an impressive paper which gets to the heart of why Conservatives care deeply about property ownership: property gives the owner a sense of both responsibility and independence, a stake in society and the economy, and something to pass on to loved ones. We must ensure owning your own home is achievable for young people and they are not excluded from this aspiration and opportunity. A property owning democracy must be our goal.

Stephen Hammond MP, Former Health and Transport Minister

Foreword

Rt Hon Jesse Norman MP
Former Minister of State for Decarbonisation and Technology and Financial Secretary to the Treasury, and author of "Adam Smith: What He Thought and Why it Matters"

The intimate connection between property rights and human liberty dates back to classical antiquity, and has been recognised in Britain for over a thousand years. Indeed, the common law itself can be seen as an extended meditation on the means by which property rights may be acquired, protected and traded, as the basis of personal and political freedom. In reportedly saying that "An Englishman's home is his castle", Edward Coke was giving memorable expression to an idea long regarded as commonplace.

There has always been a political tension between the rights of those with property, and the desires of those without it; this has been a source of revolution the world over. But there is also an intellectual tension, between the established and the aspirant parts of society, between Burke and Smith so to speak, between the protection of what exists, and the yeasty energetic challenge of the new. As property evolves, as markets evolve, the basic question remains of how those seeking the benefits and responsibilities of ownership can have a fair and open opportunity to achieve them.

This very thought-provoking paper addresses these issues. One need not agree with all, or indeed any, of its policy proposals to recognise the force of its core point: that property ownership in Britain has become concentrated; that concentration can lead to sclerosis and reaction; that current policy has often been self-defeating; that both capitalism and democracy flourish when the rights and responsibilities of ownership are widely diffused; and that there is a pressing need to find ways by which more people can enjoy them.

From its very inception, Policy Exchange has sought to nurture new thinking. When I was its Executive Director in the mid 2000s, I made the case in *Compassionate Conservatism* and *Compassionate Economics* for a new framework within which to discuss Britain's most fundamental political challenges.

Today, after financial crisis, pandemic and the onset of war in Europe, we again need ideas whose quality and ambition seek to match the challenges of our times. That is the aim of this pamphlet. Conservatives – of all political parties and none – should read it.

Preface

Lord Glasman
Labour Peer, Director of the Common Good Foundation and author of "Blue Labour: The Politics of the Common Good"

James Vitali's 'The Property Owning Democracy' is a vital contribution to the debate about perhaps the central problem of our politics. The post-war consensus did succeed in extending property ownership and the 'boomer' generation were its primary beneficiaries. The new generations, however, have largely been excluded from this, and nowhere is this more apparent than in the housing market. As asset prices dwarf wages and demand far exceeds supply, we are denying the opportunity of homeownership to great swathes of our young people.

The central task of our politics is thus to build more homes through land reform, and Vitali's suggestions are worth exploring. But of course, as the author points out, promoting diffuse ownership in British society is about far more than bricks and mortar: it's about our country's businesses; its high streets; and its infrastructure. We urgently need to reconnect the British people with the material of social and economic life in the UK.

The central paradox is that social democracy led to more extensive property ownership and globalisation has led to centralisation and concentrations of wealth. This is a political and not simply a policy issue of fundamental importance, and the left must recognise that widening personal ownership might be just as effective a method for building a more equitable society as public ownership. Of course, these arguments have been made in Labour circles before, as the author recognises.

If the Labour Party can ameliorate the class and generational conflict that has arisen from the narrowing of property and asset ownership, it will not only make British society more robust, cohesive and resilient, but secure its own electoral hegemony for years to come.

Executive Summary

This paper is concerned with one of the most elemental structural features of British society: who owns it?

Since classical antiquity, thinkers have recognised an intimate connection between the ownership of private property and the vitality of a political order. Property provides people with a medium for the practical expression of their personality and generates a sense of independence and identity. It also implies responsibility; to own something is to be ultimately accountable for it too. Ownership provides people with a sense of *stake* – of being literally invested in a neighbourhood, in a local community, or in national life more generally. And it is a spur to industry and enterprise; property gives an owner something to improve, to grow and to nurture. Property ownership, at the most basic level then, furnishes the individual owner with a very particular moral psychology.

For centuries, it was assumed that only those who owned property possessed the requisite moral characteristics to participate in the political process; only property owners, it was presumed, possessed the self-sufficiency and sense of stake requisite to make responsible decisions on behalf of the political community. Yet what is to be made of these assumptions in the context of mass democracy and the universal franchise? For a number of thinkers in the twentieth century, the posited connection between property ownership and moral responsibility made it imperative that the opportunity of ownership was afforded to as many people as possible; for democracy to endure and remain stable, it was necessary for it to be founded upon a wide base of property owners. Noel Skelton, a little-known thinker who served in Parliament and wrote on this subject in the interwar period, gave a now famous name to this conception: he called it the *property owning democracy* – a vision in which widespread property ownership would exert a stabilising force on democratic politics, and provide an aspirational ideal to which all could aspire. His great insight was that highly diffuse private property ownership would make for a more cohesive, more robust and more resilient society.

The United Kingdom of the 2020s, however, bears little resemblance to this ideal of widespread property ownership. Of course, we associate property ownership first and foremost with real estate property, and across the board, we see homeownership diminishing. Most worryingly of all, it is in sharp decline for those demographics that generally want to be settling down, getting married and starting a family. Homeownership is increasingly the preserve of a narrower, richer, older cohort, rather than a realistic aspiration for all who are prepared to work hard and save.

Yet residential real estate is just one form of property suitable for ownership, and in many other parts of economic life in Britain, we also see ownership on the wane. The individual shareholder is virtually disappearing from the UK stock market, replaced by overseas institutional investors. Many firms with proximate ownership structures are being squeezed out of the business community. Pension wealth is expanding, yes, and pension funds have a sizeable market capitalisation in UK listed shares. But the pension plan holders' connection with his or her "property" is distant and unlikely to inculcate those desirable psychological traits that come with more proximate ownership relationships. We are seeing less ownership, and people are becoming more distant from the things they do indeed own. All the while, wealth – pension wealth, housing wealth, financial wealth – is becoming more concentrated in a smaller cross-section of the population.

The implications of all of this for our society are profound: property ownership is no longer a unifying ideal, but a divisive symbol of inequity, especially along generational lines. The distribution of property is serving to unbalance our body politic, rather than give it stability. We are less personally responsible, less self-sufficient as families and communities, and increasingly willing for the state to take responsibility for more aspects of our lives.

The depletion of owners is also damaging the legitimacy of our economic model. Can we really expect people to be supportive of capitalism if they are unable to own and accumulate capital? A thriving, growing economy requires trade-offs and compromises in all areas of life, from our attitude to risk-taking, to our tolerance of change. It is surely implausible to believe that people will be willing to make such trade-offs if they are uncertain that they will benefit in some tangible way. And how can we "level up" regions across the country, if local people do not believe that they truly own – and are therefore responsible for – their communities? These questions about ownership and its distribution are not divorced from the everyday concerns of the British public. They are *intimately* bound up with them. In fact, our failure to diffuse property ownership widely enough today is generating a cohort of propertyless individuals and households who are less connected to and have less of a direct stake in our country.

Disaffection with the way the British economy is structured is reaching a tipping point. More and more, young people see capitalism as the cause of society's principal problems, rather than a framework which gives us the best chance of solving them. If capitalism is to endure, we must create more capitalists – more property owners with a stake in the fortunes of our country. We must, in other words, recommit to building a property owning democracy.

Introduction

"Private property is the foundation of civilization and the extent of its distribution the measure of a civilisation's stability and success" – Noel Skelton

The Problem

A hundred years ago, Britain was in the throes of a bitter post-war depression. Deflation in the early 1920s beget a significant increase in unemployment (as high as 23.4% in 1921), a flatlining in real earnings until at least 1926, and painful fiscal tightening.[1] In this dark economic setting, a working class electorate was enfranchised for the first time. But it was an electorate that, whilst politically enfranchised, remained propertyless and "economically disenfranchised". Many remained in a state of acute financial insecurity. Concerns abounded that the fractures and tensions between capitalism and democracy would prove too much, and that industrial discontent would spill over into revolutionary, socialist upheaval.

It was in this context that one of the most influential phraseologies in British politics was devised. Noel Skelton, a young Scottish MP who had served in the war, urged that the UK needed to build a property owning democracy – a society in which property ownership was diffuse, in which people's economic "status" matched their political and educational status, and in which democracy and capitalism might be rendered mutually supportive. His case was built on the belief that ownership inculcated a set of values and attitudes that would help to stabilise the body politic by generating a populace with a concrete stake in society. And it was property ownership that would promote popular support for capitalist economics and confidence in democratic politics. Though Skelton's name has largely been forgotten, his concept of a property owning democracy has left an indelible mark on British political debate ever since. It has become for many the defining aspirational value in British society, the essence of the "British Dream".

The present political moment lacks some of the darker characteristics of the previous "Twenties". The economy, though heavily subdued, is certainly not nearly in as dire a state. But many of the issues of today seem redolent of those that confronted this country one hundred years ago. Most pertinent of all, capitalism once again desperately needs to make its moral case in the battle of ideas. In 2017, YouGov conducted a poll on popular attitudes towards capitalism in the UK. The results showed that across the population, as many people believed that capitalism was actively harmful

1. Nicholas Crafts, "Walking Wounded: The British Economy in the Aftermath of World War I", *CAGE Background Briefing Series*, No.26 (2015).

to the country and that an alternative economic model was required as believed that it was working well. It is a remarkable statistic. But far more startling were the results for younger generations in particular. Only 13% of those under the age of 49 thought that capitalism was operating effectively, and almost half either thought that it was defective and needed fixing or that should be jettisoned altogether.[2] These trends have a wider political salience too; as polling by JL Partners found, the least secure fifth of voters are twice as likely to say that democracy is a fairly bad or very bad system of governing the country as the most secure quintile.[3]

At the same time, there has been a corresponding increase in the number of people supportive of socialism. Polling by Forefront Market Research in 2021 found that 67% of people in the Millennial and Generation Z cohorts would like to live in a socialist economic system. Majorities in this demographic also associated many of society's ills – the housing crisis, climate change, indeed even racial inequality – directly with capitalism.[4] Defenders of capitalism can speak of its productive power and relationship with freedom all they want. They can point out how the nostrums of socialism have proven practically ruinous again and again. But they cannot escape the fact that capitalism and its values, in its current form, are failing disastrously to win over younger generations at present.

Economic Growth and Political Economy

Part of this dissatisfaction is undoubtedly down to economic growth. The UK's trend growth rate since the turn of the century has been half what it was in the 1960s.[5] As with other European countries, a vast gulf has opened up between the productive capacities of the United Kingdom and the United States. UK GDP growth since 2010 has been 47% slower than the US, and the average American earns a third more than the average Briton. Amazingly, Americans can stop working each year in September and still be richer than Britons working for the whole year.[6] In large part, this has been driven by dismal improvements in labour productivity. Since the financial crash, Britain's performance on this score has been the worst in the G7 except Italy's. UK productivity is around 15% less than France and Germany, and 19% less than the United States. [7] As a result, real wages in Britain have not increased appreciably in two decades, and to pay for the increasing demand on public services, taxes on households and businesses have risen accordingly. The Office for Budget Responsibility estimates that the UK tax burden in 2027-28 will be higher than at any other point since the Second World War.

A stalled economy constrains the government when it comes to decisions on tax and spend, but equally importantly from the standpoint of popular capitalism, it has also meant that households have been marking time in terms of their personal finances. Low wage growth, cost of living pressures, high tax bills for earners – together, these have contrived a situation in which individuals are saving much less of their take-home pay and thus investing less too. Disappointing performance at the aggregate level has fostered a crisis of confidence in our economic model's ability to

2. YouGov, "Which of the following comes closest to your view on capital in Britain today?", 28th September 2017.
3. Onward, *The Kids Aren't Alright*, 2023.
4. Institute for Economic Affairs, *Left Turn Ahead: Surveying Attitudes of Young People Towards Capitalism and Socialism*, 2021.
5. World Bank, "World Development Indicators; Economic Growth".
6. The Growth Commission, *The Growth Challenge: The Decline in GDP per Capita Growth in Advanced Economies*, 2023; The Telegraph, "How Hard-Working US is Getting Rich While the UK Struggles on Benefits", 22nd July 2023.
7. House of Commons Library, "Productivity: Key Economic Indicators", 27th April 2023.

generate prosperity and opportunity.

But this malaise is not just about the *aggregate* performance of capitalism. It is also about the fact that for an increasing number of people, it is not at all clear how capitalism improves their lives at an intimate, *personal* level. Capitalism is not popular, then, because we are failing to think more deeply about the ends we wish to pursue through economics, and to explain what it will *mean* for people. For most people in most walks of life, like economic growth is fairly intangible. How, for example, does an average household *experience* an extra 1% or 2% increase in annual GDP? *What* do they have to show for it? And if the answer to these latter questions is relatively obtuse, why would people fervently support a political agenda explicitly aimed at boosting the economy? Perhaps more pertinently, why would people buy into the difficult measures and trade-offs that would be required to actually deliver growth if the benefits to them as individuals or households are equivocal?

One might summarise the point made in the previous paragraph as a distinction between economics and political economy. It is a distinction that thinkers on both sides of the Atlantic are beginning to rediscover. It refers to the difference between the descriptive study of the laws of economics and how certain inputs and causal factors produce certain effects, and the normative exercise of fitting those descriptive considerations into a vision of what sort of society we wish to live in. Some have referred to the "science of economics" and "art of political economy", but the fundamental point is this: the descriptive study of economics cannot – or perhaps should not – furnish us with the answers to political questions about the ends we want to pursue collectively.[8] Of course, these two things should go hand in hand; a deeper understanding of how market forces operate will better equip us to pursue the things we value. But we must not fall into the trap of believing that the efficient functioning of the economy constitutes the sole good in policy. Growth, then, is a vital – perhaps the most important – means we have to pursue political goods, but it is not a good in itself. As David Howell put it:

> *General statements, however finely couched, about the virtues of the free market, the obvious advantages of the capitalist system and the importance of the individual in the scheme of things, are just not enough. They are not enough to reassure bewildered millions of workers that change is worth fighting for or sticking one's neck out for.*[9]

What, then, should a political economy for addressing the problems of our time and restoring popular faith in capitalism look like? The contention of this paper is that such a vision is provided by the ideals of a property owning democracy – that is, a society which has its foundations in diffuse, widespread property ownership, in which capitalism and democracy are mutually supportive, and in which citizens are politically, economically and morally invested in their local communities and in national life more generally. It is a vision of a society populated by individuals, households, families and communities that are motivated by a strong sense of

8. Alexander Salter, "Free Enterprise and the Common Good: Economic Science and Political-Economic Art as Complements", *The Heritage Foundation*, 2023. The distinction originally derives from John Neville Keynes's *The Scope and Method of Political Economy* (New York, 1963).
9. David Howell, *Freedom and Capital* (Oxford, 1981).

responsibility, mutual obligation, self-sufficiency and pride. Such a vision is inevitably based upon economic growth and an increase in the wealth of our country, but it recognises that this represents the means by which we secure more fundamental ends. Beyond all else, it is a vision of a Britain imbued with the values of ownership.

Ownership

What is ownership? There is the narrow, legal concept, which refers to the right "to benefit from and control something of value, in the sense of deciding what happens to it".[10] The jurisprudential roots of this idea are Roman, and it was in the Roman Empire that the notion of *dominium* was developed. *Dominium* referred to an object that satisfied four criteria: it had to be lawfully obtained, exclusive to the owner, absolute and perpetual.[11] Such a philosophical conception of property ownership was imbedded in a natural law framework that posited property rights as one of a number of universal, individual rights. Today, in contrast to this essentialist understanding of ownership, theories of property usually consider it to be a bundle of characteristics relating to the relationship between goods and individuals, and posit a spectrum of ownership forms - ranging from absolute private ownership to community control. Nevertheless, as it pertains to private property, our understanding of ownership is clearly influenced by its Roman antecedents. When we speak of ownership rights in business, for example, we speak of residual claims and residual rights of control – that is, the right to future net income generated by a firm (and indeed, liability for future risks), as well as the rights to make decisions about assets in anyway not inconsistent with a prior contract or law.[12]

Beyond this, however, there is also a more profound, moral dimension to the idea of ownership. Ownership – to own – is to be *responsible* for something. And this applies as much to tangible objects as it does, say, one's actions. To be a moral agent is to be the owner of the decisions that one makes (we "own up" to our mistakes). And this moral conception of ownership is one based upon a fundamental dualism between rights and responsibilities – it is a conception that sees these two things are inextricably linked and indissociable.

Ownership inculcates a number of subsidiary values which relate to three spheres: the individual, the communal, and the economic. In the first case, ownership has a powerful bearing on individual character. Property represents an extension of the self, and ownership a vehicle through which the personality might be expressed. One need look no further than the design of a private garden, or the colour of a front door, or the layout of a living room for evidence of this. As William James put it:

> *"the Empirical Self of each of us is all that he is tempted to call by the name me. But it is clear that between what a man calls me and what he simply calls mine the line is difficult to draw. We feel and act about certain things that are ours very much as we feel and act about ourselves… In its widest possible sense… a man's Self is the sum total of all that he CAN call his".*[13]

10. The Ownership Commission, "*Submission to the Inclusive Growth Commission*", 2020.
11. Richard Pipes, *Property and Freedom* (New York, 1999) p.11.
12. Ed Mayo and Carina Millstone, *Unfinished Business: The Ownership Agenda, Thirty Years On* (2015).
13. William James, *The Principles of Psychology* (London, 1890) p.188.

Property and ownership also give us a sense of belonging and rootedness in the world, and not just in the physical sense: property of all forms that one can pass on to future generations provides owners with a weight and substance – a personality – that can be transmitted through time.

Secondly, ownership is also key for the development of robust communities and indeed society more generally. The values of ownership are not merely self-referential; it is a paradox that widespread, private ownership in fact generates a unifying sense of common cause within communities.[14] To be responsible for or in a community is to "own" it in some way; it is to have a "stake" in it. And crucially, such responsibility requires ownership to be both personal and widespread. Aristotle puts it that "what belongs in common… is accorded the least care: [people] take care for their own things above all, and less about things in common, or only so much as falls to each individually".[15] A strong community depend on owners who feel personally responsible for its success and vitality; for practical purposes, what is owned by all is really owned by none. Diffusing this sense of personal responsibility is what provides the solid foundation for durable communities. Widespread ownership serves a stabilising function by ensuring that a significant mass of persons is invested in the health and functionality of society more generally. This operates as a counterbalance to the centralisation of power, which can see the interests of narrow groups advanced at the expense of others to the detriment of social cohesion.

And thirdly, ownership promotes values conducive to the economy. Property ownership enables people to store value, which acts as a spur for innovation, entrepreneurship and risk taking. Those with property have a higher ability to be entrepreneurial, and to take economically-beneficial risks through using that property as collateral. At the same time, diffuse property ownership generates popular support for capitalist economic systems.[16] As an ideal, it represents a galvanising aspirational value to which all might have access. Property ownership is also connected to saving and investment patterns, which are in turn intimately associated with productivity. How we save, where we invest, what we own - both as individuals or households and as businesses - has a considerable bearing on the performance of the wider economy.[17]

Though there might be a "spectrum" of property relationships, it is clear that the more intimate the form of ownership, the more significantly it comes to bear on the character and quality of the owner. More proximate forms of ownership, then, inculcate the above values in a more direct way.

The State of Play

A property owning democracy denotes a society built upon a wide foundation of property owners, and animated by the values and principles of ownership set out above. It is a society in which individuals and households are invested in their neighbourhoods, businesses feel responsible for their local communities, and where all have a sense of stake in national life.

14. David Howell, *Freedom and Capital* (Oxford, 1981). Indeed, there is sociological evidence that property rights came into existence through cooperative behaviour. See Pipes, *Property and Freedom*, pp.91-2.
15. Aristotle, *Politics: A Treatise on Government*, trans. William Ellis (London, 1928) bk.II; chp. III.
16. Tom Palmer, "An Ownership Society Fosters Responsibility, Liberty, and Prosperity", *Cato Institute Commentary*, 13th January 2004.
17. Russell Lewis, *Industry and the Property Owning Democracy* (1954).

Today, however, Britain is failing to live up to these ideals. Property ownership across the UK is in decline. This is of course most evident and most well understood in terms of residential property, where overall rates of ownership are dropping off, but where the number of owner-occupies under the age of 35 specifically is utterly collapsing. For those in the 25-34 age bracket – the age at which most people look to settle down and start a family – homeownership has fallen from 67% to 41% since 1991.[18]

Yet declining ownership is a trend observable in other areas of the British economy too. Fewer and fewer individuals and households own listed shares. At the same time, there has been an explosion in the proportion of UK shares owned by overseas investors. In 1985, the Government outlined its ambition that share ownership would be as common as car ownership. Yet whilst around three quarters of households now own a car or a van, at the most, only 19% of adults directly own shares.[19]

Certainly, millions are "owners" through pension funds, for example, who invest clients' capital on their behalf. 46% of adults indirectly own shares, to be precise. As Merryn Somerset Webb points out, in this way, many of us are "technically" already owners of some sort.[20] But this is a very convoluted form of ownership. Ask the average scheme holder how precisely his pension wealth is invested in at any given moment, and he or she is unlikely to be able to give you a definitive answer. Meaningful ownership – the sort of ownership that inculcates the behaviours and characteristics mentioned about – is often lacking in the pensions market. And even then, the Investor Forum found that UK pension funds and insurers saw their share of UK-listed companies fall from 52% to 4% between 1990 and 2020; international ownership in the same period rose from 12% to 56%.[21] The Cooperative UK's 2015 Index, which attempts to quantify all these trends into a single measure, suggests that economic ownership in general in this country has declined by 35% since 1985.[22]

An inevitable consequence has been that the values which come with ownership – values which are essential to the health of capitalist democracy - are in decline too; locked out of property ownership, individuals and households are less able to be economically independent, they are more reliant on government, and they are less invested – quite literally – in their local communities. Accordingly, we rely on the state to perform an increasing number of tasks that used to be provided at a more intimate, human level. In other words, as individuals become less self-sufficient, local communities become less robust too. That the number of capitalists in our society is shrinking, then, is fraying popular support for capitalism, and it is vitiating the values that both capitalism and democracy depend upon. And this disaffection is bleeding out into our culture much more generally. It is surely no wonder that younger generations in particular are increasingly cynical about British society and its ideals, for that very society is depriving them of a genuine stake within their communities and national life more broadly.

Property ownership is no longer diffuse, but increasingly concentrated in a narrow section of the population. It has become a privilege that

18. English Housing Survey, *Headline Report*, 2021-2022.
19. The Ownership Commission, "*Submission to the Inclusive Growth Commission*", 2020.
20. Merryn Somerset Webb, *Share Power: How Ordinary People Can Change the Way Capitalism Works – and Make Money Too* (London, 2022) p.13.
21. The Investor Forum, *Annual Review*, 2022.
22. The Ownership Commission, "*Submission to the Inclusive Growth Commission*", 2020. Data can be unreliable in this area, particular for the number of individuals that have direct equity stakes in companies, but this composite data set gives a good indication of overall trends.

millions are incapable of enjoying, instead of an ambition open to all. Rather than stabilising the body politic, the distribution of property ownership is fostering instability by exacerbating societal tensions not just between the asset rich and asset poor, but between generations too.

We all know that delivering economic growth is vital if we are to lift our country out of a situation in which it is no longer clear that the next generation will be more, or even equally as prosperous as the last. But if we are to achieve this, we need to restore faith in our capitalist economic model as well. We need to convince the public that economic growth is something that will tangibly improve their lives. Doing this requires the articulation of what sort of society we wish to build together, and a policy programme for delivering it. This paper argues that the society we should seek to build is a property owning democracy, and sets out the practical measures by which we might advance towards it.

Outline of the Paper

The following is split into three sections. Part One will consider the intellectual genealogy of the property owning democracy since its advent a century ago. It will consider the origins of the idea in the political thought of Noel Skelton, the uptake of the concept by Churchill, Eden and Macmillan, and its transformation in the era of Margaret Thatcher. Attention will also be paid to alternative traditions that have endorsed the ideals that sit behind the property owning democracy, including the Labour Revisionists of the 1950s and 1960s and the British Liberal Party, the political theory of John Rawls, and the "Ownership Society" platform of George W. Bush's Republican Party in the early 2000s.

Part Two will consider the state of play today. It will look at trends in homeownership, asset ownership and personal savings, wealth and property concentration, and ownership in business and industry. It will also review what impact these trends have had on our democratic politics, on families and local communities, and on the economy both in terms of growth prospects and the level of systemic risk in our society. Finally, it will consider a developing intellectual trend which is critical of the idea of property ownership itself.

Part Three will argue that to restore popular faith in capitalism and to restabilise democracy in Britain, we need a programme for realising a property owning democracy, and a set of policies which can help generate millions of new property owners throughout the country. It will focus on four policy areas in particular: the housing market and homeownership; personal savings and share ownership; community asset ownership; and ownership in business and industry. The underlying purpose of this programme is to increase the number of people with a stake not only in the economic life of our nation, but in the social life of communities up and down Britain.

Most importantly, this paper argues that we must redouble our efforts to show people that property ownership need not be just the preserve of the few. That it ought to be a right and responsibility that as many people that want to are able to enjoy. For too long, policymakers have lost sight of this important mission, often privileging the rights of existing property owners over the imperative to widen access to ownership. The case advanced in this paper is that diffuse property ownership is absolutely critical if capitalism and indeed democracy are to remain robust, cohesive and durable in the UK.

Past: A Genealogy of the Property Owning Democracy

Noel Skelton and "The Master Problem"

The "property owning democracy" is one of the most widely known coinages in British politics, yet a great deal of confusion exists over its origins. Today, the idea is often associated with Margaret Thatcher's efforts to widen the scope of personal choice in society and reduce the size of the state. Thatcher herself said that the phrase was instead invented by Anthony Eden. In an article from 1972, the Sunday Telegraph even attributed the "brilliant political slogan" of a property owning democracy to Rab Butler. Eden, upon reading the article, remarked that Butler had "about as much to do with that quotation as he had with the battle of Agincourt".[23]

There are some older pre-modern intellectual lineages that recognised the centrality of property ownership to the stability and functionality of a polity. In particular, the republican tradition in its veneration of the small freeholder and the independent yeoman contended that the spread of property ownership offered an important bulwark against corruption and the concentration of power.[24] Further back, the association between property ownership and fitness for political participation was fixed in ancient Athens, where only citizens could own land, and only landowners could be citizens.

Nevertheless, and as Eden himself recognised, the specific coinage of a property owning democracy was actually devised by the relatively unknown figure of Noel Skelton. Born in 1880 and raised in Perth, Skelton was educated at the University of Edinburgh and Christ College Oxford, before being commissioned into the Scottish Horse during the Great War. He spent the early 1920s in and out of Parliament – he was elected in 1922, before being unseated a year later and then earning re-election in 1924 – and writing prodigiously, particularly for the Spectator. Though in his forties when he entered parliament, Skelton was part of a relatively young group of parliamentarians, many of whom had served in the war, who were the first to be elected on a universal franchise.[25]

The years following the conclusion of the Great War represented a period of great tumult. Economic depression, high unemployment and fiscal tightening threatened social stability, and pervasive fears about the opposition between labour and capital defined the politics of a period in which the Labour Party entered government for the first time.[26] In this febrile atmosphere, and with revolution in the air on the Continent,

23. DR Thorpe, *Eden: The Life and Times of Anthony Eden* (London, 2004) p.342.

24. Ben Jackson, "Property Owning Democracy: A Short History", in Martin O'Neill and Thad Williamson (eds), Property Owning Democracy: Rawls and Beyond (Oxford, 2012). See also JGA Pocock, *The Machiavellian Moment: Florentine Political Thought and the Atlantic Republican Tradition* (Princeton, 2016).

25. A universal franchise for men, of course. Women would have to wait until 1928.

26. David Jarvis, "British Conservatism and Class Politics in the 1920s", *The English Historical Review*, Vol.111 (440) (1996) pp.59-84; Jackson, "Property Owning Democracy".

Conservatives in particular worried about "single young men, ex-soldiers or unemployed", who might be "driven into the streets and the clutches of the agitators".[27]

In a series of articles in 1923, Skelton offered his own interpretation of the challenge confronting Britain. In his analysis, post-war Britain was defined by an untenable imbalance: that is, whilst all British citizens were now educated and possessed of political liberty in the form of the vote, a significant proportion of the population continued to live in a state of acute economic insecurity. The British, he contended were "a people at the dawn of a new era, equipped with full political power, educated, and still more, highly sensitive to educative influences…".[28] But they were also a people with an increasing awareness of their material condition, and in particular, their lack of property: "for the mass of people – those who mainly live by the wages of industry – political status and educational status have outstripped economic status". "The structure", he continued, had become "lopsided", and thus "unstable". [29] At its core, Skelton's analysis was a thesis about the relationship between capitalism and democracy. As it stood, capitalism and democracy were vitiating one another, as imbalances in the distribution of property and wealth threatened the legitimacy of the existing political order and the sense of mutual obligation and internal cohesion upon which democratic society depends. Restoring that balance was "the master problem of the new era".[30]

In his analysis of this tension between democratic politics and capitalism, Skelton was not writing in a vacuum. The potential frictions between capital and labour had begun to preoccupy a number of thinkers at the turn of the twentieth century. Hilaire Belloc – an Anglo-French distributist and politician – warned that confining property to a particular body of citizens at the expense of others was productive of a "severe strain" on capitalism which would destabilise society.[31] In a similar vein, Pope Pius XI's encyclical marking the 40th anniversary of Pope Leo XIII's *Rerum Novarum* set out the Catholic perspective on both the importance of private property for the individual, as well as its relationship with the common good. As Pius put it:

> *Let it be considered as certain and established that neither [Pope Leo XIII] nor those theologians who have taught under the guidance and authority of the Church have ever denied or questioned the twofold character of ownership, called usually individual or social according as it regards either separate persons or the common good. For they have always unanimously maintained that nature, rather the Creator Himself, has given man the right of private ownership not only that individuals may be able to provide for themselves and their families but also that the goods which the Creator destined for the entire family of mankind may through this institution truly serve this purpose.*[32]

However, Pius continued, the common good demanded that property ownership be open and accessible, rather than annexed to a narrow cross-section of society:

27. Brian Lund, *Housing Politics in the United Kingdom: Power, Planning and Protest* (Bristol, 2016) pp.121-22.
28. Noel Skelton, "New Era", *The Spectator*, 5th May 1923.
29. Noel Skelton, "Problem and Principle", *The Spectator*, 12th May 1923.
30. *Ibid.*
31. Hilaire Belloc, *The Servile State* (London, 1912). Belloc found an intellectual ally and collaborator in GK Chesterton, who advocated for employee share ownership schemes, agricultural smallholdings, and wider policies that favoured small, independent or family businesses over larger corporate enterprises. See Jackson, "Property Owning Democracy", p.37.
32. Pope Pius XI, *Quadragesimo Anno*, 1931.

> *Not every distribution among human beings of property and wealth is of a character to attain either completely or to a satisfactory degree of perfection the end which God intends. Therefore, the riches that economic-social developments constantly increase ought to be so distributed among individual persons and classes that the common advantage of all, which Leo XIII had praised, will be safeguarded; in other words, that the common good of all society will be kept inviolate. By this law of social justice, one class is forbidden to exclude the other from sharing in the benefits.*[33]

Yet Skelton's singular achievement was to transform these loose suppositions about the interactions between capitalism and democracy into a positive political programme for the Conservative Party. Such a programme was desperately needed in his eyes. For Skelton, the rise of the Labour Party reflected the fact that it was "making an intellectual appeal" to the public about how to solve this imbalance: it was making a case for how to bridge "the gulf set between labour and capital", and for what sort of economy they would pursue to address the imbalance of an educated and politically enfranchised electorate which nonetheless remained economically disenfranchised.[34] And that case was collectivism: that people would gain their economic status through the state ownership of capital.

Skelton was an idiosyncratic figure in many ways. More a "Unionist" than a Conservative (indeed, at one stage, he even contended that it might benefit the Party if it dropped the word "Conservative" from its official name), he was attuned to the arguments being made on the left. Indeed, he recognised that socialism spoke directly and powerfully to a basic impulse in individuals – the desire to be invested in the society in which they lived: to have a stake, and a sense of agency. But its proposed solution for the tensions between capitalism and democracy, he argued, perverted that impulse. The socialist "declares… that ownership by the State is ownership by the people, implying that that means a property-owning democracy. In fact, of course, it does not. What everybody owns, nobody owns; and far from expressing the wage-earner's ideal, Socialism makes it unattainable…".[35]

So what was Skelton's alternative vision for reconciling capitalism and democracy? In the face of those across the political spectrum who would antagonise existing societal tensions and fissures, conservatism, he argued, "is the real guardian of stability in the community" and has "a special duty constantly to search out the means by which stability threatened can be saved". Stability was not "stagnation", though:

> *"Stability is as much the condition of steady progress for a society as it is for a ship. Stagnation, since life is movement, means necessarily that atrophy is at work; that tissues are dying which should be living; that dead matter is accumulating which must… be cast out".* [36]

Stability, then, unlike stagnation, might require substantial change and adjustment. And to make democracy "stable and four-square", Skelton argued that the Conservative Party should proactively build a property

33. *Ibid.*
34. Skelton, "New Era".
35. Skelton, "Problem and Principle".
36. *Ibid.*

owning democracy in Britain – a society in which property ownership was diffuse, and in which capitalism and democracy might be rendered mutually supportive.

A nation of property owners, in which each possessed a literal stake in the country to which they belonged, would itself exert a stabilising effect on the body politic by tying the fortunes of the population to the condition and success of the country as a whole. But spreading property ownership widely also meant spreading those characteristics upon which a strong, cohesive democratic society depend. "The character of the individual citizen" is "the greatest asset of the State", Skelton contended, "and the best test of all legislation which deals with the individual is its influence upon his character". Property ownership's effect on the individual was to promote "an increased sense of responsibility, a wider economic outlook, a practical medium for the expression of moral and intellectual qualities". To this end, Skelton argued that private property had an "ethical basis" and would transform the individual wage-earner from a "machine" into a self-sufficient, responsible "man".[37]

The transformation of the individuals' character through property ownership would have profound implications for society as a whole. Skelton considered himself to be part of a political lineage that began with Benjamin Disraeli, and which was concerned primarily with addressing tensions within the political community. Disraeli famously considered these tensions to be between the rich and the poor: two "nations", he argued in his novel *Sybil,* "between whom there is no intercourse and no sympathy; who are as ignorant of each other's habits, thoughts, and feelings, as if they were dwellers in different zones, or inhabitants of different planets".[38] Skelton's worldview was structurally similar, but in his conception, the two nations of early twentieth century Britain were the wage-earners and the capitalists. And he believed that this schism could be overcome by forming one nation of property owners. Property ownership, then, would make for a more cohesive, unified society.

As such, Skelton, writing in the context of an industrial, democratic society, turned an old republican idea completely on its head. Once, it been argued that "a man who is dependent for his subsistence on the arbitrary will of another man is not economically free and so should not be admitted to citizenship".[39] In contrast, and since all had been now been admitted to the full political rights of citizenship in twentieth century Britain, Skelton was averring that "those without property had to be supplied with enhanced opportunities to acquire individual assets and develop the 'character' coming from ownership responsibilities".[40]

Of course when we think of property today, our minds immediately turn to residential property. But this was not the specific means by which Skelton thought a property owning democracy might be delivered. Rather, he argued for an increase in co-partnership in business and industry, as well as profit sharing schemes, support for the ownership of small holdings, and agricultural cooperation more generally. Regardless, Skelton believed that it was essential for Conservatism to set down a practical "line of

37. Skelton, "Problem and Principle", and "Democracy Stabilised", *The Spectator*, 19th May 1923.
38. Benjamin Disraeli, *Sybil, or the Two Nations* (London, 1845)
39. Louis Kelso and Mortimer Adler, *The Capitalist Manifesto* (New York, 1958) p.xv.
40. Lund, *Housing Politics in the United Kingdom*, p.117.

advance". Or else, the instability and imbalance in the body politic would continue to subsist, and the public "would come to the conclusion that the only way forward lay along the Socialist path, however desperate and perilous that might be".[41]

Over the last hundred years, Conservatism's perspective on Skelton's specific policy proposals has been equivocal. Indeed, many of them, particularly around agricultural cooperation, appear now to be very much of their time. Yet the phraseology he formulated in the 1920s has a force and resonance which transcends that context, and has had an enormous bearing, not just on the party to which he belonged, but on British political debate much more broadly.

Churchill, Eden and Macmillan

Skelton's influence on the policymakers of his own time was limited. There was cursory mention of the theme of property ownership by Stanley Baldwin in 1925, when he expressed his desire to see "every man and woman in this country a capitalist", but there was no Skeltonian flavour to government rhetoric or indeed policy at the time.[42] It was not until after Skelton's death at the relatively young age of 55 that his coinage of a property owning democracy began to have purchase in British politics.

Perhaps that is unsurprising. As David Torrance remarks in his biographical account, one of Skelton's most significant legacies was the influence he had on a generation of politicians who would go on to govern the country.[43] Skelton was the nominal leader of a group of MPs pejoratively nicknamed the "YMCA" by older Conservative parliamentarians. As Baldwin put it, the YMCA was "a band of keen and ardent young conservatives, with a genuine desire to serve the public interest rather than that of any particular class or faction".[44] Members of the group included Anthony Eden and Harold Macmillan, the latter of whom remarked that "undoubtedly, the most striking mind and real intellectual leader of our little company was Noel Skelton".[45]

It was Eden who brought the notion of a property owning democracy to prominence in a Conference speech in Blackpool following the end of the Second World War. "Our objective is a nationwide property owning democracy", he told attendees; "whereas the socialist purpose is the concentration of ownership in the hands of the state, ours is the distribution of ownership over the widest practicable number of individuals". The "fundamental condition" he added, for achieving this object of wider property ownership would of course be "a great increase in the productive wealth in the country and in particular the productivity of industry". Nevertheless, it was "a fundamental principle of political philosophy" that people should have control and agency over their lives.[46]

The Conservative Party quickly recognised the intellectual force and psephological potential of the ideas that Eden had given voice too. Indeed, so did Labour: Clement Attlee sought to position his party as the true defenders of the ideal of a property owning democracy and saw state ownership as the means through which to realise it. Yet Winston Churchill,

41. Skelton, "Democracy Stabilised".
42. Matthew Francis, "A Crusade to Enfranchise the Many: Thatcherism and the Property Owning Democracy", *Twentieth Century British History*, Vol.23(2) (2012) p.279.
43. David Torrance, *Noel Skelton and the Property Owning Democracy* (London, 2010).
44. Amit Ron, "Visions of Democracy in 'Property-Owning Democracy': Skelton to Rawls and Beyond", *History of Political Thought*, Vol.29(1) (2008) p.174.
45. Harold Macmillan, *Winds of Change: 1914-1939* (London, 1966) p.178.
46. Anthony Eden, *Freedom and Order: Selected Speeches 1939-1946* (London, 1948) pp.419-21.

in the lead up to 1950 General Election, was quick to distinguish the property owning democracy vision that Conservatives embraced from Labour's policies:

> *I doubt if it gives very much pleasure to the average socialist when he wakes up in the morning to say to himself 'oh I own the Bank of England, I own the railways, I own the coal mines'. The truth is that Mr Attlee and his friends feel the force of our conservative theme, a property owning democracy, and are trying to avoid it by talking nonsense about it. They know perfectly well that what we mean is a personal property owning democracy. Households which have possessions which they prize and cherish because they are their own, or even a house or garden of their own, the savings certificate that their thrift has bought, a little money put by for a rainy day, or an insurance policy, the result of forethought and self-denial which will be a help in old age or infirmity, or after their death for those they love and leave behind – that it what the conservatives mean by a property owning democracy".*[47]

As Skelton did in the 1920s, post-war Conservatives looked to establish a distinct contrast between the diffuse property ownership they were advocating for, and the concentration of property in the hands of the state. And the principles behind the case being made in the 1940s and 1950s remained the same as those that formed the basis of Skelton's "Constructive Conservatism": that property ownership would produce responsibility in individuals, and that spreading a sense of responsibility as widely as possible would help stabilise the political community.

Nevertheless, there was considerable evolution in the property ownership agenda after the war, and especially in how it might be applied in concrete policy terms. The most significant development was the increased focus on homeownership specifically. As Harold Macmillan put it, "no property is more suitable for the creation of a property owning democracy than house property".[48] Indeed, it was during Churchill's post-war Government that, as the housing minister, Macmillan committed to – and delivered on – a target of building 300,000 homes a year. Given the destruction of housing stock from wartime bombing and the freeze on housebuilding during the conflict, the pivot to residential property ownership in particular and housebuilding to support it made a great deal of sense. The close association between home ownership and the property owning democracy is a legacy of this period.[49]

Thatcher and the "Vigorous Virtues"

Despite a rhetorical commitment to the property owning democracy and concrete advances in homeownership during Conservative (and it should be added, Labour) Governments between the 1950s and 1970s, limited headway was made in the cause of wider personal property ownership. Indeed, many industries remained centrally owned, and any desire to bring them into private ownership remained limited. Even on housing, between a third and a half of new dwellings being completed in the early 1970s were council or local associations homes.

47. Torrance, *Noel Skelton and the Property Owning Democracy*, p.211.
48. Harold Macmillan, *Tides of Fortune: 1945-1955* (London, 1969).
49. Francis, "A Crusade to Enfranchise the Many", p.279.

Some misgivings about this situation did exist. The Conservative Party, for example, looked at potential ideas for expanding property ownership throughout the 1960s and 1970s. Edward Heath established the Wider Share Ownership Committee (WSOC) in 1968. A year before that, he set up the Policy Group on the Nationalised Industries (PGNI) to consider ways to expand personal ownership in areas of the UK economy that were centralised at the time. Yet a postwar consensus that subsisted through the period saw such initiatives as either largely unimportant in terms of improving the aggregate performance of the UK economy, or else ideological measures which were unlikely to command widespread support.[50]

All of this changed in the late 1970s and early 1980s. Though a number of figures were making the case for widening property ownership much earlier – Russell Lewis, Ian Gow and George Copeman in particular – the specific socioeconomic context of the late 1970s provided fertile conditions for such ideas to gain currency in the national debate. The UK had been forced to apply to the International Monetary Fund for a bailout in 1976. The purchasing power of the pound had diminished immensely – £1 in 1980 was just 5% as valuable as the same amount in 1938 - and the tax burden on individuals and business had risen to stifling levels. Crime was up, as was the divorce rate. "Thatcherism", and the intellectual trends that Margaret Thatcher embodied, arose because of a "disenchantment" with this state of affairs, coupled with strong sense that this malaise was partly due to the steady transfer of power, property and responsibility away from individuals and households and towards the state.[51]

It is this latter point about Thatcher that is frequently misunderstood. Often, her governing agenda has been interpreted as either being primarily motivated by a desire to make the UK more economically efficient, to shrink the size of the state and reduce the costs of government to the taxpayer, or to create a culture more conducive to conservative values (and therefore Conservative electoral success).[52] Undoubtedly, all of these interpretations contain a kernel of truth. Yet in and of themselves, they are partial, misleading accounts. More pointedly, Thatcherism as a governing philosophy was concerned with the realisation of a property owning democracy in Britain, and specifically with increasing the number of property owners.

Thatcherism in its context appeared bracing and novel. In style, it certainly was. But there is also an intellectual thread that connects this worldview to Skelton's vision of the property owning democracy. The most important commonality of all was the belief that ownership in itself exerts a profound influence on the individual and his or her character. To be an owner is to have responsibility, to be self-sufficient, and to have "power over [one's life] in the most direct way".[53] Property ownership in the Thatcherite perspective, just as it was for Skelton, Churchill, Eden and Macmillan before, was a "source of pride and independence" and would inculcate "personal energy and adventurousness" – attributes that were required amongst the British public in the early 1980s if they were

50. *Ibid*, pp.279-287.

51. Shirley Letwin, *The Anatomy of Thatcherism* (London, 1992)

52. See Francis, "A Crusade to Enfranchise the Many"; Letwin, *The Anatomy of Thatcherism.*

53. The Conservative and Unionist Party, *The Next Moves Forward: The 1987 General Election Manifesto*, 1987.

to turn the country's economic prospects around.[54] Economic policy – privatisation, spreading property ownership more widely – was the means, then. Thatcherism's object was "to change the soul" and to give people an incentive to "think differently about the world".[55]

Another pervasive misinterpretation of Thatcherism is the view that this moral project was solely about the anatomised individual. In fact, and as Skelton had argued before, property ownership was valued in the Thatcherite view because it would promote qualities that were conducive to a strong sense of community and social cohesion. Property ownership, Thatcherites argued, "gives people a stake in society – something to conserve".[56] And it would strengthen the family by giving each generation something tangible to pass on to the next. As David Howell – one of the most articulate advocate of Thatcherism as a political project – put it, the regeneration of communities across the country was predicated on boosting a sense of ownership in these local areas. This he labelled the "paradox" of personal ownership: that giving individuals a greater personal responsibility actually led to more cohesive communities, both nationally and locally.[57] Importantly, it was diffuse ownership that counted. A wide distribution of property owners would convince people that the economic system they belonged to offered opportunities to all, and not just a privileged few. The ideal of property ownership would bind the British people together in a shared, democratic and capitalist enterprise.

Thatcher too saw private, personal property ownership as a distinctively conservative measure for restoring the stability of and popular trust in British society. And so whereas, she argued, the great nineteenth century achievement of her party in this cause was to "enable more and more people to have the vote", the "great Tory reform of this century is to enable more and more people to own property. Popular capitalism is nothing less than a crusade to enfranchise the many in the economic life of the nation".[58]

These moral convictions and principles were manifested in the policies that Thatcher pursued in office through the 1980s. Take the now totemic Right to Buy policy. That the promotion of property ownership – rather than mere economising - was forefront in the mind of Thatcherite policymakers is evidenced by the fact that they felt justified in selling over two and a half million state assets in the form of council houses at a considerable discount (originally 33% for those who had been tenants in a dwelling for three years rising to 50%, and later 44% for tenants of two years rising to a maximum of 70% by 1986).[59] Creating more property owners was a higher priority than simply realising the greatest cash receipts for the Treasury.

Thatcher's property owning democracy was concerned with housing, but this was not the horizon of her field of vision. Homeownership, the 1987 Conservative Manifesto read, "leads naturally to other forms" of property ownership, particularly pensions and shares.[60] The Government thus introduced and incentivised a number of schemes to widen capital

54. Letwin, *The Anatomy of Thatcherism.*
55. Margaret Thatcher, "Interview for the Sunday Times", 3rd May 1981; Letwin, *The Anatomy of Thatcherism.*
56. The Conservative and Unionist Party, *The Next Moves Forward.*
57. David Howell, *Freedom and Capital*, (Oxford, 1981) p.96.
58. Margaret Thatcher to the Conservative Party Conference, 10th October 1986.
59. Francis, "A Crusade to Enfranchise the Many", pp.290-96.
60. The Conservative and Unionist Party, *The Next Moves Forward.*

ownership such as Personal Equity Plans (PEPs) and employee share ownership schemes, and combined these with efforts to privatise nationalised industries as part of a wider programme for decentralising and dispersing property. Indeed, all the major privatisations of the 1980s included some dedicated initiative for encouraging share ownership amongst employees, and smaller, retail investors were privileged over institutional investors when it came to privatisations via clawback arrangements.[61] There was also a highly successful advertisement campaign to promote the purchase of shares in denationalised industries, in which members of the public told a fictional character "Sid" about the opportunities to invest in shares. *Diffuse* property ownership, the bedrock of a property owning democracy, was the defining and overarching objective of these endeavours.

Thatcherism's meaning has changed over time, and contemporary acolytes of Thatcher often endorse a vision at odds with that embraced by Thatcher herself. Yet when considered in the context in which it was formulated and articulated, Thatcherism first and foremost was a project committed to a vast diffusion of ownership in the United Kingdom. Increasing the number of property owners would in so doing increase the number of responsible, self-sufficient people with a stake in society, and this in turn would make for a more cohesive, durable national community, bound by a popular faith in capitalism and democracy.

James Meade and the Labour Revisionists

One thing that should be clear from the foregoing is how throughout recent history, the Conservative Party has actively sought to define the notion of a property owning democracy as the polar opposite of socialism. This was the case for Skelton, as it was more practically for Thatcher as she juxtaposed socialism and state ownership with the property owning democracy and her efforts to reduce the size of the state. Nevertheless, the concept remained a fugitive one throughout the twentieth century, and – recognising its rhetorical force - figures from a variety of political traditions have sought to co-opt the property owning democracy ideal to their cause.

Diffuse property ownership might certainly be diametrically opposed to the socialism of Beatrice and Sidney Webb, who drafted the original wording of Clause IV in the Labour Party Constitution and believed in the "common ownership of the means of production, distribution, and exchange". Yet there have been intellectual traditions that embraced personal property ownership from a strong, left perspective. As Ben Jackson has argued, in the 1950s and 1960s, there were a number of Labour thinkers who remained deeply committed to an "egalitarian strategy" of delivering more equitable outcomes across the British economy, but who also contended that the diffusion of private property was an equally effective vehicle for achieving this end as state ownership. These Labour "revisionists" have often been seen as having given up on the "classic socialist objective of redistribution", but as Jackson puts, revisionists simply believed that further centralisation of capital and redistribution

61. Francis, "A Crusade to Enfranchise the Many", pp.290-96.

through the welfare state was alone incapable of delivering greater economic equality. Instead, altering the "underlying ex ante distribution of property" was required.[62]

The Labour revisionists opened up the possibility that the left might lay claim to be the true champions of a property owning democracy. As Anthony Crosland, later Foreign Secretary in James Callaghan's Government, argued, provided the "property is well distributed", a property owning democracy could be a "socialist rather than a conservative ideal". In the same book, Crosland argued that the "natural longing for a measure of security, independence and freedom of manoeuvre" were not somehow antithetical to socialism but represented a deeply human desire which the socialist was obligated to provide for.[63] Indeed, as Douglas Jay, another revisionist, made clear, if the Labour Party failed to address these "natural longings", it would be left "rather sourly deprecating private ventures which have become popular, without offering any alternative service of our own".[64] As Jackson notes, Labour revisionists could point to a socialist tradition that included thinkers like JA Hobson and RH Tawney, and which distinguished between forms of private property that were justifiable and ought to be widely distributed, and other forms which ought to be taxed or brought into state ownership. On this basis, the left could make a distinctly egalitarian case for widespread private property ownership.

Perhaps the most eloquent proponent of this revisionist agenda was James Meade. Deeply influenced by Keynes, Meade served in the Economic Section at the Cabinet Office during the war and was made its director in the post-war Attlee administration. After leaving government, he took professorships at the London School of Economics and Cambridge, and at the latter he wrote, amongst other things, his *Efficiency, Equality and the Ownership of Property* in 1964. Here, Meade made a pitch for a "liberal-socialist" vision of the economy based on Keynesian demand management and support for the price mechanism that could deliver egalitarian ends without compromising economic efficiency.

Meade argued that there are four basic "desiderata" for the economist to bear in mind: the reduction of involuntary unemployment; the economically efficient use of scarce resources; an equitable distribution of wealth and income; and the optimal level of savings to ensure a desirable distribution of consumption across generations. In *Efficiency*, Meade was principally concerned with the second and third of these desiderata – that is, efficiency and distribution, and the compatibility of these two objectives.[65] More than anything else, Meade thought that with investment and technological advance, output per head would rise in an economy, but an increasing proportion of revenue would accrue to a narrow band of property owners rather than wage-earners.[66] There were four potential solutions to this state of affairs: a trade union state; a welfare state; a socialist state; and a property owning democracy. Meade thought the first two options would eventually lead to immense inefficiencies or spiralling inflation, and so settled on a hybrid of the latter two models: a system

62. Ben Jackson, "Revisionism Reconsidered: 'Property-Owning Democracy' and the Egalitarian Strategy in Post-War Britain", *Twentieth Century British History*, Vol.16(4) (2005) pp.416-40.

63. Anthony Crosland, *The Conservative Enemy* (London, 1962) pp.38-39.

64. Douglas Jay, quoted in Jackson, "Revisionism Reconsidered", p.432.

65. James Meade, *Efficiency, Equality and the Ownership of Property* (Cambridge MA, 1965) pp.22-3.

66. *Ibid*, pp.24-5.

with much more diffuse property ownership with a greater proportion of the economy owned by the state.[67]

Meade believed in more typical socialist means like state ownership and the use of the tax system to redistribute wealth and achieve egalitarian ends. But he also believed the distribution of private property was an important policy lever which had "been much neglected" on the left.[68] The man with property, he argued, has:

> *Great bargaining strength and a great sense of security, independence, and freedom, and he enjoys these things not only vis-a-vis his propertyless fellow citizens but also vis-a-vis the public authorities. He can snap his fingers at those on whom he must rely for an income; for he can always live for a time on his capital. The propertyless man must continuously and without interruption acquire his income by working for an employer or by qualifying to receive it from a public authority. An unequal distribution of property means an unequal distribution of power and status even if it is prevented from causing too unequal a distribution of income.*[69]

Thus, establishing a more "democratic" distribution of property ownership represented a key socialist imperative. Meade advocated a variety of policy proposals to achieve this, including profit sharing schemes, the development of investment trusts, and - anticipating the Thatcher Governments of the 1980s – enabling tenants to purchase their municipal dwellings.[70]

James Meade's influence on the post-war Labour Party was limited. Part of this was potentially due to personalities – Wilson, rather than Gaitskell, became party leader, when the latter might have been more receptive to Meade's ideas. It is also likely, as Jackson argues, that an "egalitarian strategy" based on diffusing property ownership widely "could not easily be incorporated into the view of society and 'socialism' that constituted the ideological common sense of the Labour movement in the post-war era".[71] Nevertheless Meade *did* have a pronounced impact on British political debate insofar as he communicated a distinctive, non-conservative formulation of the property owning democracy. People within or associated with the Labour Party – and particularly in the New Labour project - have drawn on this viewpoint, from Will Hutton (former editor of the Observer and chair of the Ownership Commission) to Will Paxton at the Institute for Public Policy Research and Stuart White, who has written on a range of subjects including James Meade, radical republicanism and property ownership.[72]

The Liberal Party

It was not simply the Labour revisionists that sought to claim the property owning democracy ideal for their own ideological agenda. The Liberal Party itself established an "Ownership for All" Committee in the late 1930s chaired by Elliot Dodds, and its work continued after the war. Arguing that Labour and the Conservatives stood for different forms of property *concentration* – the latter in the form of the status quo wealth inequalities of capitalism, the former in advocating centralised property ownership

67. Jackson, "Revisionism Reconsidered", pp.438-9.
68. James Meade, "Next Steps in Domestic Economic Policy", *Political Quarterly*, Vol.20(1) (1949) p.13.
69. Meade, *Efficiency, Equality and the Ownership of Property*, p.39.
70. *Ibid*, p.76.
71. Jackson, "Revisionism Reconsidered", p.438.
72. See for example The Ownership Commission, *Plurality, Stewardship and Engagement*, 2012; IPPR, *Equal Shares? Building and Progressive and Coherent Asset-Based Welfare Policy*, 2003; Stuart White, "Republicanism and Property-Owning Democracy: How Are They Connected?", *The Tocqueville Review*, Vol.37(2) (2016) pp.1-22. Also of interest is Stuart White, "Putting Ownership Back on the Table", *Fabian Review*, Vol.121 (2) (2009) pp.25-7.

by the state – the Liberal party contended that it was the true champion of a diffusion of property and power. In his report *People in Industry*, Dodds wrote that the party's "Ownership for All" proposals were:

> *Not a compromise between Toryism and Socialism, but a challenge to both. They seek to reverse the prevalent trend towards concentration… and to create a society in which control and responsibility will be spread as widely as possible.*[73]

Despite the attempt to carve out a distinctive position, many of the arguments about property advanced by Liberals were redolent of those put forward by Skelton. As Jo Grimond, a former leader of the Liberals, wrote:

> *The reasons which lead the Liberal Party to campaign for the spread of ownership are political and social as well as economic. We believe that the possession of some property is essential if a man is to enjoy full liberty. The possession of some property widens a man's choice and gives him more scope to exercise his talents. Personal ownership is the badge of a citizen as against a proletarian. It is a shield against petty tyranny.*[74]

The Liberal Party supported a variety of policies to widen the ownership of property in the second half of the twentieth century, including capital grants for young people who did not receive significant inheritances from their family, profit-sharing schemes, and worker enfranchisement within firms. Liberal MPs also fought consistently in the 1950s and 1960s for a tax-exempt special savings account in which workers could build up their savings in shares. Yet despite some powerful advocacy from figures like Paddy Ashdown, following the dissolution of the Liberal and Social Democrat parties, the Liberal Democrats did not take forward more radical proposals for spreading property.[75]

Transatlantic Lineages and the Property Owning Democracy

Finally, the specific Skeltonian notion of the property owning democracy has influenced political debate and indeed political theory across the Atlantic, most famously in the work of John Rawls. Rawls, perhaps the preeminent political philosopher of the twentieth century, has had a profound impact on progressive thought not just in the United States but around the world, and not only wrote at length about property distribution, but positively advocated for a property owning democracy as his ideal economic model.[76]

In considering how to design a political economy that would promote social justice, Rawls believed there were five economic and institutional arrangements that might be considered, which he outlined in his *Justice as Fairness*: laissez-faire capitalism; welfare-state capitalism; state socialism; democratic socialism; and a property-owning democracy. In both this book and *A Theory of Justice*, Rawls attributed this conception of the property-owning democracy to James Meade, and his typology bears a striking resemblance to the one deployed by the latter in *Efficiency, Equality and the*

73. Elliott Dodd, *People in Industry* (London, 1949). See also Stuart White, "'Revolutionary Liberalism'? The Philosophy and Politics of Ownership in the Post-War Liberal Party", *British Politics*, Vol.4(2) (2009) pp.164-187.
74. Jo Grimond, *The Liberal Future* (London, 1959) p.79.
75. Stuart White, "'Revolutionary Liberalism'?", p.180.
76. While this part of Rawls's work is often overlooked, laudable exceptions exist of course in the form of Martin O'Neill, Thad Williamson and the contributors to their edited collection on this precise topic.

Ownership of Property. However, Rawls's critique of the various institutional arrangements differed. Laissez-faire capitalism was to be rejected on the grounds of distributive justice, rather than economic efficiency: that it permitted unjustifiable inequalities of opportunity and outcomes. Likewise, a socialist command economy was unacceptable on the basis that such centralised control violated personal, and potentially political liberty.[77]

Given his association with redistributive policies designed to promote the interests of the least well-off in society, his rejection of welfare-state capitalism is perhaps the most "surprising", but also the most revealing position vis-a-vis these various institutional forms.[78] Rawls rejected such a system because facilitating transfers of wealth via taxation without changing the fundamental distribution of property was, from the point of view of social justice, untenable, because it would mean that "control of the economy and much of political life" would continue to "rest in a few hands".[79] A property owning democracy, in contrast, aimed at "ensuring the widespread ownership of productive assets and human capital".[80] Whilst this would need to be supplemented by a progressive tax system, "the intent", he added, "is not simply to assist those who lose out through accident or misfortune… but rather to put all citizens in a position to manage their own affairs on a footing of a suitable degree of economic equality". He added too that the bifurcation of citizens into those that paid into a welfare system and an "underclass" which depended upon it would sunder the social cohesion required by a political society.[81]

Despite the fact that the contrasts between a property-owning democracy and welfarism are well adumbrated by him here, in a revised version of *A Theory*, Rawls admitted that he wished he had "distinguished more sharply" the two systems from each other.[82] And whilst Rawls remained relatively silent on the content and appropriateness of liberal, democratic socialism, he was explicit in his support for a property owning democracy as a regime well-constituted for the objective of promoting justice and fairness.

Lastly, another American intellectual lineage worth considering is the "ownership society" agenda advanced in the early 2000s by the Republican administration. Though not deploying Skelton's specific coinage, George W. Bush's arguments about property ownership closely mirrored those found in the writing of the former. As Bush himself put it in 2004: "If you own something, you have a vital stake in the future of our country. The more ownership there is in America, the more vitality there is in America, and the more people have a vital stake in the future of this country".[83] The Cato Institute, and specifically figures like David Boaz, Tom Palmer and the then President of the Institute Edward Crane, sought to put meat on the bones of Bush's rhetorical endorsement of an ownership society, both philosophically and in public policy terms. As Boaz wrote in 2004, "widespread ownership of other assets creates responsible citizens" in the same way that "homeownership creates responsible homeowners". "People who are owners", he argued, "feel more dignity, more pride,

77. John Rawls, *Justice as Fairness: A Restatement*, ed. Erin Kelly (Harvard MA, 2001) pp.135-38.
78. Martin O'Neill and Thad Williamson, "Introduction", in Martin O'Neill and Thad Williamson (eds), *Property Owning Democracy: Rawls and Beyond* (Oxford, 2012) p.3.
79. Rawls, *Justice as Fairness*, p.138.
80. *Ibid*, p.139.
81. *Ibid*, p.140.
82. John Rawls, *A Theory of Justice: Revised Version* (Cambridge MA, 1999) p.xiv.
83. White House, "Fact Sheet: America's Ownership Society, Expanding Opportunities", 9th August 2004.

and more confidence. They have a stronger stake, not just in their own property, but in their community and their society".[84] And whilst Boaz noted that around a half of US households qualified as stockholding in some form at the time, he added that pursuing the ownership society meant delivering the benefits and responsibilities of property to the other half that did not. Widening property ownership, he continued, would see more people share in economic growth, it would help with efforts to conserve the environment, it would diffuse power, and it would make for better citizens with more of a stake in their communities. Giving people access to ownership would have a more significant and beneficial impact on their behaviour and character than efforts to simply further redistribute wealth via taxation. As Crane put it, "Ownership Society means something – something very important. It means control over our own lives, which is the essence of a free society".[85]

To deliver an ownership society Bush's White House sought to widen homeownership particularly for those on low-incomes, give tax relief to families and small businesses, and support new savings opportunities via Retirement Savings Accounts whilst promoting greater freedom of choice about retirement savings investments. And though none of these policies were pursued specifically in the name of promoting a property owning democracy, officials in Bush's White House publicly recognised their intellectual debt to Thatcher and the programme she pursued in government.[86]

The Property Owning Democracy in Historical Perspective

Skelton translated a pre-modern, republican intuition – that there was a direct connection between property ownership and behaviours that were essential for the proper functioning of a free political society – into a blueprint for democratic capitalism. In so doing, he argued that ownership inculcates values – responsibility, a sense of stake, individual autonomy – which underpin the success and durability of such societies, and that property ownership thus needed to be widely distributed. His coinage for the ideal version of this society, the property owning democracy, has an immediate, almost emotional resonance and rhetorical force, and it is for this reason that it has been claimed and contested over by various groups over the last hundred years.

There has been a significant amount of conceptual innovation in this time, and the meaning of a property owning democracy has changed accordingly with different temporal and geographical contexts. In terms of government policies to realise such a vision of society, these have varied even more considerably. Nevertheless, at the moral and philosophical level, some basic arguments made in favour of a property owning democracy have remained constant: ownership, it has consistently been argued, makes for responsible citizens and provides a medium for self-expression. It is specifically private, personal property that offers these benefits: the

84. David Boaz, "Defining an Ownership Society", *Cato Commentary*, 1st September 2004.

85. Edward Crane, "Toward the Ownership Society", *Cato Policy Report*, November/December 2004.

86. Ron, "Visions of Democracy in 'Property-Owning Democracy'", pp.186-87.

more proximate the relationship of ownership, the more substantial the influence it has on the behaviour of individuals and households. And almost paradoxically, diffuse *private* ownership promotes a greater sense of common cause and unity which in turn is productive of social cohesion. The reason why these arguments have proven so compelling – why property ownership has become perhaps the definitive aspirational value in British society – is because they are not derived from abstract reasoning, but are intuitive and instinctive. One *feels* the difference between being a tenant in a house and an owner of a home, or between the wage one receives and the tax one pays – which is at the discretion of others – and the small business one is invested in. Skelton's remarkable contribution – and one which has been refined and enlarged by other figures since – was to communicate those basic intuitions within a wider vision for a better society.

Present: The Perversion of an Ideal

In 1946, Eden avowed that if the electorate put its faith in the Conservatives, they would build a property owning democracy in Britain. Just over thirty years later, Thatcher declared that her Government was intent on achieving the same objective. In the mid 2010s, David Cameron announced that "the dream of the property owning democracy is alive, and we will…fulfil it".

But is that dream still alive today? What progress has been made towards the ideal of a property owning democracy – an ideal endorsed not only by numerous past Conservative leaders, but figures from across the political spectrum? Ownership of some things is more widespread than it has even been. Our culture today is one defined by the ownership of consumer goods: more people own items like personal cars, mobile telephones, or computers than any previous generation. But is our society built upon a solid and wide base of genuine property owners who see themselves as such? And are the values of ownership imbedded amongst individuals and within communities in the way that the champions of the property owning democracy envisaged? Across a number of metrics, the situation is extremely disconcerting.

Homeownership

Since the post-war generation of Conservatives, *residential* property has been considered the foremost form of capital through which to advance the cause of ownership. It is the "foundation stone" of a property owning democracy, which leads naturally onto other forms of capital ownership.[87]

Throughout the second half of the twentieth century, the UK made immense progress. Through extensive programmes of housebuilding for private ownership, and later via efforts to put millions of state-owned residential properties into the hands of former tenants, numerous individuals and households were given the opportunity of a physical stake in their community and a stable source of value.

Yet across the country today, homeownership is on the slide. Owner occupancy rates for the population as a whole have fallen to 64% from a high of 71% in 2003. And whilst the overall figures demonstrate a discernible regression that provides cause for concern, the trends for younger demographics in particular are catastrophic.

The 26% drop in the homeownership rate for the 25-34 age bracket since 1991, as shown in Figure 1, is the statistic we ought to be most concerned about, for it is at these ages that the broader sociological

87. The Conservative and Unionist Party, *The Next Moves Forward.*

impacts of the dwindling levels of ownership are most acute. It is in their late twenties and early thirties that most people look to settle down and start a family, and frequently they seek the security of homeownership prior to doing so.[88]

Figure 1: English Housing Survey, Homeownership Rates Segmented by Age Bracket, %

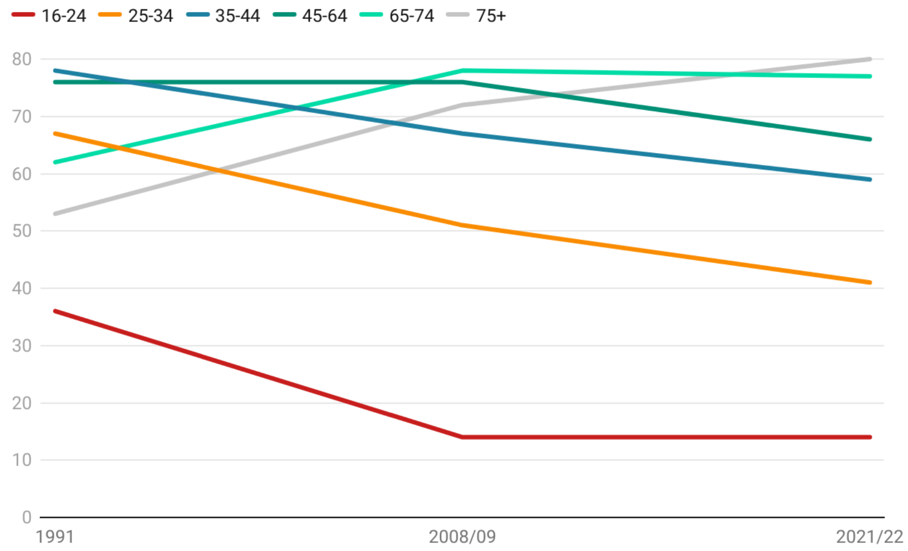
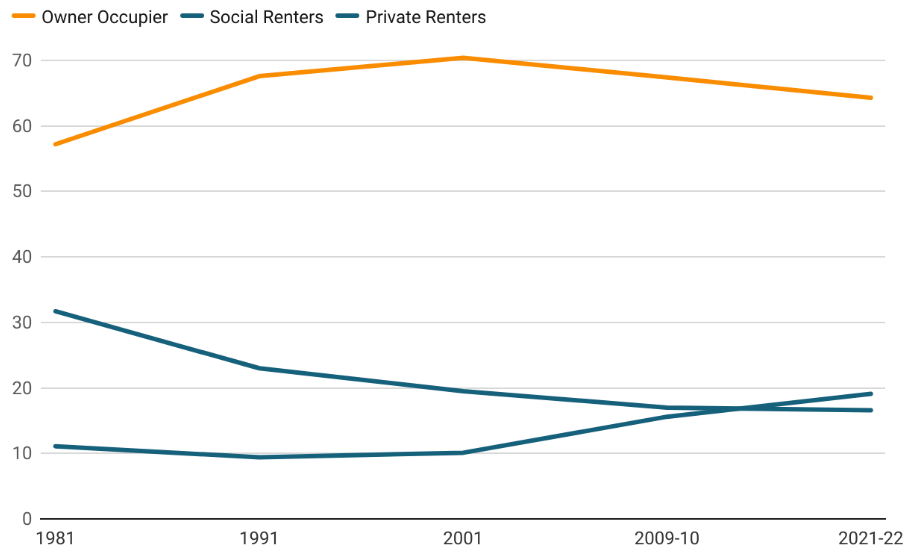


Figure 2: English Housing Survey, Trends in Tenure, %



The decline in homeowners has also coincided, as evidenced by Figure 2, with a significant decline in the number of people living in socially-rented housing. From an ownership perspective, this might be desirable. But what is also clear is that the number of people living in the private rented sector has shot up considerably. To this end, efforts to convert millions of people from tenants of the state to homeowners have not met their objective. At an aggregate level, a considerable proportion of the

88. James Vitali, *Homes for Growth*, 2023.

population has gone from renting a council-owned house to renting a privately owned one.

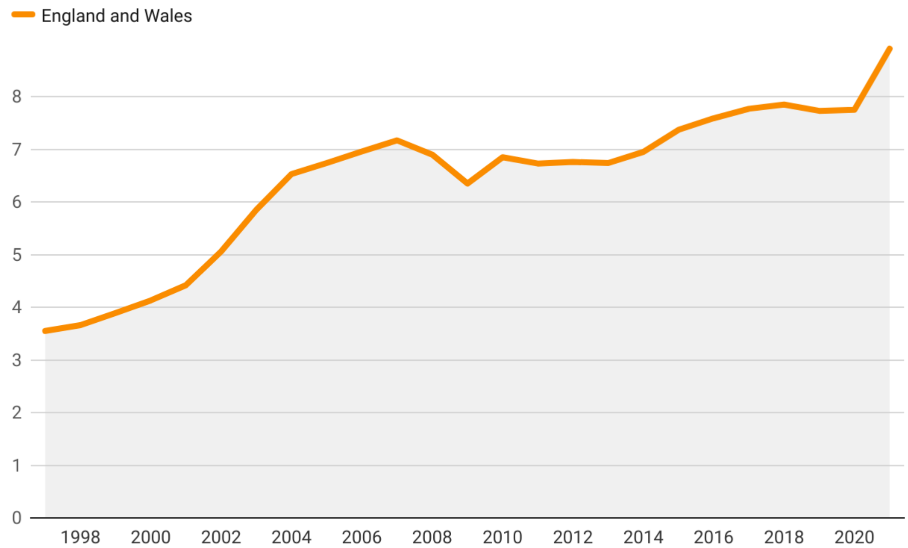
What explains these trends in tenure, and the difficulties that younger generations are having in moving into ownership? Homeownership has not lost its basic, intuitive attractiveness, and we should be especially sceptical of those who argue that younger generations prefer renting because of lifestyle factors and the desire for greater flexibility. That might certainly be the case for a narrow demographic – students, perhaps – but these preferences do not apply at a population level. A 2014 survey found that given a free choice, 86% of the population would like to be a homeowner. A more recent study found that only 8% of millennials didn't want to own their own home.[89] Homeownership is an abidingly popular ideal in Britain, and this has not changed; that fewer people are becoming homeowners is the product of constrained choices about its feasibility.

The short answer for why homeownership is falling - and indeed the main factor cited for why owning a home appears so unachievable - is affordability, or the lack thereof. Between 2000 and 2021, median nominal earnings (not taking into account the effects of cost of living pressures and inflation) have grown from £19,000 to £31,344, an increase of 65%. Yet in the same time period, the median house prices grew from £78,500 to 279,783, an increase of 256%. House price affordability has deteriorated accordingly. Whilst at the start of the century a house was roughly four times annual earnings for the average person, it is now closer to nine times. In London, it is around 13 times. This is making homeownership virtually impossible for anyone who does not inherit a considerable amount of wealth, or is earning many times the median wage. In fact, according to the annual Survey of Personal Incomes, and assuming a lender offers credit for secured lending of 4.5 multiples of income, it would require two people to be in the 69th after tax earnings percentile, or one person in the 95th percentile, to get a mortgage for the average home. Housing is thus ceasing to be an aspirational ideal for the majority of Britons, and is instead rapidly becoming the preserve of the richest in society.[90] News stories are beginning to circulate about falls in property prices. But these price fluctuations derive not from fundamental changes in the market's dynamics, but increasingly tight credit conditions. All things being equal, when the macroeconomic context changes, we can expect property prices to start climbing again.

89. Onward, *Missing Millennials*, 2023; NatCen Social Research, *British Social Attitudes Survey, 28* (2014).

90. HMRC, "Survey of Personal Incomes: Earnings Before and After Tax", 2023, Link.

Figure 3: ONS, House price affordability ratio in England and Wales, 1997-2021



How, then, do we explain this affordability crisis? Why has it become so difficult for younger generations to purchase a home? Prices are the consequence of the interactions between supply and demand, and it is certainly the case that demand for housing is persistently high. Previously, population expansion was driven by natural growth (the difference between the annualised number of births and deaths); since around 1990, net immigration has become the primary driver of population growth. At the same time, the average size of households has decreased, such that more houses are now needed than in the past to accommodate the same number of people. Added to this, since the 1980s, the Government has facilitated the financialization of the housing market and a huge subsequent increase in the availability of mortgage credit.

High immigration rates and these other demand-side factors are central aspects of the unaffordability crisis. Yet they remain *proximate* causes of the increase in prices and thus deteriorating affordability.[91] The *fundamental* reason – the reason why the housing market has failed to adjust to meet this high demand – for the current crisis is a set of artificial constraints on housing supply that derive from deliberate and considered political decisions (and as we shall see, these supply constraints have had a significant impact too on UK investment patterns).

The framework for which these constraints on housing supply are applied is the planning system. Prior to the Second World War, planning policy in Britain was permissive; individuals were able to build on, develop and improve their land subject to certain regulations on standards and, in some urban areas like London, height limits. Yet after the war, the Government desired a greater degree of control over development to ensure the efficient and productive use of land, and were under considerable pressure from groups concerned at the prospect of urban sprawl as a result of population growth. So in 1947, in addition to legislation that permitted greenbelts around urban conurbations, the Town and Country

91. This is not to say that there is not a vital debate to have over levels of immigration in the UK. It is simply to say that it isn't the most important variable driving housing market dysfunction.

Planning Act was introduced, which moved the UK to a discretionary, permissions based planning system. Henceforth, any development of land (save for a few carved-out exemptions that have been introduced since in the form of permitted development rights) has required the explicit permission of the state. However well intentioned, the consequences of this shift for housebuilding have been extremely negative. Housebuilding very often includes costs for local residents in the form of congestion, noise pollution and even potentially a reduction in the value of their own home. A discretionary system, then, which provides for local consultation on each planning permission request, offers residents strong incentives to object to and veto development, as well as effective mechanisms for doing so.

In practice, this has also greatly increased uncertainty for housebuilders over what land is available for development. The mitigation of this uncertainty has translated into higher costs for business, and this has then been passed onto potential buyers in the form of higher prices. At the same time, such uncertainty has created an incentive structure for firms which rewards the acquisition of scarce, developable land rather than the quality, quantity or speed of housing delivery.

There are plenty of different lenses through which to view the dynamics of planning in the UK, but the most pertinent one here is the balancing of interests between existing property owners and aspirant ones. To put it differently, we might think of the planning system as being partly designed to ensure that a proportionate compromise is established between the imperative to deliver new homes for a growing population and for each generation of aspirant homeowners, and the requirement to ensure that the character of existing communities and the interests of local residents are not unreasonably damaged. All of these interest groups are valid, and no single group is logically prior or inherently of greater standing than another. It is the job of the government and the laws and regulations that it imposes to weigh them up appropriately.

Within the existing planning regime, however, it is clear that this balance has not been struck. The interests of existing homeowners are afforded far greater weight than those who would like to get onto the property ladder. There are structural issues at play which it is not necessarily in the gift of government to control. Older homeowners are more likely to have the time and energy to show up at local council meetings about development in their locality than younger people of a working age who do not yet have a vested interest in any given area. Institutionalising the views of aspirant homeowners is far from straight forward.

Yet in a myriad of others cases, *political* decisions are the cause of these biases. For instance, the right of an individual or household to build a home in which to live - on land that they are the freeholders of – is subservient to the right of local communities to object to such development as it stands. Irrespective of the wider debates about the calculation of need, the fact that housing targets which correspond to aggregate demand are optional and can be discarded by local authorities is further evidence that the interests of existing homeowners currently precede those of younger age groups who are facing the consequences of constrained supply in the form of unaffordable house prices. For decades, governments of different colours have supported the rights of property owners. But they have not supported the dissemination of property to a wider cross section of the population.

Of course, and as mentioned, part of the desire on the part of existing homeowners to constrain and control development is to maintain house prices, and to ensure that it does not undermine the value of potentially their most important asset. Many homeowners have saved for years to get onto the property ladder, and the threat of negative equity is a grave one. Nevertheless, the hope that house prices will continue to trend upwards is tantamount to an expectation that someone down the line will pay for those higher prices. To this end, those in the private rental market will have to wait and save longer, and in the process transfer a greater sum of capital to existing property owners in the form of rent, to purchase the same asset. These trends are not natural or unavoidable. The scarcity of homes is not because of a scarcity of land – indeed, less than 2% of the landmass of England is occupied by residential property, whilst the greenbelt consumes some 13%. The situation we have arrived at is the consequence of political decisions concerning the balance of interests within our society.

To paraphrase Skelton, the social structure has become lopsided because of this sequestering of ownership in the housing market to a particular demographic – that is, older generations. Millennials now constitute the largest voter constituency by age in the UK, but they are also the demographic where homeownership is retreating the fastest.[92] The situation is unstable, and unsustainable.

Share Ownership

In the mid-1980s, the Government specifically sought to increase awareness about share ownership and encourage uptake amongst lower socio-economic groups. With the sale of British Gas, a series of adverts on television and the wider media encouraged viewers to "tell Sid" about the opportunities involved in owning shares. As Matthew Francis argues, "Sid" was effectively a "shorthand" for the small, retail investor, and in all the larger privatisations in the period, the Government explicitly sought to promote and normalise share ownership amongst individuals and households.[93] Share ownership was, like homeownership, especially highly regarded because it was thought to come with a more direct sense of responsibility and investment, particularly given that shareholders usually enjoy voting rights and the ability to influence the decision-making of a given firm. As Thatcher remarked in a speech to the Scottish Conservatives in 1985, "we believe also that it should be as common for people to own shares as it is for them to own houses or cars".[94]

In reality, however, the individual shareholder has virtually disappeared from the UK stock market. Whilst the 1980s arrested the rate of decline,

92. Onward, *Missing Millennials*.

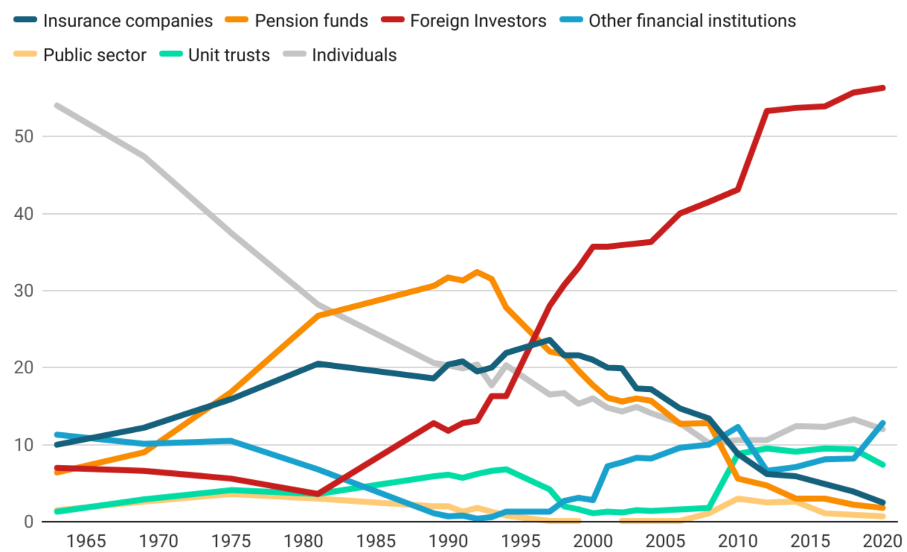
93. Francis, "'A Crusade to Enfranchise the Many'".

94. Margaret Thatcher Foundation, "Speech to Scottish Party Conference", 10th May 1985.

since 1963, the proportion of UK listed shared owned by individuals has fallen from 54% to just 12%. By other estimates, UK households have just 4% of their financial assets invested in listed equities; the figure in the US is 36% - *nine* times as high.[95] As mentioned before, many individuals and households are in theory owners through their pension plans; pension funds invest contributions in a variety of asset types, including stocks and shares, in order to generate a return and match their liabilities. But this is a form of ownership which entails very little participation on the part of the owner, and minimal oversight over how and where one's capital is invested.

Moreover, at an aggregate level, the proportion of UK shares owned by UK pension funds is on the decline too. As Figure 4 shows, the proportion of shares held by UK pension funds grew significantly between 1963 and 1990, from around 10% to over 30%. Yet since then, it has fallen to just 1.8%, well below the fraction owned by individuals. UK pension funds have substituted away from UK equities in favour of other asset classes.[96]

Figure 4: ONS: Ownership of UK Stock Market, 1963-2020



As is clear from Figure 4, the most salient development has been that foreign investors have almost entirely replaced individuals as the primary owner in the UK stock market. In 1990, individuals held around twice as many UK listed shares as foreign investors. Individuals and pension funds combined held over half the market share. Yet today, upwards of 56% of UK listed shares are held overseas. Indeed, only in the Netherlands and Hong Kong is there a higher rate on non-domestic ownership.[97] What we have broadly seen is the replacement of active shareholders with a clear sense of ownership in UK companies by institutions that may lack a long-term stake in such firms.[98]

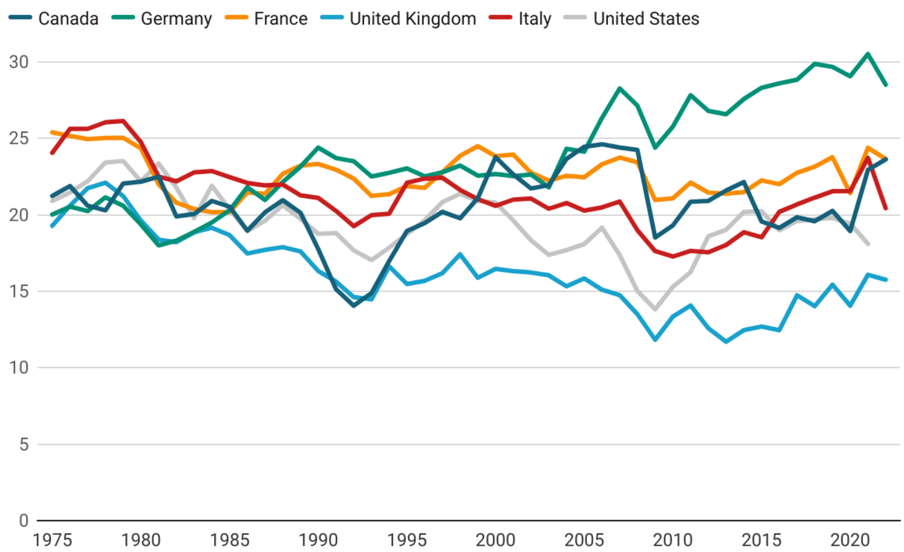
There are a number of factors that account for these trends, and part of the explanation concerns demand-side dynamics. Individuals have become less trusting in financial markets as a location for their savings, and the incentives to invest first – and perhaps entirely – in real estate

95. Money Week, "Markets: Britain's Equity Culture Needs Nurturing", 21st July 2023.
96. The Investor Forum, *Review*, 2022.
97. OECD, *Owners of the World's Listed Companies*, 2019.
98. CSFI, *Capitalism Without Owners Will Fail: A Policymaker's Guide to Reform*, 2002.

remain exceptionally strong. Real estate capital is more insulated from taxation (a point to be picked up later), and the duality of houses as both a highly desirable good and a lucrative financial investment means that even vastly inflated prices do not have a significant impact on their appeal. There is also a case to say that our regulatory framework prioritises risk mitigation for consumers in such a way that investment in equity is highly discouraged.

However, these trends in share ownership also relate to background conditions, and to broader savings and investment patterns. In the short term, cost of living pressures combined with stagnant wages have produced a context in which it is particularly difficult to save and thus invest. Indeed, the Money and Pensions Service estimates that one in four people has less than £100 in savings; one in six have no savings at all. Yet Britain's low savings and investment rate is not merely a recent phenomenon. As Figure 5 shows, a sluggish savings rate has been a feature of the UK economy for decades, despite changing economic circumstances and fluctuating interest rates. Britain's low savings rate, thus, is a chronic problem, not a transient one.

Figure 5: World Bank, Savings Rate as a Percentage of GDP



Business and Industry

The business population in the United Kingdom constitutes a plurality of different corporate forms all with varying ownership structures, from public limited companies to private equity firms and cooperatives. By far the most dominant corporate form is the public limited company, and as we have seen, an increasing proportion of these firms are now owned not by individuals in the UK, but by foreign investors.

Mutuals and cooperatives are companies that are owned and controlled by their members, rather than shareholders. Voting rights are apportioned equally across members, rather than on the basis of how much capital a particular investor contributes. Members elect representatives to form boards or committees that run the business's operations. They do not distribute "profits" proportionally amongst shareholders either, but reinvest "surpluses" in the general interest of their members. Cooperatives are regulated differently to other forms of corporate entity.[99] These features contribute towards a corporate structure in which ownership relationships are much more intimate than a publicly listed company with overseas shareholders.

Cooperatives were first conceived as a response to market failure: in 1844, a group of cotton mill weavers in Rochdale pooled their resources in order to access basic goods for a cheaper price. The Rochdale Pioneers opened a shop which originally sold just four ingredients – flour, oatmeal, sugar and butter – on two nights a week at a discount. Every shopper became a member of the businesses with a say on its running, and in little time, the Rochdale Equitable Pioneers Society had provided a business model which would be widely adopted and adapted not just in the UK but around the world.[100]

Cooperatives are thought by many to be a deficient corporate model compared to others, principally because of their challenges in raising capital. Because they do not issues shares, cooperatives do not have access to equity markets and must rely instead on debt financing and retained earnings. This is a primary reason why public limited companies have grown at a far greater order of magnitude. They also tend to be less profitable, and since public limited companies are explicitly established to maximise shareholder value and offer a higher return on capital, they have historically attracted a greater quantity of investment.

Cooperatives have, however, enormous advantages which are valuable in any economy that values corporate plurality. They are more resilient than other corporate forms, and so help to mitigate against systemic risk. During the COVID-19 Pandemic, for example, there was a net reduction in the number of UK businesses, but a slight uptick in the number of cooperatives. Indeed, CoopsUK found that found that cooperatives were four times less likely to cease trading as other businesses. They have high levels of trust, and lower capital costs too as members do not receive equity distributions out of profits.[101]

Nevertheless, cooperatives have found themselves eclipsed in the UK marketplace, primarily because of an inability to raise and invest capital. There has also been a significant trend towards market consolidation and demutualisation, in which larger mutuals were converted into stock owned companies.[102]

As a result, the number of cooperatives and mutuals has diminished in absolute terms and comparative to other business types in the UK. In the 1950s, there were around 1000 cooperative retail societies. By 2002, there were just 42.[103] Their market share of retail trade has also dropped considerably. As a consequence of consolidation and demutualisation, the number of building societies – a particular form of mutual - has plummeted too, particularly since the 1980s. In 1900, there were some 2286 societies, and they were a feature of almost every town high-street

99. There are different regulatory regimes for cooperatives, building societies, friendly societies and so on.
100. John Wilson, Anthony Webster and Rachael Vorberg-Rugh, "The Cooperative Movement in Britain: From Crisis to 'Renaissance', 1950-2010", *Enterprise and Society*, Vol.14(2) (2013) pp.271-302.
101. Cooperative UK, *The Coop Economy*, 2021.
102. The Ownership Commission, *Plurality, Stewardship and Engagement.*
103. Cooperative Group, *Report of the Independent Governance Review*, 2014.

in the country. By 1985, that number had shrunk to 167. In 2012, there were just 47.[104] Cooperatives have seen an encouraging uptick in numbers in recent years, from 4992 in 2009 to 7237 in 2021. 14 million people are now cooperative members. Nevertheless, cooperatives still comprise less than 1% of the UK business population, and 2% of our GDP. Germany's cooperative sector is four times the size of Britain's by comparison.[105]

Figure 6 – Cooperative Retail Societies in the UK (1903-2002) [106]

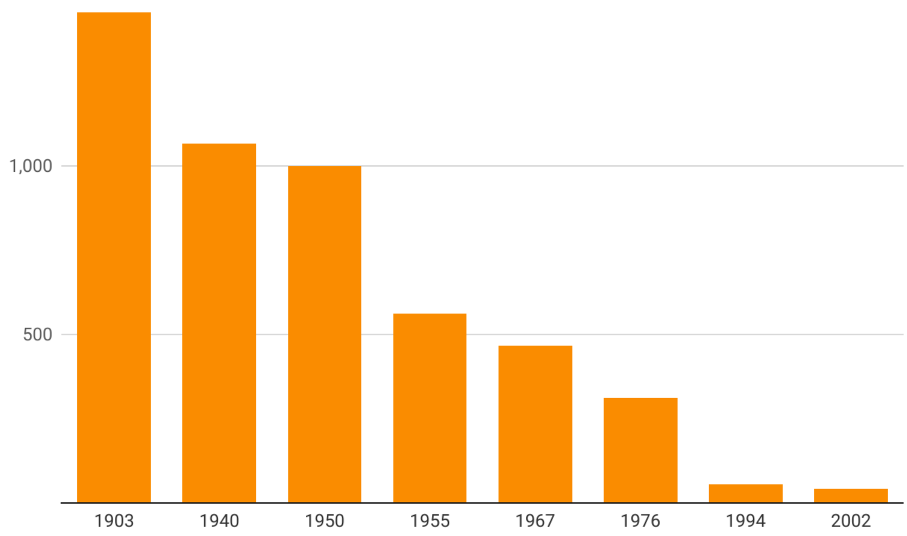
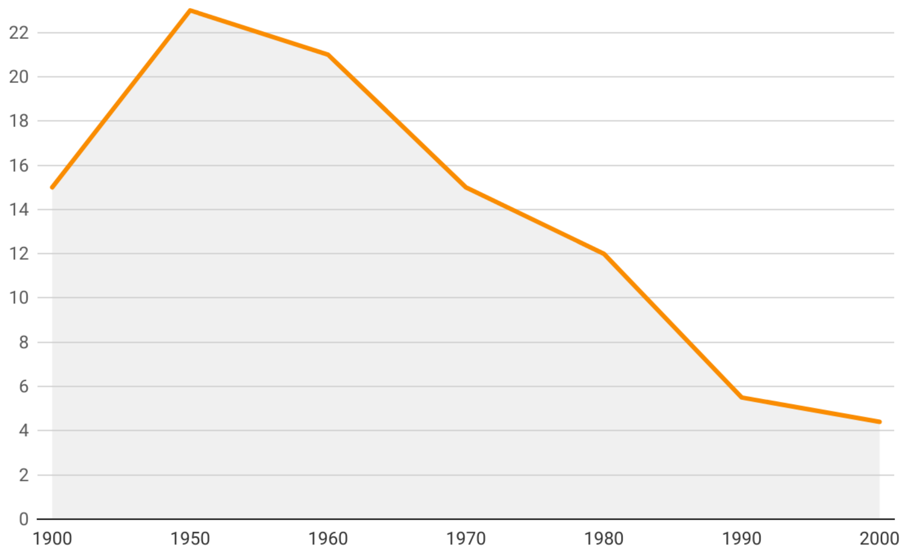


Figure 7 – Cooperative Societies' Share of Total UK Retail Trade 1900-2000 (%)[107]



Wealth and Property Concentration

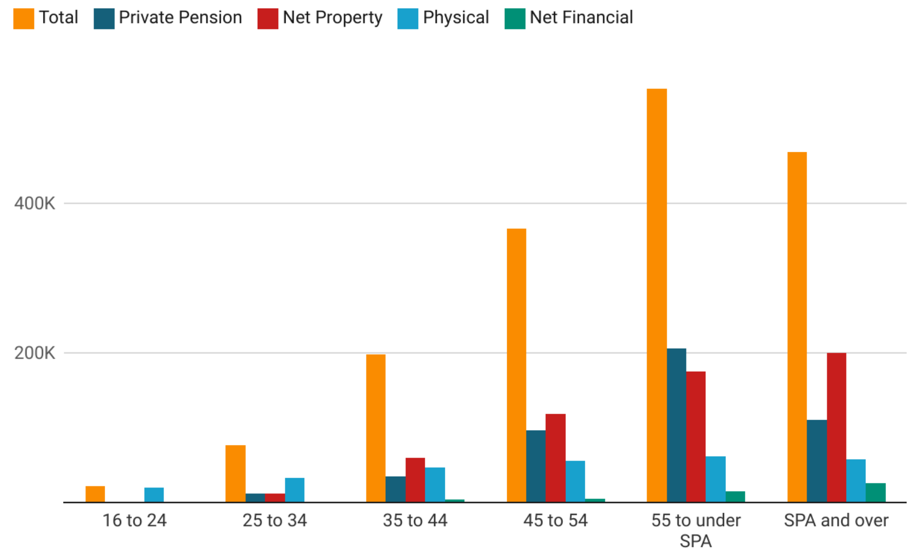
Alongside these trends set out above, there has been an increasing degree of property wealth concentration at an aggregate level. Indeed, wealth distribution is now more concentrated than income distribution: in 2020, the Gini coefficient for income was 0.36; for wealth, it was around 0.6.[108]

104. HM Treasury, *The Future of Building Societies*, 2012; Mayo and Millstone, *Unfinished Business.*
105. Hansard, "Cooperatives, Mutuals and Friendly Societies Bill", Vol.728, 24th February 2023.
106. Paul Myners, *Report of the Independent Governance Review*, 2014.
107. John Wilson, Rachael Vorberg-Rugh and Anthony Webster, *Building Cooperation: A Business History of the Cooperative Group, 1863-2013* (Oxford, 2013) p.301.
108. ONS, "Household Total Wealth in Great Britain: April 2018 to March 2020", 2022, Link.

The Office for National Statistics found that the top decile now holds around 48.6% of the UK's wealth, the majority of which is constituted by private pensions (42%) and real estate (36%).[109] The bottom 70% of the distribution hold just 19.5% of net UK wealth.[110]

The trends in the segmented data are especially revealing. For those over the age of 55, the average household wealth is around £511,000.[111] For those aged between 25 and 34, the figure is £198,100. For those between 25 and 34, it is just £76,800 – barely 15% of the average over 55 household. Of course, we should expect the net wealth of households to increase as individuals get older, potentially by significant margins. But the scale of the gulf, added to a context of stagnant wages and the fact that it is increasingly hard with cost-of-living pressures and a historically high tax burden to save and invest, will make it likely that younger generations are poorer at every stage of life than previous ones.[112]

Figure 8: ONS – Median Total Household Wealth and Components by Age, 2018-2020



A further factor worth considering is the macro-economic environment. The last few decades of historically low interest rates, added to quantitative easing in the aftermath of the previous financial crash, and aforementioned supply side constraints in sectors like housing have worked to bid up asset prices, which has worsened the wealth disparity between property owners and the propertyless.

Democracy and Capitalism

What have been the socio-economic consequences of these trends? At a fundamental level, they have resulted in fewer households owning their own homes, fewer people owning shares and fewer businesses with proximate ownership structures, whilst those "owning" assets and capital indirectly through pension funds and other platforms are enjoying relationships of ownership with their property that are less tangible and less immediate. Both economically and psychologically, then, we are

109. ONS, Wealth and Assets Survey, Wealth in Great Britain – Total Wealth, Table 2.1, 2022.

110. ONS, "Distribution of Individual Total Wealth by Characteristic in Great Britain: April 2018 to March 2020", 2022, Link.

111. This is a mean of ONS's median figure of £553,400 for the "55 to under PSA" and £468,600 for the "SPA and over" age brackets.

112. Institute for Fiscal Studies, *The Evolution of Wealth in Great Britain: 2006-09 to 2010-12*, 2015.

producing fewer property owners and fewer capitalists. Our businesses are less bound to the country in which they are domiciled. Wealth and property ownership is increasingly concentrated, and more people are finding it inordinately difficult to save money, acquire capital and enter the property owning democracy.

In turn, this is vitiating support for capitalism and democracy and making it harder to argue for the trade-offs and compromises needed to furnish a more productive, dynamic economy. The most damaging political consequences of the decline of ownership is what it has done to perceptions of property itself. Skelton provided us with a vision in which property could serve as a galvanising ideal for capitalist democracy, by framing ownership as an aspirational ideal and both a responsibility and a privilege to be accessible to all who were prepared to work, thrift, save and invest. Now, property and ownership stand as divisive symbols of social inequity and unfairness. Younger generations in particular may not have given up on the substance of these aspirations. But they are beginning to give up on the idea that British society will help them achieve such ends.

It is not that these trends have gone entirely unnoticed. But instead of widening ownership and making it easier for more people to own capital in Britain, government has frequently turned to redistributive policies to redress the imbalance, particularly income tax. This has had a number of deleterious effects. For one, an increasing tax burden has diluted the incentives for enterprise, for work hard, and for productivity. Factoring in the cost of servicing student loans, the marginal tax rate for many graduate workers now is as much as 50%, whilst retired homeowning pensioners enjoy significant state welfare transfers and low tax rates on their houses.[113] High levels of income taxation might also explain the shift away from risk equity and share ownership towards pension funds too. In a context of high taxation and, for many, a lack of assets to fall back on, pension funds seem like a safe, low risk destination for savings.

Another frequently suggested way to redress this wealth imbalance is via wage increases. Of course, we all want take home pay to rise. But simply increasing pay can exert inflationary pressures that leave everyone worse off. More importantly, wage increases are an entirely inadequate mechanism by which to reduce the social tensions between property owners and the asset poor, because the productive power of capital outstrips that of labour: whilst wages have been relatively stagnant in the last few decades by example, the FTSE All Share Index – which measures the performance of companies that represent 98% of the UK's market capitalisation - has grown by on average 3.6% each year since 1997 (and shareholders of course receive dividends too).[114] Relying on wages or redistribution alone to rectify the imbalance between those with property and those without is thus destined to fail, a point raised decades ago by Louis Kelso and Mortimer Adler.[115]

There is no level of equality or wealth distribution in society that it is metaphysically right for the government to pursue. Indeed, a degree of inequality is not only a natural product of the fact that individuals – their

113. Financial Times, "UK Graduates Face 50% Tax Rate on Additional Pay From Next April", 8th September 2021.
114. Social Market Foundation, *Strengthening Employee Share Ownership in the UK*, 2020.
115. See Louis Kelso and Mortimer Adler, *The New Capitalists: A Proposal to Free Economic Growth From the Slavery of Savings* (New York, 1961).

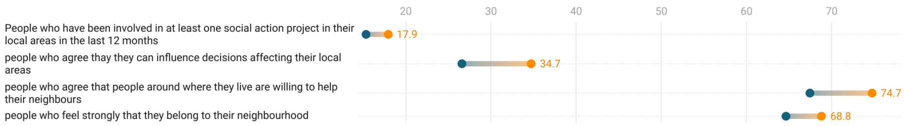
talents, their industry – are unequal, but is desirable as a spur for human effort. However, inequality can reach a point where it threatens social cohesion, and it is at this point that conservatives in particular, as the "real guardians of stability" in society, should become profoundly concerned. On property, our country is increasingly bifurcated into two camps: those who own capital and assets, and those who do not.

Family and Community

We should not fall into the trap of viewing questions of ownership purely through the prism of the individual. Human nature itself is indivisibly relational, and we derive our very sense of identity from our membership of groups and communities. The self, then, is inherently a social self, and we depend on communities not simply for practical support, but for the very possibility of leading meaningful lives.

Much scholarly work has been undertaken on the decline of community and civic engagement. Perhaps the most influential study is Robert Putnam's *Bowling Alone*, which traces the erosion of social capital across the United States.[116] More recent surveys on UK social capital show that people are decidedly less engaged with their local area and neighbourhood than they were just ten years ago. As a society we are involved with fewer social action projects, we feel less able to influence decision making in our communities, we believe other members of our neighbourhoods are less willing to help others than they used to be, and we feel less strongly attached to our communities today than we did in 2014.

Figure 9: Attitudes Towards Community in the UK[117]



As thinkers from Edmund Burke through to contemporary sociologists have recognised, when more intimate, more human scale communities wither away, we are not left with the self-sufficient, independent humans that are the bedrock of a strong society. Instead, what remains are isolated and atomised individuals, who retain the need for social relationships and belonging, but cannot locate these things in traditional forms of association. And what fills that void is the state.[118]

The problem is that the state is less able to provide for human needs in a personal, responsive and intimate way. As Peter Berger and Richard John Neuhaus argue, big agglomerations like the state and its bureaucracies – what they call megastructures - are "alienating", in that "they are not helpful in providing meaning and identity for human existence". Yet individuals left to their "own devices" and without forms of association that convey meaning and belonging are "uncertain and anxious". It is more proximate forms of community or "mediating structures" like neighbourhood, family, church and voluntary associations which reduce the "precariousness of individual existence" by providing people with a

116. Robert Putnam, Bowling Alone: The Collapse and Revival of American Community (New York, 2000).

117. ONS, *Social Capital Survey*, 2014-2021.

118. Edmund Burke, *Reflections on the Revolution in France* (London, 1790); Robert Nisbett, *The Quest for Community: A Study in the Ethics of Order and Freedom* (Oxford, 1953); Peter Berger and Richard John Neuhaus, *To Empower People: The Role of Mediating Structures in Public Policy* (Washington, 1975).

sense of belonging. The diminution of these structures delegitimates the political order, compromises social cohesion, and undermines support for the trade-offs and sharing of obligations that are essential in any democratic society.[119]

These trends are connected to the decline and narrowing of private ownership. The thinning out of property owners in the UK means a reduction of people with a literal stake in our homes, businesses and high streets - in the very infrastructure that are the pillars of vibrant communities. And fewer owners within a community means fewer people who consider themselves *responsible* for that community.

Wilhelm Röpke offered one of the more articulate assessments of how a decline in ownership specifically could precipitate this decline in community. A thinker who did much to shape the philosophy of contemporary social market economics, Röpke believed that a sociological crisis was taking place in many modern capitalist societies through a process of "social decomposition and agglomeration" that he called "collectivisation".[120] Society, he thought, was disintegrating into "a mass of abstract individuals who are solitary and isolated as human beings, but packed tightly like termites in their role of social functionaries". A "pseudo-integration", Röpke contended, was taking place in society at the expense of "a genuine integration created by genuine communities which requires the ties of proximity, natural roots and the warmth of direct human relationships".[121]

Partly, this "collectivisation" as he termed it was the result of a "spiritual chaos" that modern society was confronting with the decline of religiosity. But for Röpke, this social disintegration also had a material, economic explanation, and it was that fewer and fewer people were owners in life. The "concentration of property", he argued, rendered:

> *a large part of the population dependent, urbanised cogs in the industrial-commercial hierarchy, recipients of wages and salaries, thus bringing about that socio-economic collectivization with which we are now acquainted.*[122]

The lives of those lacking property, he worried, would increasingly be characterised "by economic and social dependence, a rootless, tenemented life, where men are strangers to nature". Such a situation would leave individuals less responsible for themselves, less responsible for their communities, and as such more willing to pass responsibility for providing more goods and functions in everyday life to the state.

The decline of ownership also has implications for the most basic form of human community, through which we learn the relationships of mutual obligation that provide the foundations for all other forms of community: that is, the family. For one, the capacity to pass on property to the next generation is a deeply held impulse and works to create a sense of cohesion and solidarity over time. Yet when the base of property owners is narrowed, not only do many people lack the material assets which concretise the identity of family through time, but it creates a "us and them view" about the very idea of family inheritance itself, distorting

119. Berger and Neuhaus, *To Empower People: The Role of Mediating Structures in Public Policy*.
120. Wilhelm Röpke, *The Social Crisis of Our Time* (Toronto, 1950) pp.9-16.
121. *Ibid.*
122. *Ibid.*

what should be seen as a basic human instinct into a divisive badge of privilege. Moreover, since people very frequently seek the stability and security that comes with owning property prior to settling down and having a family in the first place, our inability as a society to enable people to acquire assets is serving as a drag on household formation and fertility. Undoubtedly, this is most pertinently the case with regards to residential property, since the owner-occupied home not only serves as a source of financial security, but the very setting that people want to raise children in. As people are required to save longer to get on the housing ladder, they are having fewer children, later.

Economic Growth

The ownership of property, its character and distribution, is also inseparable from wider questions about economic performance. There is both a micro and macro-economic dimension to this relationship. In the first case, private property serves as a powerful incentive for industry and enterprise. It acts as a store of value, and not simply for individuals to accumulate wealth, but for couples to find economic security, for parents to pass on something to their children, and for business owners to improve their local community. There is a world of psychological difference between the wage earner contracted by a large, impersonal corporation, and the individual who owns shares in the company that employs him. In the former, there is little connection between the day-to-day performance of the business and the wage earners' fortunes. In the latter, the employee shares in the successes – and of course the challenges – of his or her company. The fortunes of the employer are more proximately the fortunes of the employee, and this symbiosis is an immensely productive one. Private property is a "life-giving creative force" without which an enterprising economy would be impossible.[123]

There is historical, anecdotal evidence for the connection between private property and productivity. In his book *A True Discourse on the Present State of Virginia*, Ralph Hamor, one of the original colonists in the first permanent North American settlement of Jamestown, discussed the transition from common to private ownership in the fledgling community. "Formerly", he wrote:

> *When our people were fedde out of the common store and laboured jointly in the manuring of the ground, and planting corne, glad was that man that could slippe from his labour, nay, the most honest of them in a general businesse, would not take so much faithfull and true paines, in a weeke, as now he will doe in a day, neither cared they for the increase, presuming that howsoever their harvest prospered, the generall store must maintain them, by which meanes we reaped not so much corne from the labours of 30 men, as three men have done for themselves [hereafter]...*[124]

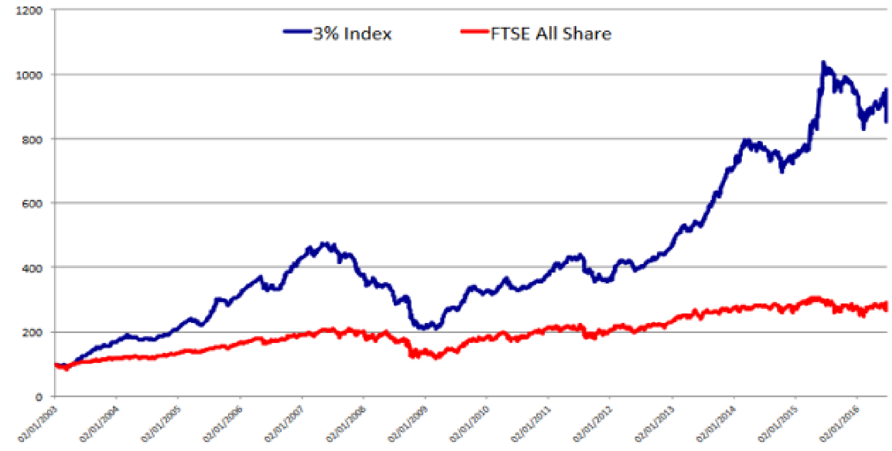
Even in the test case of a society established ex-nihilo, we are thus able to observe the connection between personal ownership, responsibility, and

123. Wilhelm Ropke, *A Humane Economy: The Social Framework of the Free Market* (Wilmington DE, 2014).

124. Ralph Hamor, *A True Discourse of the Present State of Virginia* (Richmond, 1957) p.17.

industry and productivity. Yet we need not rely solely on such historical evidence alone to make our case. This connection is demonstrated too, for example, in the varying performances of companies with different ownership structures. The Employee Ownership Index, which was discontinued in 2016, used to track the performance of companies whose employees owned at least 3% of the firm's share capital. Figure 10 shows that the average annual performance of such businesses was 13.9% higher than the FTSE All Share Index between 2003 and 2015.[125]

Figure 10: UK Employee Ownership Index



Source: UK Employee Ownership Index

Measuring the relationship between ownership and productivity is challenging, but in these figures above, we have a pretty good approximation. As such we should worry that, as the number of individual shareholders falls and the number of businesses operating employee share schemes remains low, we are ignoring one of the key drivers of innovation and enterprise at the micro-level.[126] And it is surely the case too that the difficulties in putting aside money each month is diminishing the incentives to work hard and save.

Which leads on to the macro implications of property ownership's connection with economic performance. In particular, the incentives to own and acquire property affect how and where we invest, and the quantity and quality of a country's investment in large part determines its propensity to grow: investment in areas of the economy where capital will be used productively is an essential imperative for any society that wishes to see increased output.

The subject of the UK's low rate of investment has been given considerable attention in recent years. Whilst public sector net investment remains at high levels, private sector investment has been disappointing. Business investment remains 9% lower than its pre-pandemic peak, owing to the uncertain economic environment created by coronavirus. Others have suggested that the UK's departure from the EU is primarily responsible for an economic environment unfavourable to investment.[127]

These events certainly have had an impact on business decisions in

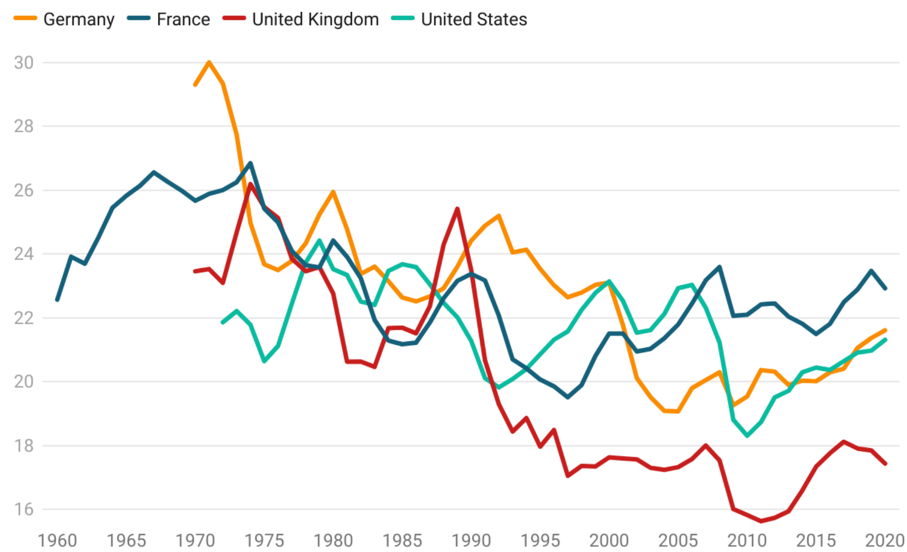
125. See Social Market Foundation, *Strengthening Employee Share Ownership in the UK.*

126. See David Craddock, "Enhancing Productivity and Reducing Inflation Through Employee Share Schemes", *Long Finance*, 24th October 2022.

127. Resolution Foundation, *Stagnation Nation: Interim Report*, 2022.

the short run, but Britain's low investment rate is a historical, structural issue that has affected the country for decades. Figure 11 shows that UK gross fixed capital formation as a percentage of GDP trails that of France, Germany and the USA, and has done so consistently for three decades. Indeed, there is reason to believe these trends are even more long-term. In 1951, Britain's gross fixed investment was lower than countries as diverse as the United States, West Germany, Hungary, France, Czechoslovakia and Poland.[128]

Figure 11: Gross Fixed Capital Formation as a Percentage of GDP, 1972-2021, World Bank Data



But whilst aggregate levels of savings and investment are important for economic progress, so is the *nature* of that investment, and this is where patterns of ownership intersect with growth potentialities. For the way we have structured incentives for different types of property ownership is intimately connected to how productively capital is allocated in the economy. The most important area for consideration here is housing property.

As has long been recognised, the appreciation of the value of real estate is primarily a function of land scarcity; to this end, the vast expansion of housing wealth – from £1.2 trillion and of 86% GDP in 1995 to £7.2 trillion and 360% of GDP in 2020 – has largely been driven by increases in the value of land: whilst the value of homes has tripled, the value of the land beneath them has grown *sixfold* in the same time period.[129] Critically, however, this increase in housing wealth has not derived from any changes in the productive potential of land, nor from a meaningful improvement in the quality of dwellings that sit upon it. Rather, the value of real estate has rocketed because its scarcity value has increased.

Unlike many other goods, however, demand for housing is remarkably inelastic, and so as prices have risen, consumers have simply taken on more credit. As such, and in combination with regulatory reform and liberalisation in the financial sector, the amount of mortgage lending to

128. Russell Lewis, *Industry and the Property Owning Democracy*, 1954.

129. ONS, "UK Balance Sheet Estimates", 2021.

UK households has exploded since the 1980s. The critical point is that these trends in lending are having a 'non-neutral' impact on the wider economy; there is good evidence that financial institutions are substituting lending away from other areas of the economy towards mortgage credit.[130] As Figure 12 shows, whilst the amount of secured lending to individuals has ballooned, bank lending to businesses in retail, construction, manufacturing and transportation and storage has remained subdued. Studies show that banks – especially those that are capital constrained – are substituting away from lending to businesses in these sectors and towards mortgage lending, and that housing booms have a negative effect on firm investment.[131]

For financial institutions, real estate is a safe destination for their capital: land and property represent secure forms of collateral for any investment. Moreover, sizeable mortgage credit loans are potentially more efficient for banks than multiple smaller business loans, the latter of which would include higher transaction costs.[132] And as banks lend increasing sums of capital to finance transactions for the existing, relatively scarce housing stock, they are also lending less to businesses in productive sectors of the economy – including those businesses that could build more houses.

There are clear incentives for households to invest in real estate as opposed to other forms of property too. Since 1963, homeowners have not been required to pay tax on "imputed rent" – that is, the rent that an owner-occupier would have to pay for a similar property in the private rental market. Capital gains tax (which is levied at 18% on residential property and 10% on other chargeable assets if you pay the lower rate of income tax, and 28% on residential property and 20% on other assets if you are a higher rate payer) is not levied on primary residences either.[133] That most households want to purchase a home of their own is not an issue. Indeed, it is an aspiration that the government should support. But as it stands, households are incentivised to put all their capital into real estate, and this means less investment in UK businesses or other areas of the economy badly in need of capital.

Residential property ownership is undoubtedly a good thing, to which the majority of people in Britain aspire, and some degree of tax relief for primary residences is merited. But the interaction of two factors in the housing market currently means that the pursuit of homeownership is having detrimental consequences for investment across the rest of the economy. Firstly, housing wealth is far more insulated from taxation than other forms of wealth, which induces people to invest a very large proportion of their capital in real estate at the expense of other forms of property. And secondly, artificial constraints on housing supply means that the value of real estate continues to inflate, which encourages speculation and absorbs increasing proportions of capital. Limited supply and tax incentives, in addition to persistently high levels of demand, means that the way we currently give practical effect to property ownership is harming economic growth by incentivising the unproductive allocation of capital. We are, in other words, supporting the real estate wealth of the already

130. Vitali, *Homes for Growth*.

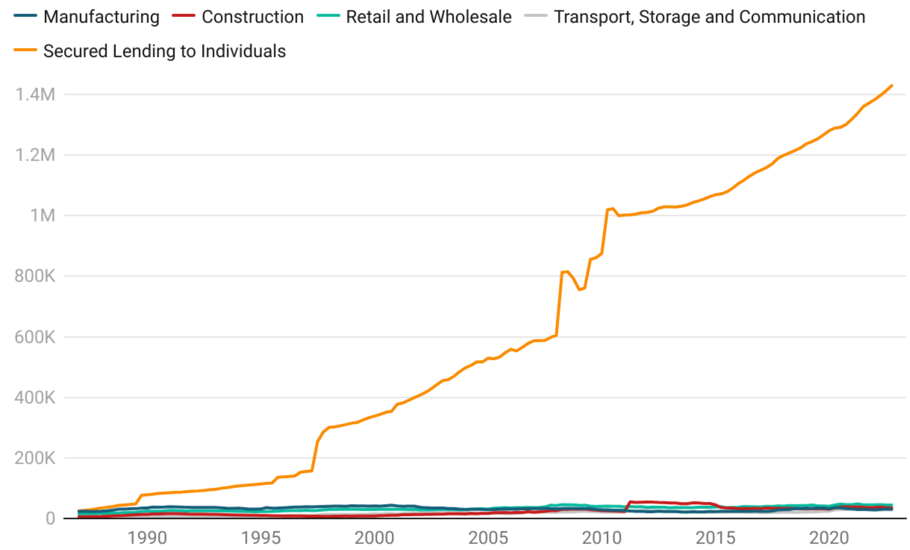
131. Indraneel Chakraborty, Itay Goldstein and Andrew MacKinlay, "Housing Price Booms and Crowding-Out effects in Bank Lending", *Review of Financial Studies*, Vol.31(7) (2018) pp.2806-2853.

132. Vitali, *Homes for Growth*.

133. Joshua Ryan-Collins, Toby Lloyd and Laurie Macfarlane, *Rethinking the Economics of Land and Housing* (London, 2017) p.85.

propertied at the expense of those who would like to acquire it, and this in turn is reducing the ownership of more diverse forms of property that might be more liquid and thus valuable to the wider economy.

Figure 12: Lending by Financial Institutions (£mn), Not Seasonally Adjusted, Bank of England



Systemic Risk

Another consequence of the thinning number of property owners is increased systemic risk in the UK economy. The accumulation of property might be thought of as a way of insulating against economic uncertainty. We acquire things that have a reliable store of value upon which we can fall in difficult times, and we save up for things so that in the future, perhaps when we do not earn a wage, we will still be provided for. Yet the concentration of capital ownership is, arguably, "the basic cause of depressions in a capitalist economy".[134] Those without assets to fall back on are less financially resilient, more likely to require credit to support consumption, and thus more exposed to inflationary shocks. The greater this demographic is, the less robust the wider economy will be.

It is certainly the case that there are trade-offs in the short term between investment and consumption, such that if we wished to boost the former, we would have to be prepared for a reduction in the latter. But in the long term, those lacking any forms of property investment are likely to be those whose consumption levels would bottom out in the context of economic downturn; those without assets are the most exposed to recessions when they come around.

And to return to the point about the *quality* - rather than simply the quantity - of property ownership, we currently incentivise people to invest almost exclusively in real estate and pension assets, which means many households, especially those who rely on mortgage credit, are exposed to the vicissitudes of the housing market. Effectively, the country has a remarkably undiversified investment portfolio, such that our economic

134.Kelso and Adler, *The Capitalist Manifesto*, p.177.

performance and stability is entirely dependent on the fortunes of a particular asset class. Owning one's own home is not purely a financial decision; it is often about acquiring a location to raise a family or gaining a stake in a local community. Nevertheless, artificially constraining supply and largely exempting real estate property from taxation (whilst taxing other forms of wealth more considerably) has created conditions in which purchasing a house is not only a priority for households and individuals, but where real estate investment comes at the expense of most other forms of investment.

Lower-income groups are also more likely to be over-leveraged in real estate investment. For those households in the bottom 50% of the wealth distribution, property wealth made up 39% of total wealth, whilst financial assets made up just 2%. For the wealthiest 10%, property wealth made up 30%, whilst financial assets constituted 10%. Not only do the wealthy have more assets, but they are less reliant on housing wealth and more diversified than poorer households.[135]

Figure 13: Wealth Components Median by Household Total Wealth Percentile, £

The Ideal of Ownership

The cumulative consequence of all these trends is that the very ideal of ownership itself is increasingly the subject of critique. A report in 2003 by the New Economics Foundation entitled *The Limits of Property* commenced with a subtitle describing private property as "absurd" and "cruel" and demanding that we move towards a more "plural approach to ownership".[136] Increasingly, we are seeing calls for the state to take a larger equity position in UK businesses, or for certain sectors of the economy to be (re)nationalised entirely.

Nowhere is this growing uncertainty about the ideals of personal ownership more manifest than in the housing market, the pathologies of which have contributed more to a pervading sense of unfairness in

135. ONS, "Household Total Wealth in Great Britain: April 2018 to March 2020", 2022.
136. New Economics Foundation, *The Limits to Property*, 2003.

society than anything else. The system seems gamed towards supporting the interests of existing owners. The planning regime appears almost designed to prevent the possibility of abundant housing by creating strong institutional mechanisms for residents to block any development locally. Loose credit, a low interest rate environment (up until 2022) and constrained supply have bid up asset prices over decades, making it harder and harder for younger generations to get on the property ladder. And at the same time, the property of existing owners is taxed very lightly whilst marginal tax rates on income have increased consistently, widening the sense of unfairness between the already propertied and those striving to become property owners.

Yet the response from many corners has not been to advocate for the greater diffusion and dispersal of property ownership. Rather, it has been to call for the abandonment of the ideal and values of property ownership altogether. In the case of housing, articles have described the "obsession with homeownership" as a "delusion" or have argued that the "homeownership society was a mistake".[137] Most explicitly, Joshua Ryan-Collins, a well-regarded economist at University College London, has argued that we should jettison the "dream" of a property owning democracy altogether, and move towards a model akin to that in Germany, with high levels of private renting.[138] And it's not just in housing where this scepticism about ownership is seeping in either. It is implicit in the calls for higher taxes on savings and investment in equities, or for higher taxes on property that people would like to pass on to their children.[139]

Property is seen as the problem in this view. Such taxes are seen as a redistributive way of assuaging the divide between those with property and those without. Yet none of this deals with the root cause of the issue that is blighting our economy and our democracy at the moment, and that is that there are too few property owners, and thus too few capitalists. If the tensions described in this paper have arisen because of the relative inaccessibility of property to vast swathes of the population, then how can turning away from the ideal of property ownership possibly address these tensions? Indeed, if the values instilled by ownership – responsibility, a sense of investment, self-sufficiency – appear to be in short supply, surely turning our backs on efforts to create more owners is only likely to exacerbate this deficiency?

The case for a property owning democracy has been squeezed out by a hostility towards private ownership itself on the one hand, and a perversion of the ideal of property ownership – in which the interests of current property owners are protected at the expense of those of aspirant ones - on the other. Yet only through a renewed commitment to the ideals of widespread property ownership can we restore popular faith in capitalism, stabilise and fortify our democracy, and create an environment in which individuals are prepared to make the compromises required for sustained economic growth.

137. Will Dunn, "The End of Housing Delusion", *The New Statesman*, 1st February 2023; Jerusalem Demsas, "The Homeownership Society Was a Mistake", *The Atlantic*, 20th December 2022.

138. Joshua Ryan Collins, *Why Can't You Afford a Home?* (Medford MA, 2018).

139. Sam Bowman, "Capping ISAs: The Latest Bad Idea in British Policymaking", *Substack*, 18th January 2023.

Future: Restoring the Property Owning Democracy

"Almost every long-lasting, stable and peaceful society that we know of is characterised not just by the robust protection of private property *but also by its wide distribution*".[140] So said Ferdinand Mount in 1984. Recently, however, we seem to have lost sight of this important truth. Ownership implies a nexus of values and attitudes – responsibility, a sense of stake, self-sufficiency – which are essential to the vitality of any democratic society. Yet collectively, we have stood by and watched a situation emerge in which property has accrued to a narrow subset of the population, and consequently, a political culture has developed which sees property ownership as the preserve of the rich. If property ownership is to become a unifying, galvanising ideal once again, we must overcome this pernicious sentiment in our society. And the only way to do that is to focus relentlessly on diffusing property ownership, and making it available to a wider cross section of the British public.

We must also overcome the mistaken but pervasive belief that property ownership is indivisible from an individualistic worldview that is responsible for the decline in our sense of shared obligation. On the contrary, propagating a renewed sense of genuine ownership throughout British society is a prerequisite for making it more cohesive and resilient. For people to feel responsible for our national community and the more local, human-scale communities to which we all belong, they require a stake or a "share" in them.

Calls for greater public ownership are a dead end. Ownership by everyone is really ownership by no one, and as Skelton himself perceptively recognised, in the long run, allowing the state to own more things on our behalf would render the ideals of the aspirant property owner – ideals of self-sufficiency, independence, even rootedness - "unattainable". Nor should we be allured by the idea that the government might expropriate the property of some people in order to give to others, or tax away the proceeds of capital and redistribute it to wage earners in order to assuage the divisions between the propertied and the propertyless. Such courses of action would only serve to undermine the rights and benefits of property ownership which we ought instead to be seeking to spread to more and more people.

The challenge of our time is instead to multiply the opportunities for people to become property owners, and to create the material conditions that will enable more individuals and households to take those

140. Ferdinand Mount, "Property and Poverty: An Agenda for the Mid-80s", *Centre for Policy Studies*, 1984. My emphasis.

opportunities. It is true that, as established earlier, there is a spectrum of different types of owner relationships. But this should not prevent us from making normative claims about ownership. The more proximate an owner is to a form of property, the more markedly it will affect his or her character, so that we might say that if having savings is better than nothing, and pension plans are still better, and having a stocks and shares ISA or a bond is better again, then "a direct equity holding is the most telling and direct form of ownership" of all.[141]

But perhaps the most intuitive form of property that the overwhelming majority of British people desire, and which has the most profound effect on an individual's psychological makeup, is a home of one's own. It is here that we must start.

Home Ownership

Homeownership is the linchpin of a modern property-owning democracy. It represents the form of ownership that British people instinctively desire the most - a "refuge and anchor" that offers people an elemental security in their lives, and a setting for people to build strong families.[142] And it is the starting-point from which an individual or household might seek ownership and responsibility in other parts of national life.

This was a point made forcefully in the 1980s, and the principal means by which diffusing homeownership was affected then was the Right to Buy scheme. Right to Buy saw millions of dwellings formerly possessed by the state transferred into the private ownership of former tenants. The scheme was immensely popular, and precipitated a profound transformation in the newly propertied – from being dependent on the impersonal structures of the state, to being an *owner* with the opportunity to lead a self-sufficient, responsible life.

Politicians have since sought to replicate the remarkable electoral appeal of Right to Buy. The policy was, for example, extended by Cameron to include housing association tenants, and plans were announced by Boris Johnson to enable people in social housing to put their housing benefits towards mortgage payments. Conservative Government's since 2010 have also attempted to capitalise on the rhetorical force of the policy by supporting the Help to Buy guarantee scheme (a demand-side intervention by which the Treasury guaranteed high loan to value mortgages for first time buyers) the Help to Buy ISA (a tax-free account which paid 25% interest rate on savings up to £12,000 that were used towards a deposit on a home up to a certain value) and the Help to Buy equity loan (which provided low interest credit for first time buyers saving from a deposit).

Yet as Thatcher - the politician who delivered Right to Buy in the first place - recognised, each generation is confronted with the challenge to apply "enduring principles", like the value of ownership, to "changing circumstances".[143] And it is indisputably the case that the circumstances of the UK housing market have changed fundamentally over the last four decades. In 1980, 31% of homes were either owned by registered providers of social housing or Local Authorities. In 2022, that figure was

141. Howell, *Freedom and Capital*, p.93.

142. Mount, "Property and Poverty: An Agenda for the Mid-80s".

143. Margaret Thatcher, "Keith Joseph Memorial Lecture ('Liberty and Limited Government')", 11th January 1996.

16%. Indeed, if we consider just council houses, the proportion of overall housing stock made up by such dwelling has fallen from 29% to just 6% in the same period. Building the property owning democracy today will not be achieved by transfers of real estate assets from the state into private hands; there simply are not enough of these assets left to really move the dial, and moreover, irrespective of one's ideological stance on the question of ownership, pragmatically, there will always be a minimum requirement for affordable accommodation for a particular sect of the population.

Nor can further efforts to stimulate demand through interventions in the mortgage market alone be the answer to the challenges of today. As we have seen, such a course of action in the context of high demand for what is a scarce asset will serve only to push up prices further and worsen affordability in the long run. Indeed, a Lords Report on Help to Buy found this to be the case; it argued the programme had pushed up house prices by more than the subsidy value.[144]

An agenda for boosting homeownership in the 2020s and beyond must move away from the framings and approaches of a previous political context; it must be an agenda tailored to the specific challenges of our own time. As the previous chapter set out, the primary obstacle to widening homeownership today is a chronic undersupply of homes, which has emerged under the watch of successive governments of different colours.

Such a programme must also crystallise the *political* dimension to the undersupply of housing. Housing as a policy area is not lacking in ideas about how to support the construction industry, or to provide developable land. What is lacking, though, is a clear-sightedness about the conflicts of interests between different groups that must be negotiated if we are to expand homeownership, the most important of which is that between existing homeowners, and aspirant ones. For some time, the interests of the former have been treated as prior to those of the latter in policymaking. Pursuing the property owning democracy requires that we rebalance the compromise currently struck between these two groups.

Planning

The most important place to start is our planning system, which is the primary cause of our low supply equilibrium. In England and Wales, the planning regime is anchored around the 1947 Town and Country Planning Act, which provided that all development and improvement to land would require explicit permission from state, with some limited exemptions.[145] The tensions between those two aforementioned groups – the propertied and aspirant property owners – is refracted through the regime: because planning decisions are made on a discretionary, case-by-case basis, residents in particular communities have a variety of opportunities to block housebuilding in their area.

In the production of a Local Plan (the document by which local authorities set out a framework for future development), for example, there is a statutory requirement for Local Authorities to consult with residents,

144. Built Environment Committee, *Meeting Housing Demand*, 2022.

145. Planning in the UK is a devolved matter.

and planning law also requires a period of consultation on any planning application. Community engagement is absolutely right, of course, and development should happen *with* not *to* local communities. But the way such engagement currently takes place is in practice unrepresentative, and institutionalises the interests of a particular interest group. Participation in planning consultation is very low, and those that take part tend to be those with the time to do so, the majority of which are older homeowners. At the same time, significant practical barriers to entry for public participation exist for would-be homeowners: potential occupants of new homes are unlikely to participate in public consultations over development in areas where they might not already live. It is also worth noting that the councillors who draw up Local Plans are elected, and those who vote in local elections are generally older and more likely to be homeowners; 91% of homeowners, in fact, are registered to vote, compared to just 58% of private renters.[146] Taken together, these features of the planning regime skew it towards the interests of a cohort of existing homeowners, and makes the imperative of diffusing homeownership less attainable.

All of this translates into an immense amount of uncertainty for those who actually might deliver more homes for people too. Since permissioned sites for development are determined on a discretionary basis, housebuilders are left in the dark about the availability of land on which to build, and this uncertainty is capitalised into higher borrowing costs, delays, and slower build out. Moreover, the way we presently tax development– primarily through Section 106 obligations for affordable housing – is also discretionary. To this end, a housebuilder under the current, uncertain regime will struggle to make long term investment decisions, and this is harming the industry.

And this in turn explains why we get poor quality housebuilding across the UK. Developers work out how much to pay for land on a residual basis, estimating what price they will realise for sales of the housing units they plan to build, and deducting from that the costs of seeking planning system, securing finance, taxes levied, and so on. Since land is scarce and expensive, developers are incentivised to reduce the expenditure on construction quality so they can offer a better price for land. In other words, housebuilders are competing with each other over the strategic acquisition of land, and not the quality or quantity of supply. And since larger firms are better able to absorb the bureaucratic costs of obtaining land with planning permission, we have seen significant concentration in the housebuilding sector and the thinning out of SME builders. This is not the result of malign businesses in the sector nefariously conspiring to keep house prices high; such a view is a caricature of the housing market. Rather, our low-supply, low-quality equilibrium is the upshot of rational actors with fiduciary responsibilities to their shareholders responding to the perverse incentive structures of the planning system.[147]

The effect of our planning regime is that, instead of the natural densification and development that characterised the UK prior to the 1940s, we get vast, amorphous, characterless housing estates plonked

146. Policy Exchange, *Rethinking the Planning System for the Twenty-First Century*, 2020.

147. Sir Oliver Letwin, *Independent Review of Build Out: Final Report*, 2018.

outside urban centres as a form of pressure release for high demand. Yet such developments are failing to deliver enough new supply, and worse still, low quality homes create a vicious circle which increases the incentives for local residents to oppose further development.

We can no longer put off planning reform, then. We need a planning system that gives greater certainty to those companies that wish to build the homes we need, and which incentivises developers to compete over the quality and quantity of homes they can produce, not whether or not they absorb regulatory costs. We need a planning system that can foster sustainable, organic and flexible growth – the sort that defined our country historically. Most importantly of all, we need a system that strikes a better balance between existing homeowners, and the profound need to better diffuse homeownership.

We need to move to a rules-based regime, based on flexible zones with appropriate stipulations for mixed-use areas, conservation areas, and urban densities. Local Plans should be the vehicle by which these zones are allocated, and they should be the primary vehicle by which local communities shape the *form*, but not the very *principle* of, development in the area. Under such a plan, there would not be a requirement for targets, and supply could respond to levels of demand. In addition to the Local Plan, Local Authorities would be responsible for producing a design code in consultation with constituents. Architects could be employed to help produce pattern books, and government funding could be allocated for charrettes to be held to shape the drafting of the design code. Michael Gove's establishment of an Office for Place this year is welcome, and this institution should provide best practice, advice and training for Local Authorities in producing such material.

Crucially, so long as proposed development conformed to the Local Plan's zoning, the community's design code and general legal requirements, further permission would not be required for it from the state. Such a system would still afford great scope for communities to shape and mould development in their area. It would ensure that constituents retain control over the identity of their neighbourhoods. But it would also strike a far more equitable compromise between the interests of those that have property and those that don't.

As part of these reforms, the Government should also set up a Commission into the country's green belts. All land of genuine environmental value within them should be categorised as Areas of Outstanding Natural Beauty, with all the added protections that such a designation comes with. Areas which do not meet this standard, and which are within a certain radius of existing transport infrastructure should be zoned as land for permitted development.

Finally, the Government should support the establishment of at least five new development corporations in urban areas of high housing demand. The announcements by Gove regarding the ambition for a new urban quarter in Cambridge are very encouraging, as is the emphasis on building beautifully and preserving and sustaining local style and design.

But Cambridge is not the only place with acute housing need in the UK, and the Government should go further, using development corporations in multiple urban areas to coordinate the assembly of land, the expedition of planning applications, the delivery of new homes and the provision of infrastructure. In particular, development corporations should be established in London and the mayoral, combined authorities, where elected mayors have significant power at their disposal – particularly in the case of Birmingham and Manchester after the new trailblazer devolution settlements – to implement new models for placemaking and housebuilding. Such a step would be in keeping with the broader efforts to promote localism and the diffusion of power away from central government and towards communities.

Right to Build

For some, when it comes to our apparent inability to deliver a sufficient number of new homes each year, property rights are the problem to be solved. And so we hear proposals for greater compulsory purchase powers for the state to take land out of private hands and to deploy it for development.

Compulsory Purchase Orders (CPOs) – by which land is acquired by the state at a below market rate on an obligatory basis – certainly do have a place, especially in largescale infrastructure projects and in certain limited instances like assembling land for new garden villages or towns. Nevertheless, we should be extremely anxious about widening the scope of the state to arbitrarily seize property from private individuals. As we have seen in a previous chapter, one of the most important functions that diffuse private property plays in a democratic society is to prevent the concentration of power, and this is a principle that remains just as relevant today as it was in previous periods.

But equally importantly, from a pragmatic perspective, imagining that property rights are the issue here is to frame the problem incorrectly. Property rights are the *solution*. What we need to do is strengthen them and see that they are distributed more widely throughout the body politic, not dilute them.

A good example of how the existing planning system works to weaken private property rights is the veto power that others have over the development of land. As noted above, it is entirely correct that local communities should be able to have a say over what development in their community should look like. Property rights are not absolute, and in the case of housebuilding, it is right that local people are provided assurances that whatever is built in their area adds to the community, rather than subtracting from it. Yet it is also difficult to justify a system in which a household cannot, for example, build its primary residence on land which it owns. Our planning regime, it might be said, "bestows permissions in lieu of rights".[148]

One symptom of the weakness of property rights in the UK is our embarrassingly low rates of self and custom housebuilding. There are

148. Richard Bacon, *Independent Review into Scaling Up Self-Build and Custom Housebuilding*, 2021.

around 13,000 custom or self-commissioned homes built every year in this country. As Richard Bacon's 2021 Review into the subject identified, self-build rates are far higher abroad. In Germany, for example, 55% of new housing stock is self or custom build – on the basis of new dwellings finished in 2022, that could mean as many as 160,000 such homes are built each year.[149] In Japan, 75% of newly built detached homes are self-commissioned.[150] The Government estimates that if we were to expand self-build rates to same level as say the Netherlands, we could see between 30,000 and 40,000 such homes built annually.[151]

Supporting self and custom housebuilding should be a central part of a programme to renew the property owning democracy. The scope they give for the individual to shape their home promotes a particularly intimate sense of ownership, and giving owners control and responsibility for the design of their property would incentivise high quality of development. The Government does have a programme for supporting such housebuilding. Under the Self-Build and Custom Housebuilding Act 2015, local authorities are required to keep a register of individuals and groups in the area that are seeking serviced plots of land upon which to build their own self-commissioned home. This legislation was strengthened in 2016 to require local authorities to give sufficient development permissions to meet the demand on their registers. Yet recent data on the scheme's performance shows there is a considerable room for improvement. 63,662 individuals and 807 groups are now on the register, with the number of applicants rising year on year since 2015; yet the number of planning permissions granted for serviced plots in 2022 was 6374, 23% less than the previous year.[152] Research suggests that 53% of councils are not complying with their legal obligations to ensure sufficient developable land to meet demand for custom housebuilding within three years.[153]

The Government's self and custom build action plan was announced in 2021 and set out some areas in which greater support might be afforded for the industry. It should pursue all of these, and also make a number of other interventions. Firstly, and as part of the broader planning reforms recommended above, local authorities should be mandated to supply enough serviced plots to meet Right to Build demand within two years. Custom builders should be exempt from development levies, but to incentivise the provision of serviced land, the Government should pay local authorities the equivalent sum for a self-build home. If we move to a rules-based planning system as recommended, areas could be allocated specifically for self-commissioned housebuilding in the Local Plan. But in the immediate term, as recommended by Bacon in the 2021 Review, custom and self-build should be given substantial weight as a material consideration in the National Planning Policy Framework, and housebuilders delivering self-commissioned homes should be exempt from development taxation for single unit sites.[154] Overtime, we should switch state subsidies away from demand-side interventions like Help to Buy and toward supporting Help to Build. Prioritising self and custom builds, whilst working towards a planning system which is less favourable

149. Statistisches Bundesamt, "Construction Work Completed", 2022.
150. Bacon, *Independent Review into Scaling Up Self-Build and Custom Housebuilding.*
151. Department for Levelling Up, Housing and Communities, "Self and Custom Build Action Plan", 2021.
152. Department for Levelling Up, Housing and Communities, "Data Release: Self-Build and Custom Housebuilding Data: 2016-2022", 2023.
153. The Times, "Why Is It So Hard To Build Your Own Home?" 14th July 2023.
154. Richard Bacon, *Independent Review into Scaling Up Self-Build and Custom Housebuilding.*

to large incumbents and allows smaller builders to compete effectively, will breathe new life into property rights in the UK. It will also end a trend towards lifeless identikit housing estates and promote more organic forms of densification instead.

Additionally, there should be a new "Right to Build" in our urban areas. Policy Exchange has championed the idea of "Street Votes" – an innovative proposal through which neighbourhood could by a high majority vote agree to densify their streets.[155] The proposals are currently awaiting Royal Assent, and once on the statute book, will facilitate gentle urban densification in areas of high housing demand. Given the low density of cities like London when compared to equivalent European cities, such a policy would be well-targeted. It would also strengthen the property rights of homeowners in urban areas to improve their property.

Street Votes, then, offer the possibility of increased local democracy, strengthened property rights, and high quality densification. Nevertheless, it is a fair challenge that, given the scale of the housing shortage and backlog – estimated to stand at over four million homes – such a policy is unlikely to move the dial significantly enough to tackle the deficit of housing in UK cities. We should thus widen our efforts to strengthen the property rights in our urban areas. In Toronto, the municipal government has recently signed off on a plan to give permission in principle to those living in low density neighbourhoods for up to three additional housing units on plots of a certain size.[156] John Penrose, who sponsored the Bill legislating for Street Votes, has advocated something along similar lines.[157] These changes could be introduced prior to the more substantive planning reforms advocated here and would create strong incentives for the provision of new housing supply.

Championing a Right to Buy was the right policy intervention in the context of the 1980s, enabling millions of households to buy homes previously owned by the state. Today, however, the issue is that there are simply not enough houses available to be bought in the first place. We need, then, a Right to *Build* in the form of support for self and custom housebuilding in our rural communities, and permission in principle for densification of existing sites in our cities. These measures will strengthen property rights and help spread them more widely.

Leasehold Reform

In March 1884, Lord Randolph Churchill gave a speech in the Commons on a bill to "enfranchise" leaseholders. The bill, tabled by Henry Broadhurst, a trade unionist and Liberal-Labour MP, would have entitled leaseholders to acquire their freeholds and thereby gain the right to vote as fully-fledged property owners. For all his foibles, Churchill in this case spoke powerfully on a theme that has been at the centre of this paper – the relationship between property ownership, social cohesion and stability. "Nothing", he argued, "acted as such a powerful stimulus to socialism and popular discontent, or favoured conditions that were likely to bring about a revolution, more than enormous accumulations of land in single

155. Policy Exchange, *Strong Suburbs*, 2021.

156. Storeys, "Toronto's New Multiplex Allowances Signify 'A Very Big Milestone', Here's Why", 15th May 2023.

157. Bright Blue, *Home Advantage: A New Centre-Right Vision for Housing*, 2023.

hands… either in the country or in towns, but especially in towns". Yet this was exactly what the leasehold system was fomenting, he argued. Real property wealth was concentrated in a narrow group of freeholders, whilst leaseholders were liable "to every kind of injustice and extortion". "Who", Churchill asked, "was the more likely to be a contented and patriotic citizen – the man who was a freeholder and who was safe in his property, or the man who was at the mercy of a colossal landowner?".[158]

Leasehold is a form of proprietorship in which the occupier to all intents and purpose is in a tenant and landlord relationship with the freeholder. Its origins are medieval, but it really took off in the mid twentieth century with the vast expansion of dense blocks of flats in cities. In contrast to a freehold, in which ownership lasts "forever" and in which the freeholder is provided "fairly extensive control over the property", a leaseholder essentially purchases the rights to reside in a given property for a defined period of time.[159] After that period elapses, the tenant-landlord relationship continues, unless specific steps are taken to end the tenancy. Throughout a leasehold agreement, the freeholder retains ownership of the land upon which a dwelling is sited, and in the case of flat leaseholds, is responsible for the upkeep of the communal areas. The leaseholder may be subject to a number of fees and charges such as "ground rent" and nowadays far more onerous "service charges", to pay for this upkeep, and often they have little representation in decisions over how these fees are levied. Some 4.98 million homes in the UK are owned on a leasehold basis, representing 20% of the English housing stock.[160] They are far more common in denser urban areas: 95% of owner-occupied flats are leasehold.[161]

For well over a century, figures from across the political divide have recognised that leasehold is not only deeply inequitable, but that abolishing it holds out the possibility of a vast expansion in the number of genuine property owners.[162] It remains unpopular with leaseholders themselves – 57% regret buying a leasehold property – largely because of the lack of genuine control and agency it provides.[163] A leaseholder in effect has only a temporary right to a wasting asset which they have a significantly constrained ability to use and modify. It is, in other words, an imitation of ownership. Recently, the subject has returned to the centre of partisan debate between the Conservatives and Labour. The Government had stated its ambition to "abolish" leasehold, but these plans have since been modified. Labour have seen an opportunity in the softening of the Government's position to ramp up the pressure.[164] They have pledged to bring forward legislation within the first 100 days of a Labour Government, which would "replace private leasehold flats with a workable commonhold system".[165] The party has, crucially, also confirmed that developers would be banned from building future apartments as leasehold.[166]

Leasehold reform is difficult. An alternative to such an ownership model is "commonhold", in which residents of a building own the freehold to their flat and cooperate to form a commonhold association, which then appoints a company to manage the shared areas and determine maintenance costs. Commonhold gives individuals perpetual ownership,

158. Pall Mall Gazette, "Lord Randolph Churchill: Radical or Renegade?", Extra No.31, 31st December 1886.
159. The Law Commission, *The Future of Homeownership*, 2020.
160. Department for Levelling Up, Housing and Communities, *Leasehold Dwellings, 2021 to 2022*, 2023.
161. House of Commons Library, *Leasehold and Commonhold Reform*, 2022.
162. Roland Quinault, *British Prime Ministers and Democracy: From Disraeli to Blair* (London, 2011); Harry Scoffin, "If the Tories are really the party of homeownership, reforming our feudal leasehold system should be a top priority", *CapX*, 25th May 2022.
163. House of Commons Library, *Leasehold and Commonhold Reform*.
164. LabourList, "Labour to force vote on leaseholds as party turns its focus on housing policy", 23rd May 2023.
165. Lisa Nandy, "Time to end leasehold scandal", *Wigan Today*, 27th May 2023.
166. Kiran Stacey, "House prices need to fall relative to income, Keir Starmer says", The Guardian, 17th May 2023.

frees them from ground rents, gives them far more control over their property and offers a viable basis to upon which to manage the relationship between owners who share common areas, as is the case in a block of flats.

The process of "enfranchisement" for leasehold - through which leaseholders have a right to purchase the freehold of their home on a compulsory basis – is redolent of the mechanism that former tenants acquired the freehold to their council house under the Right to Buy scheme. But the principal difference here is that in the case of leaseholds, there is also the interests of another group of private citizens who freely entered into contracts to consider: that is, the existing freeholders.

Even for new developments, problems exist. Commonhold was introduced in 2004, yet since then, only 20 commonhold projects have been established in England and Wales. Commonhold gives every freeholder a vote over decisions by the commonhold association, regardless of how effected they are by a particular decision, and as the Law Commission writes, "every owner is required to contribute towards all the commonhold's costs, regardless of the extent to which they benefit from that cost". This is a deterrent for those who might like to develop mixed-use buildings, with both residential and retail or commercial units.168

The difficulties involved, however should not deter decisive action to phase out leasehold and expand the number of people with authentic property rights in this country. A different, better legal framework is possible, as evidenced by the fact that developed legal systems across the globe use ownership models equivalent to commonhold.[167] In the first instance, the Government should deliver on its commitment in the King's Speech to ban the sale of new leasehold houses before the end of this Parliament. As long as developers are given a choice between selling leaseholds or commonholds, they will choose the former because it will always yield them greater dividends.

In the longer term, the Government should explore how to extend this ban to leasehold flats. One of the most substantial obstacles to the shift to commonhold in flatted developments is accommodating residential with non-residential units in the same building. The ground needs to be laid for a future ban on leasehold flats through the introduction of "sections", as per the Law Commission's own recommendations. This approach would be similar to Australia's use of "strata title", which allows for separate cost centres but collective decision-making for shared services. Such a move will mean that different interest groups and the management of them can be better separated out within the context of a commonhold. This will help to improve the uptake of commonhold frameworks in mixed-use sites, and ensure that a future ban on leasehold does not affect the supply of new homes in a context of acute shortage.

Nevertheless, if leasehold is banned for new homes without equivalent reform for existing ones, some 4.98 million homes in England – and around a fifth of the overall housing stock – will immediately become second class status. We must therefore take steps to improve the enfranchisement process for existing leasehold properties. Enfranchisement should be "no

167. *Ibid.*

fault", simple and affordable, and if a simple majority of leaseholders on any estate or in any block decide they want to make the change, freeholders should not be able to resist it. As it stands, unanimous consent is required for converting a building to a commonhold footing; this should be relaxed to 50% of leaseholder consent. Furthermore, leaseholders cannot currently buy their freehold if more than 25% of their building is used for non-residential purposes; this should be raised to 50%, as per the Government's pledges in the King's Speech. The requirement that leaseholders dwell in their home for a minimum of two years prior to seeking enfranchisement should also be scrapped.

A methodology should be adopted for the valuation of the premium payable to the landlord which is based on the "reversion" value of the property – that is, the stake returned to the landlord at the end of a lease – and the "term" or ground rent owed.[168] The Government's promised online calculator for freehold buy outs is a positive policy and should bring greater clarity to the process. The valuation formula it uses should recognise that leaseholders already own the majority financial value of their homes while the freeholder is effectively a minority shareholder and should therefore be compensated as such. There should be no windfall payments to the freeholder. To bring greater equity to the process, each side should also be required to pay for their own legal and professional costs.

For new developments, and as per the Law Commission's own recommendations, "sections" should be introduced along the lines of Australia's "strata title" approach which allows for separate cost centres but collective decision-making for shared services. Such a move will mean that different interest groups and the management of them can be better separated out within the context of a commonhold. This will help to improve the uptake of commonhold frameworks in mixed-use sites.

The process by which a resident transitions from being a leaseholder to a freeholder is called enfranchisement. It is an entirely fitting label. Moving millions of individuals from a situation in which they experience a vague simulation of ownership to one in which they are genuine property owners, whilst ensuring appropriate mechanisms for compensation, is prudent, moral, and will tangibly advance the property owning democracy.

Mortgages

In the spirit of making the housing market less driven by speculation and more supportive of the ideals of widespread ownership, the Government should also work with lenders to reintroduce fixed rate mortgage products in the long term. 25-year mortgages are standard in countries across the world, from Canada and the United States to Denmark. A long term, fixed rate mortgage offering will give those hoping to become homeowners greater certainty and confidence, and will alleviate the anxieties produced by fluctuating interest rates and their implications for mortgages. Policy Exchange's proposal for blended mortgage products, whereby retail banks, pension funds and investment banks combine and share risk to provide

168. The Law Commission, *Leasehold Home Ownership: Report on Options to Reduce the Price Payable*, 2020.

the funding for a secured loan, should be considered, and would offer a genuinely market-led solution that does not require create liabilities for the taxpayer.[169] Any changes to the mortgage market must ensure that they do not increase systemic instability or foster overleveraged households, and demand side measures must not – as they so often have done in recent history – come at the expense of serious efforts to increase housing supply.

A Note on Social Housing

The foregoing has advanced the case that collective ownership through the state is not a form of ownership that individuals can experience in a meaningful way. Private, personal ownership is the objective here, and so it was when the Government opted to transfer state-owned council homes into private ownership. Nevertheless, and as previously stated, each generation must apply enduring values to changing circumstances. And today, boosting council housebuilding might actually serve to advance the cause of homeownership.

As discussed in a previous Policy Exchange paper, social housing offers the prospect of genuine affordable housing, in which people can actually put money away to save for a deposit for a home of their own. At the moment, many who might otherwise benefit from such housing are in the private-rented sector, paying significant proportions of their take-home pay on rent, and with a limited capacity to save.[170]

We should, in the short term, be open to the idea that a new generation of council housing might restart the conveyor belt of homeownership, where hardworking young people can live in affordable housing, save-up, and build towards becoming members of the property owning democracy in the future. And since council housing is not an end itself in this case, but a means to the end of widening private property ownership, we should also be open to future sales of council housing stock.[171]

Share Ownership and Personal Savings

Help to Save

As Eden put it "the saving by an individual that leads to ownership can be achieved only where there is sufficient margin of income over the requirements of day-to-day consumption".[172] Prosperity, Eden contended, and a growing economy, provides the basic conditions for expanding the number of property owners. Nevertheless, there are some targeted and deliberate measures that can be taken to support individuals and households to save more of their incomes.

If our object is to enable more people to save, and in so doing diffuse property ownership more widely, then our interventions in this space need to be targeted accordingly; we need, first and foremost, to support those with little or no savings, and those who struggle to put aside a proportion of their earnings each month.

There are already a number of schemes in place to incentivise personals savings. There is a personal, tax free savings allowance of £1000 for

169. Policy Exchange, *Helping More People Become First Time Buyers*, 2022.
170. Vitali, *Homes for Growth.*
171. It is worth noting that Lisa Nandy, until recently the Shadow Secretary of State for Levelling Up, Housing and Communities, explicitly backed both more social housing and the continued use of Right to Buy, See The Sunday Times, "'Home Was My Only Constant': Lisa Nandy on Right to Buy and Her Single Mother", 29th July 2023.
172. Eden, *Freedom and Order*.

basic tax rate payers (£500 for those who pay the higher rate), a tax-free ISA annual allowance of up to £20,000, and a £9000 tax free annual allowance for Junior ISAs.[173] These are creditable schemes which look to inculcate good saving habits. However, for those on the lower end of the income distribution, and particularly for those in receipt of welfare, tax free allowances are not sufficient to make an appreciable difference on their aggregate savings. Which is why the Government has a number of direct payment schemes, in which the Treasury makes a contribution to an individual's savings account in proportion to how much they deposit in a given timeframe.

Help to Save is one such scheme. Introduced in 2018 and open to working people on Tax Credits or Universal Credit claimants with a minimum earned income equivalent to 16 hours per week on the National Living Wage, it pays no interest on deposits, but offers a 50% bonus on the peak savings level after a two-year period. Those that continue saving receive another 50% bonus after two more years. There is a £50 monthly deposit limit, and so a bonus of £1200 is possible over four years.

In many ways, Help to Save has proven very successful indeed. 91% of participants said they were either very or fairly satisfied, and the scheme has achieved its stated goal on an individual level: 86% of participants said they were saving more than they did before the scheme was introduced.[174] It has also come at limited cost to the Exchequer: the Resolution Foundation calculates that Help to Save payments amount to only around £43 million per annum, yet for someone at the bottom of the income scale, £1200 in savings support could make a significant difference to their personal finances.[175]

There are, however, a few shortcomings in the scheme - most notably its current lack of uptake. In 2016, the Government estimated that some 3.5 million people stood to benefit from Help to Save. Yet only 10% of this figure have so far opened an account. It is also true that the capital rules for those in receipt of Universal Credit – which specify that those with assets over £6000 will see their entitlements reduced, and those with over £16,000 will not be entitled to any payments at all – might act as a deterrent to saving.[176]

The Government, which has launched a consultation on Help to Save, should renew its support for the scheme and make three reforms to increase both its scope and impact. Firstly, it should automatically open a Help to Save account for every Universal Credit applicant. When prospective claimants receive their "claimant commitment" contract, this should be accompanied with detailed information about Help to Save, and the potential bonuses that could be achieved. Secondly, the maximum monthly deposit should be raised from £50 to £100. Given the low cost of the scheme as it stands, and the fact that 92% of deposits are at the maximum threshold, this would be a proportionate measure to support the UK's lowest socio-economic groups to accumulate capital. Finally, Help to Save savings should be removed from the asset calculations of Universal Credit. All other forms of savings and assets would continue to

173. HM Treasury, *Help to Save Reform: Consultation*, 2023.

174. *Ibid.*

175. Resolution Foundation, *ISA-ISA Baby: Assessing the Government's Policies To Encourage Household Saving*, 2023.

176. *Ibid.*

apply, but this would remove an obvious disincentive for the use of the scheme.[177]

Tax Incentives

Helping those already on benefits is not a further handout. It is a help up – a dedicated attempt to help those at the lower end of the income distribution escape dependency on welfare and become more financially resilient. Some, however, have suggested that such a measure should be funded through increasing taxes on other forms of investment. The Resolution Foundation has calculated that the costs of the scheme might rise to £400 million if it were rolled-out to all those eligible at the present deposit level, and this would likely be higher too if the monthly deposit maximum were to be raised. It has recommended that this cost should be met by reducing the generosity of other schemes designed to help savers which have generally helped wealthier individuals and households. They suggest that the annual "costs" to the Treasury of ISA tax advantages is set to reach roughly £4.3 billion by 2024, and that there should be a cap on the total value of savings in ISAs – £100,000 for individuals, and £200,000 for couples.[178]

Putting aside the idea that untaxed private wealth represents a "cost" to the Government, such a policy would not align incentives in a way conducive to widespread property ownership or the broader health of the economy. As the Resolution Foundation itself recognised, the UK already has an extremely poor savings rate, and this is more likely to worsen rather than improve the situation. Moreover, part of the justification for reducing the support for other schemes is distributional – that ISAs tend to help wealthier households. But wealthier individuals and households saving and investing is good for all cross-sections of the population; more investment means better paying jobs, greater productivity and more innovation. Most important of all, a cap on tax free savings fails to consider the wider incentives landscape; given the insulation of real estate from taxation, such a cap would simply encourage more investment in housing, which as we have recognised is absorbing vast sums of capital, whilst other parts of the economy remain capital hungry.[179]

To this end, the Government should take a different approach, and support for low-income savers should be accompanied by efforts to alter savings incentives. More preparatory work needs to be done as to the most effective policy mechanism to achieve this end, but the objective must be to reduce the imbalance between housing wealth taxation and the taxing of other asset classes. The measures to increase housing supply detailed above will in the long run help bring down the price of housing by reducing its scarcity value, and by making other forms of investment more attractive, this might lead to a more efficient allocation of capital through the economy. Taken together, this could both increase the number of homeowners *and* diversify investment by UK households.

177. *Ibid.*

178. *Ibid.*

179. Bowman, "Capping ISAs: The Latest Bad Idea in British Policymaking".

Retail Investors in Capital Markets

These proposals will help towards boosting the UKs savings rate, as well as creating some incentives for investing in assets other than residential real estate. But we might think of greater saving levels as a necessary, yet not sufficient condition for an expansion in property ownership. And the task at hand is not just increasing the amount of cash that each individual has – which might be spent on consumption as well as investment – but increasing the share that they have in the nation's productive capacity and UK society more broadly.[180]

There should thus be a concerted attempt to support consumer investment in the UK, so increased savings are translated into increased ownership. Indeed, the Financial Conduct Authority estimates that there are already some 15.6 million individuals in the UK with investible assets of £10,00 or more, but 37% of these hold their assets entirely in cash, and a further 18% hold more than 75% in cash. 8.4 million of those with £10,000 in investible assets did not receive financial advice within the previous twelve months.[181] The Government should introduce a national information campaign to increase awareness about how to invest, alongside greater guidance on high-risk investments and fraud. It should be explicitly targeted at everyday investors, much like the "Tell Sid "Campaign launched in the 1980s to advertise the sale of British Gas shares. Delivery of this campaign could be contracted out to a reputable market comparison company with wide reach.

There should also be efforts to better include retail, non-institutional investors in secondary capital raising – the process by which a public company raises funding after an Initial Public Offering (IPO). For companies, particularly those that need to raise capital in a short timeframe, retail investors - who lack the time and expertise that institutional investors possess to assess the market and the specifics of a given issuing – might not be appropriate. But for many fundraisings, they have an important place and offer an alternative source of capital for companies. Australia's Share Purchase Plan (SPP), a capital raising structure that can be used as a standalone or in conjunction with a placing to institutional shareholders, could provide a model for something similar in the UK. The Government should also look at ways in which retail investment platforms might be connected with tax wrappers like ISAs or SIPPs. These could supplement the proposals to streamline the regulatory involvement in the secondary listing regime to ensure that greater retail involvement goes hand in hand with improving the competitiveness of UK capital markets.[182]

In addition, changes should be made to the UK prospectus regime to encourage new retail investor involvement in IPOs. A review into the UK's listing regime found that the six-day rule for IPOs marketed to retail investors – which was intended to support retail investors by giving them sufficient time to read the prospectus - actually deters companies from including non-institutional investors altogether: the extended timeframe can increase uncertainty around the offering, and an issuer may simply undertake an institutional-only IPO where the offer can close as soon

180. Howell, *Freedom and Capital*.
181. Financial Conduct Authority, *Consumer Investments: Strategy and Feedback Statement*, 2021.
182. Mark Austin, *UK Secondary Capital Raising Review*, 2022.

as sufficient demand has been received in order to reduce exposure to market volatility. Indeed, in the three years up to March 2021 there was no allocation of shares for retail investors in 93% of major IPOs in the UK.[183] By reducing the timeframe to three days, companies might be incentivised to publicise and market their offerings to a diverse range of investors including retail investors.[184]

Finally, the Government should reform the current regulations around the provision of financial advice that are contained in the inherited MiFID II framework, particularly around "suitability requirements". These create a series of overly stringent obligations upon providers whenever a customer is seeking tailored financial advice. The result is higher costs to consumers – a key reason why some 38 million people do not take formal advice on their personal finances, and therefore why so many individuals have plenty of cash in savings but remain uninvested.[185]

Incentivising share ownership, increasing awareness about getting invested and prioritising the interests of retail investors together will greatly help to widen ownership in the UK.

Uniting Ownership and Control

If we want to truly benefit from greater levels of ownership in the UK economy, we must also consolidate and strengthen property rights by ensuring that shareholders have real control over their companies. Calls have been made for companies to give greater priority to non-shareholder interests, for company boards to be more activist or for a tilt towards "stakeholder capitalism".[186] Such an approach would recommend a further loosening of the association between shareholders and their firms. But if we want to inculcate a greater sense of stake and responsibility in society and in the business community, if we want more invested "proprietors" and fewer speculative "punters", we need to do the opposite, and *strengthen* shareholder rights.[187]

In particular, the Government should look at amending the Companies Act of 2006 to incorporate advances in technology that might enable individuals to play a far more active role in the companies that they own shares in. Changes should be made to recognise the broad shift towards nominee shareholders – whose shares are held via online brokers or platforms – and away from certificated shareholders – those who hold physical share certificates. The latter have a more direct relationship with the company they are invested in and greater access to information, whilst directors are not obligated to provide information to the former aside from investment return data. The status quo thus creates an inequality between different classes of shareholders, and puts both institutional investors and certificated shareholders at a significant advantage to newer investors that utilise digital platforms. The legislation should be amended to require companies to provide the same level of information to nominee shareholders, and this should be digitalised. Equity purchases should require investors to provide an email contact address to facilitate this. The Flint Digitisation Taskforce set up by the Government is due

183. Webb, *Share Power*, p.133.
184. Austin, *UK Secondary Capital Raising Review.*
185. Centre for Policy Studies, *Retail Therapy: Making the Case for Wider Share Ownership* (2023).
186. Policy Exchange, *The Case for Shareholder-Based Capitalism*, 2022.
187. CSFI, *Capitalism Without Owners Will Fail: A Policymaker's Guide to Reform.*

to set out recommendations in 2024 on this subject. Strengthening the sense of ownership amongst retail shareholders should be a key part of its considerations.

Community Asset Ownership

Another objective of this paper has been to debunk the fundamentally misguided view that capitalism and private property is inherently destructive of cohesive, democratic communities. It is a perspective that has been advanced by those on both the left and the right: that intrinsic to capitalism is a selfish individualism that considers the interests of individuals as always logically prior to that of groups. On the left, the argument is advanced that there exists an insoluble tension between labour and capital in capitalist society which will necessarily lead to heightening levels of inequality; on the right, some contend that the "creative destruction" of capitalism is a disintegrative threat to the stability of tradition forms of social order.

These arguments, however, do not apply to capitalism *per se*. Really, they are arguments against market fundamentalism – about the treating of markets as ends in themselves. But one does not need to be a market fundamentalist to believe in capitalism as the economic system most compatible with a prosperous, free and durable society. Indeed, philosophers and political economists throughout history have recognised that markets are neither ends in themselves, nor self-sustaining. Even Adam Smith, the so-called father of capitalism and invariably associated with free-market economics, believed that markets depended on external institutions and moral sentiments to function effectively, and that these things are irreducibly relational.[188]

More pertinent to the question at hand, and as traced in Part One, throughout history, thinkers have recognised the important link between private property, the sense of ownership it generates, and the cohesiveness of communities. It was Skelton's counter-intuitive, enigmatic argument that private property and personal ownership promoted the forms of responsibility and investment that undergird a genuine sense of community, and which in turn render the broader democratic society to which all our smaller forms of community belong "four square and stable". Ownership itself is not antithetical to social obligation and a sense of solidarity. It is the annexation of property ownership to a particular, narrow cross-section of society that is vitiating social cohesion.

Much more attention has been paid to left behind communities in the UK in recent years. Politicians have spoken about the need to redress "burning injustices" in our society, and the imperative to "level up" and spread prosperity more widely. Talent, it is argued, is spread evenly throughout our country, but opportunity is not. At the same time, economists and policy professionals point to the harmful effect that regional inequalities are having on the UK's wider economic performance. The need to invest in parts of the country that have not benefited from the economic model which has subsisted in this country in recent decades is clear. But "levelling

188. Jesse Norman, *Adam Smith: Father of Economics* (London, 2019).

up" communities surely means making those communities themselves more independent and more robust. And how can we achieve this if local people do not feel like they *own* their communities, or believe that they are responsible for them? Giving more people the chance to become owners of their community infrastructure should be a priority, and the Government has a range of assets and ownership models it might pursue from direct share ownership in renewable energy facilities through to cooperative ownership of pubs, community halls or leisure centres.

Energy infrastructure

Widening ownership is a meaningful end in and of itself. But there is also a case to be made that ownership might be a device through which to secure planning consent for new energy infrastructure. The key here is to find ways in which local communities can benefit directly and tangibly from such development.

This line of thinking has informed other attempts to share the benefits of development with communities. Indeed, the US fracking revolution was driven, in large part, by the fact that under historic laws, landowners receive royalties of 12.5% of the oil and gas sales from their leases – giving them a direct stake in permitting development. In the UK, the Labour Party has pledged to ensure that "communities will receive a benefit" from hosting grid infrastructure and that "GB Energy will partner with energy companies, local authorities and cooperatives" to develop renewable energy facilities – with up to £400m of low-interest loans each year for communities.[189]

How might ownership fit into this benefit-sharing paradigm? In Australia, the Clean Energy Council has developed a taxonomy of benefit sharing. It identifies a number of activities – such as neighbourhood benefit programmes, sponsorship, grants and legacy initiatives local jobs, training and procurement - which might be considered one-way transactions whereby the company constructing the energy asset provides benefits to the community as compensation for the disruption caused or to secure planning consent. But the taxonomy also mentions more two-way interactions with communities, like innovative financing and co-ownership, in which local residents enter into a longer-term relationship with companies as a co-owner with a direct stake in the proposed asset. Such initiatives offer an excellent opportunity not to only help unlock planning consent, but to widen ownership.

These policy options are being pursued in other countries. in Ontario for example, the Government has actively facilitated community ownership of renewables as part of the Ontario Feed-In Tariff programme, whilst in Denmark, the Government declared that near-shore wind projects must be at least 20% community-owned.[190] As of 2016, 52% of Danish wind-turbines were citizen-owned, demonstrating the potential of schemes such as this to increase ownership.[191] While such schemes have traditionally been applied to renewable projects, there is no reason why many these could not be applied to other energy projects, including new nuclear

189. Labour Party, *Make Britain a Clean Energy Superpower*, 2023.
190. Ontario Cooperative Association, *Renewable Energy Co-operative Factsheet*, 2020; Windpower Monthly, "Denmark Plans 20% Community Ownership for Near Shore Wind", 28th November 2012.
191. Leire Gorroño-Albizu, Karl Sperling and Søren_Djørup, "The Past, Present and Uncertain Future of Community Energy in Denmark: Critically Reviewing and Conceptualising Citizen Ownership", *Energy Research and Social Science*, Vol.57(1) (2019) pp.1-12.

power stations or small modular reactors, hydrogen production, energy storage or other energy assets. The scale of the project will determine which methods are more feasible, but the same benefits in terms of community consent and broadening asset ownership could be accrued.

There is no shortage of finance for viable renewable projects, and companies could go to a multitude of sources for capital. But if designed correctly, co-investment and community ownership schemes present a win-win opportunity for local residents and developers: they could increase the social acceptance of projects and help firms to secure planning consent, whilst at the same time generating a sense of stake amongst community members.[192]

Energy Cooperatives and Citizen Investment

Thatcher wanted to promote the ownership of energy infrastructure by encouraging the public to buy shares in the newly privatised British Gas. There are no longer nationalised industries to privatise (and indeed there is good reason to question the performance of a number of other privatised utilities). Yet the objective of spreading ownership remains no less pressing or noble, even if the practical areas in which this is to be achieved change. While money off bills or payments to the local authority are all very well, incentives that deliver genuine ownership of assets to communities have the potential to not simply increase the likelihood of planning consent, but to radically broaden the base of property ownership in the UK.

Under community ownership schemes, a community-owned vehicle – in essence, a cooperative – will either own, or have a stake in, an energy asset such as a windfarm, solar farm or other asset. These may be joint-venture projects with a developer, and the community-owned vehicle will share in both the profits and the risks of the project.[193]

Depending on the country, relevant regulations and decisions of the asset owner, a community ownership scheme may take a number of forms. In some cases, the Government may provide funding to support the establishment of such cooperatives, potentially matching funding to allow the cooperative to own a larger share of the asset into which it co-invests. Voting rights may in principle be granted in proportion to the amount invested, or in accordance with 'one member, one vote'. A cooperative may be for-profit or not-for-profit. And so forth.

In Ontario, the Green Energy and Economy Act (2009) established a new form of co-operative, the Renewable Energy Cooperative (REC), that relaxed some laws applying to cooperatives (notably, a requirement to do 50% of its business with its members) while imposing a restriction that its business must be limited to generating and selling electricity. Some of these restrictions have made it challenging for RECs to raise finance[194]; however, despite this, over 70 RECs have since been incorporated in Ontario[195].

192. Jakob Knauf and Rolf Wüstenhagen, "Crowdsourcing Social Acceptance: Why, When and How Project Developers Offer Citizens to Co-Invest in Wind Power", *Energy Policy*, Vol.173(1) (2023) pp.1,10.

193. Clean Energy Council, *A Guide to Benefit Sharing Options For Renewable Energy Projects*, 2019.

194. Centre for International Governance Innovation, *Advancing Sustainable Energy in Ontario: The Case of Regional Renewable Energy Cooperatives*, 2017.

195. Ontario Cooperative Association, *Renewable Energy Co-operative Factsheet*.

Case Study: Gunn's Hill Wind Farm, Ontario, Canada

Gunn's Hill Wind Farm is an 18 MW development of ten wind turbines located in south-western Ontario. It was created by the Oxford Community Energy Co-operative (OCEC), in partnership with Bullfrog Power. OCEC has over 180 members and owns 49% of Gunn's Hill Wind Farm[196].

OCEC raised funds via both debt and equity to finance the project, including borrowing money from three commercial banks and issuing bonds to raise equity. They also partnered with the Six Nations of the Grand River Development Corporation, and with Prowind, a developer[197].

In contrast to a strict cooperative approach, citizen co-investment, in which individuals have the opportunity to purchase individual shares – either directly in the project, or via a co-investment vehicle – has the opportunity to raise significantly larger volumes of funding, and to play a role in the financing of much larger projects. This is likely to be the only practical route to implementing a community asset approach to large-scale projects such as nuclear or major hydro-electric projects, the scale of which is likely to be well beyond the scope of what can be achieved by a cooperative. While there is a sliding scale between the two types of operation, community co-investment is typically more commercially driven, with citizens gaining a financial stake in a major infrastructure development – and, as such, has greater potential in facilitating community asset ownership at scale.

There are trade-offs to be made in terms of when a company seeks citizen co-investment. The earlier in the project it occurs, the more use it may be in securing planning permission; however, equally, there is a greater level of risk for individual investors. Citizens can also become investors either by investing in debt, or by investing in equity.[198] Regardless of the precise method, citizen co-investment enables individuals to enjoy both the privileges and benefits of ownership, as well as responsibility for the risk.

There is clear evidence that this method can be used to raise significant amounts of finance. The Middelgrunden Offshore Windfarm in Denmark, a 40MW development, raised $28m from over 8,500 individual investors.[199] Frequently, opportunities to invest may involve minimum and maximum investment requirements, and may offer a degree of certainty over initial returns. The Sapphire Wind Farm in Australia, for example, offered a 6% return over a ten-year term, for a minimum investment of A$1250 and a maximum of A$200,000.[200]

198. Knauf and Wüstenhagen, "Crowdsourcing Social Acceptance: Why, When and How Project Developers Offer Citizens to Co-Invest in Wind Power".

199. Renewable Technology, "Middelgrunden Offshore Wind Farm, Oresund", Online, Link. Green Economy Coalition, "Communal Ownership Drives Denmark's Wind Revolution", 20th September 2017.

200. Clean Energy Council, *A Guide to Benefit Sharing Options For Renewable Energy Projects.*

196. Bullfrog Power, "Ontario's First Community-Owned Wind Farm: Bullfrog Power and OCEC Announce Commissioning of Gunn's Hill Wind Farm", 26th January 2017.

197. Centre for International Governance Innovation, *Advancing Sustainable Energy in Ontario: The Case of Regional Renewable Energy Cooperatives.*

Case Study: Middelgrunden Offshore Wind Farm, Denmark

Middelgrunden Offshore Wind Farm consists of 20 2MW wind turbines, 3.5km off the Danish coast. It is co-owned in equal shares between developers Københavns Energi and Middelgrundens Vindmøllelaug, a private cooperative partnership. It provided an early demonstration of the success of citizen co-investment in raising relatively large sums of finance and broadening the ownership base of energy assets.

The success of Middelgrunden helped to inspire future community ownership schemes in Denmark – and, in 2011, the Danish Government announced that new windfarms must be at least 20% community owned[201].

One potential criticism of citizen co-investment is that investment opportunities are only available to those with a degree of wealth: if terms were set on a similar basis to the Sapphire Wind Farm project discussed above, many people could not afford to invest around £650 in a speculative venture, even if offered upon favourable terms. This is a legitimate objection: if the core objective is to increase the base of property ownership and give more individuals a stake in society, limiting the opportunity to those already (relatively) wealthy is unhelpful.

This concern can be mitigated, however, by combining a broad-based grant of shares to all residents in the locality, alongside the opportunity for residents to invest to purchase additional shares. This ensures that every resident has a direct, personal, stake in the project's success while allowing those who wish to invest further, increasing their stake and helping to raise capital for the project. The grant would constitute a direct benefit – similar to section 106 agreements implemented during planning permission – that would be taken into account when considering whether to grant permission for the project, with the company able to make a higher, or lower offer depending on what it judged was necessary to secure community consent.

For the Coonoer Bridge Wind Farm in Victoria, Australia, the developer, Windlab, did just this, offering free shares to all residents within 3.5km of the project. This constituted 3.5% of the total ownership of the project. Residents then had the opportunity to invest further, with up to 10% of the total value of the project available to purchase under a citizen co-investment scheme.[202]

Facilitating Energy Asset Ownership in the UK

The UK is rapidly rolling out renewable energy investments. Both the Conservative and Labour Parties are committed to further development of both renewable energy assets and nuclear, including small modular reactors (SMR). If effectively incentivised, this offers the opportunity to not only reduce carbon emissions and increase energy security, but to dramatically increase the base of property ownership in the UK.

There are three major areas where Government could do more to facilitate a major expansion of community and citizen ownership of energy assets. Firstly, a fast-track planning process should be introduced for

202. Clean Energy Council, *A Guide to Benefit Sharing Options For Renewable Energy Projects*.

201. Green Economy Coalition, "Communal Ownership Drives Denmark's Wind Revolution".

developers willing to make a community ownership offer. Any developer who wishes to make such an offer may enter an expedited process, whereby the development plans are put directly to a local referendum on the development (the costs of which would also be shouldered by the developer). The offer would need to consist of (a) a proportion, of at least 2%, of the equity of the new project to be distributed freely amongst all residents within a defined distance of the project, and (b) a proportion, of at least 10%, of the equity of the new project to be available for purchase under fair terms to residents. The distance prescribed for each project should be technology-specific, such that projects for more conspicuous assets like a wind turbine distribute equity to residents in a wider radius than, say, those for a solar farm. Any such project approved by referendum would have an expedited progression to construction, with judicial review only possible under extremely limited circumstances.

In addition, the Government should support tax-efficient community investment for businesses and citizens. For businesses, any grants of equity and citizen co-investment should be fully deductible for tax purposes. For individuals, money invested in such schemes would be tax-exempt, and would not count towards an individual's ISA limits. Finally, the Government should also review cooperative law, to ensure that there are no barriers to community-based cooperatives taking part in renewable schemes. If necessary, this should involve establishing a new class of energy cooperative. These measures would not only increase property ownership but have the potential to expedite planning consent and increase investment in energy infrastructure.

Other infrastructure

While the discussion above has focused on energy infrastructure, there is no reason why similar mechanisms could not be applied to any form of private large-scale infrastructure development, such as a sewage works, incinerator or other asset. Such developments suffer from the disadvantage that while their benefits are frequently felt over a wide areas, the negative impacts are more concentrated locally, meaning that communities rationally resist having them in their area – despite national need.

A clear parallel can be seen with the case of fracking in the US, where pollution, noise and disruption are counter-balanced by benefits in the form of royalties, increased local investment and new jobs. The University of Chicago has calculated that, taking both benefits and disadvantages into account, shale fracking is typically worth an additional net $1900 per household – though this can vary depending on the project, with some areas seeing no net benefit[203].

Similarly, local resistance to unpopular infrastructure could be overcome – and the base of asset ownership broadened – via similar means to that set out above. Like energy assets, such infrastructure will have a revenue stream, which therefore grants the possibility of sharing that stream with the local community through grants of share ownership and the opportunity for community investment. The recommendations

203. Financial Times, "US Fracking Shown to Benefit Local Households", 3rd January 2017.

set out above, in particular regarding the expedited planning process and tax-efficient investment, could equally apply to other infrastructure assets.

Fortunately, a mechanism for delivering this sort of ownership already exists in the "Community Right to Bid". The Localism Act 2011 established a process for how certain assets could be nominated as being "of community value", as well as a procedure by which community groups could bid for such assets.[204] The aim was to help ensure that such assets, rather than being sold off for development, could remain open and in community hands.[205]

The Right to Bid works in three stages:

- A community group or parish council may nominate an asset as being of community value. If the local authority agrees, it is then entered on to a list of community assets.
- If a community asset is put up for sale, a community group may express an interest to bid. This starts a six-month moratorium, during which the group has the opportunity to put a bid together.
- If a bid is put together, the owner decides whether or not to accept the bid. There is no compulsion on the owner to accept the bid, or to sell the land – they are free to do as they wish.[206]

In March 2021 the Government announced a Community Ownership Fund, which is providing up to £150m over four years to help community groups buy assets which would otherwise be lost. In the first round, up to £250,000 per bid was available, with an exception of up to £1m for sports clubs and playing fields, with community groups being required to match the funding on a 50:50 basis; in the current, third round, there is the provision for more bids to access up to £1 million, and government now will provide 80% of the capital, with the community group providing 20%[207].

It should be noted that Scotland grants more extensive powers to community groups. A "Community Right to Buy" was introduced under the Land Reform (Scotland) Act 2003, which effectively gives community groups first refusal, while a concept of "community asset transfer" was also introduced in the Community Empowerment (Scotland) Act 2015.[208]

The Community Right to Bid has been broadly welcomed by community groups, as was the Community Ownership Fund. It has undoubtedly helped communities keep a number of assets in their control. However, since its introduction, its impact has been limited: £36.8 million has been awarded for 150 projects across the UK.

Various improvements have been recommended over the years, including by the Communities and Local Government Committee, and in the 2015 Conservative Manifesto, which said: "We will strengthen the Community Right to Bid that we created. We will extend the length of time communities have to purchase these assets, and require owners to set a clear 'reserve' price for the community to aim for when bidding."[209]

This scheme has great potential to revitalise ownership in British

204. A list of Community Assets is maintained by the Plunkett Foundation on their website.
205. House of Commons Library, *Assets of Community Value*, 2022.
206. *Ibid.*
207. Department for Levelling Up, Housing and Communities, *Community Ownership Fund: Prospectus*, 2021.
208. Land Reform (Scotland) Act 2003; House of Commons Library, *Assets of Community Value.*
209. Communities and Local Government Committee, *Community Rights*, 2015; The Conservative Party, *Strong Leadership, A Clear Economic Plan, A Brighter, More Secure Future: General Election Manifesto*, 2015.

communities, but also to revive our towns and high streets as well. We know that about 16% of town centre property is currently sitting vacant, and that high street units owned by pension funds, overseas investors, investment management companies and real estate companies are vastly more likely to be empty than if they are owned by individuals or by the social sector. Giving residents of communities the chance to take ownership of these units and sites will promote regeneration and levelling up across the country.[210]

The truth is, at its current scale, the Community Ownership Fund is simply not big enough to make a real difference. Thus, funding for community asset purchases should be tripled. In addition, the Government ought to implement the recommendations set out in the 2015 manifesto, extending the length of time communities have to purchase the assets from six to nine months, and requiring owners to set a clear "reserve" price. We further recommend that a "roll-over" provision be set to prevent assets from dropping off the register after five years, if they are still in use. This would help encourage communities to nominate assets in advance rather than requiring a frantic race to nominate when it becomes clear that an asset might be sold.

Ownership in Business and Industry

We have spoken above about how we can support more individuals and households into property ownership through retail investment. But if this is to deal with the demand side, we must also consider incentives for supply: in other words, how can we get more companies to support a diffusion of property ownership?

Employee Share Ownership Schemes

There are already a number of existing policies which seek to promote the implementation of employee share ownership schemes, most important of which is the Share Incentive Plans (SIPs) which provides that any shares given under such a plan and kept for five years are exempt from income tax, national insurance and capital gains tax. An employer can give someone £3,600 of free shares; or, alternatively, give someone up to two free shares for each 'partnership' share they buy, up to a maximum of £1800 of partnership shares.[211] The Government should reduce the amount of time that shares must be kept to qualify for the tax relief from five to three years, and the allowance should be increased to £5000. At the same time, a corporate tax super deduction should be created for the value of shares offered to employees. Existing tax advantage schemes, like SIPS, Company Share Option Plans (CSOPs) and Save as You Earn (SAYE) should be retained to offer flexibility to companies wishing to promote employee share ownership.

In addition, the Government should also reinstitute and regularly update the Employee Share Ownership Index, which tracks the performance of listed firms with employee owners against that of the FTSE All Share Index. The Index has not been updated since 2016, but up to then showed that firms

210. Power to Change, *Take Back the High Street: Putting Communities in Charge of Their Own Town Centres*, 2019; and *Why Now is the Time for a High Street Buyout Fund*, 2022; Bennett Institute, *Townscapes: Price in Place*, 2022.

211. UK Government, *Tax and Employee Share Schemes*, Online, Link.

operating employee ownership schemes performed considerably better than those that did not over the medium to long term. Reintroducing the index will highlight to business leaders the improvements in productivity and performance that might be derived from giving employees a sense of stake and ownership in their firms.

Cooperatives and Mutuals

A final subject to consider is alternative models of ownership that might be supported in business and industry. We have traced a developing monoculture in our business community, as the public limited company has come to dominate the UK marketplace. The strengths of the public limited company are clear, and they represent a great – perhaps the greatest – driver of economic growth and prosperity in the capitalist economy. They are powerful vehicles for the raising of capital, and this paper has set out a number of ways in which individuals and households can participate more fully in the gains of business growth as retail investors.

But we need to recognise the merits of different business ownership models too, and the immense benefit of a diverse, pluralistic business community. Cooperatives and mutuals have an important place in the UK economy, and in many cases will offer that proximate, intimate experience which has been argued for throughout the foregoing. They represent a flowering of the property ownership strand of thinking that has long existed on the left, in which ownership of an enterprise – the means of production and source of wealth – is vested not in the state, but in the ownership of individuals involved in that enterprise, as workers, customers, lenders, borrowers or local residents. But they also attract the affection of many on the right, who see in mutuals the sorts of businesses that attract the pride and esteem of local communities. Supporting these companies should be a priority, and there are two areas in particular which the Government ought to focus on.

The first and most important is enabling cooperatives and mutuals to raise capital – a barrier that can hinder growth and potentially survival in more challenging market conditions. Mutuals which do wish to raise capital can undergo demutualisation, a process which typically involves a windfall of cash for members – in addition to raising funds that can be used to reinvest into the business – which can make mutualisation a difficult siren song to resist. A wave of demutualisations occurred in the UK building society in the late 1990s and early 2000s, during which time household names including Halifax, Bradford & Bingley, Woolwich, Northern Rock and several others converted to banks.

Although mutualisation is possible – and can, indeed, show long-term benefits as profits can be returned directly to members, without the need to pay shareholders – it is challenging, due to the sums required and the opportunity cost foregone. In practice, this creates an (almost) one-way ratchet effect, in which businesses that began as mutuals demutualise, reducing the share of mutuals within the economy.

The recently passed Co-operatives, Mutuals and Friendly Societies

Act 2023 contains welcome new protections for mutuals. By making it possible to ensure the capital surplus of mutuals is non-distributable, it aims to reduce the incentives for demutualisation.[212] This is welcome; however, if mutuals are to not just survive but *grow*, more is needed.

The fundamental question that must be addressed is the ability to raise capital. New powers to raise capital were provided for in the Mutuals' Deferred Shares Act 2015; in particular, the ability to issue deferred shares. However, the statutory instruments to implement these powers have not yet been enacted, and so they remain unusable.[213]

Abroad, more radical steps have been taken. Most prominently, Australia has passed new legislation to make it easier for mutuals to raise finance in the Treasury Laws Amendment (Mutual Reforms) Act 2019. This created a new type of financial instrument, known as a Mutual Capital Instrument, which allows mutuals to issue shares without impacting ownership or bringing about demutualisation. Crucially, the law confirmed that doing so would not impact the mutual's tax status, and that each owner of a Mutual Capital Instrument would only have one vote, no matter how many they owned.[214] Government should both enact the relevant provisions of the Mutuals' Deferred Shares Act and pass Australian-style legislation to enable capital raising.

A second area for consideration concerns bringing new organisations into the mutual sector. The Government should pursue a 'mutualisation by default' stance when reprivatising businesses – such as a trainline, bank or energy company that has been brought into public ownership, or when bailing out a business facing bankruptcy (yet which is significant enough to the UK economy for Government to intervene).

The recent travails of the water industry call to mind a Back-Bench Business debate in 2019, in which the Chair of the Co-operative Party, Gareth Thomas MP, called for the mutualisation of water companies, modelled after the Welsh water company, Dŵr Cymru Welsh Water, a company limited by guarantee, without shareholders. The acquisition of the former company was financed by £1.9bn of bonds, the largest nongovernment backed, Sterling corporate bond issues at the time.[215] Whether or not the Welsh Water model is precisely the one to follow, should Government need to intervene in the water sector – as has been suggested could be required at Thames Water - a mutualisation process could be considered. [216]

The benefits of mutualisation must be balanced against the need for Government to ensure value for taxpayers through a privatisation process. It is also recognised that full mutualisation will not be appropriate in every circumstance. However, either full or part mutualisation, where appropriate, would be a significant and welcome means of expanding the role of mutuals within the UK economy.

The object in these policy recommendations is not a fundamental restructuring of the business community towards cooperative corporate forms. Such an agenda is not only unfeasible, but it would not be desirable either in an economy which badly needs to raise significant sums of capital

212. UK Parliament, *Cooperatives, Mutuals and Friendly Societies Act*, 2023.
213. House of Commons Library, *Co-operatives, Mutuals and Friendly Societies Bill 2022-23: Progress of the Bill*, 2023.
214. Mutuo, "Australian Parliament Passes Reforms For Cooperatives and Mutuals", 4th April 2019.
215. Economics of Mutuality, *Welsh Water: A Model for the Purposeful Ownership of a Utility?, 2021.*
216. BBC News, "Thames Water Needs 'Substantial' Sums of Money", 5th July 2023.

and invest it productively. However, cooperatives not only offer a business model that is resilient and has a track record of putting down strong roots in local economies; they also give ordinary people the opportunity to share in the responsibilities and benefits that come with being an owner.

Conclusion

One of the most dangerous and damaging misconceptions to develop in recent times has been the idea that defenders of capitalism believe free markets to be self-sustaining. It is a misconception that the latter have failed to correct explicitly enough, and as dysfunctions in the UK have weighed on the public in concrete ways, it is something that opponents of the free market have exploited ruthlessly.

Free market capitalism is the economic system best accommodated to a high degree of human freedom, and it has throughout history proved its unique capacity to provide prosperity, foster innovation and incentivise enterprise. Free markets are not perfect, but they harness and organise human behaviour in such a way that individual action is reconciled to the common interest far more effectively than other economic systems.

As many throughout history have recognised, free markets, the price mechanism and competition do not operate in a vacuum. Nor can they thrive in any social or cultural environment. These things require a cohesive society in possession of an underlying set of values and attitudes regarding the individual and his or her responsibilities to communities, the role of government, and the trade-offs to be made between enterprise, risk, security and prosperity. As Ropke put it, "the market economy, and the play of supply and demand do not create these "ethical reserves" or values: "they presuppose them and consume them".[217] They are, in other words, extraneous conditions which a society must furnish if the market is to operate to the benefit of all.

Perhaps one of the most important conditions for the effective functioning of free markets is the private ownership of property, and the opportunity for those who work hard, regardless of background, to acquire assets. Ownership, as has been argued throughout this paper, serves multiple functions. It gives individuals a medium for self-expression, inculcates responsibility and self-sufficiency, and provides opportunities for moral development. It is also an animating force in our society and economy, a driver of enterprise and industry and a form of security for individuals and households, both from others in society, and from government itself.

Private property ownership can also make our society more resilient and more robust. It has been the central assertion of this paper, however, that it only has this effect in a democratic capitalist society if it is widely distributed. When property becomes concentrated and annexed to a particular sect of the population, it has a disintegrative effect, and makes society both more brittle and less capable of delivering prosperity. Narrow

217.Ropke, *A Humane Economy*, pp.125-6.

property ownership undermines the belief that free markets are a shared enterprise that benefit all in society, and a situation in which property is increasingly unattainable for vast swathes of people impairs the incentives for individuals and households to work hard, save and invest. It also leaves fewer people with the values and principles required to sustain a democratic polity in the long run and creates conditions in which people are less self-sufficient and more desirous of state-provided security and welfare. Giving more people a stake in their local and national community is thus not only an economic imperative; it is a profound moral mission, and key to the sustainability of our way of life.

As wealth and property becomes more concentrated and state expenditure increases to compensate the propertyless, there is an air of defeatism about the trends away from widespread ownership. Some might believe that the ideal of the independent property owner belongs to a different epoch – one of agrarian small holdings and small independent businesses. For others still, private property itself is the problem – a symbol of human self-regard that must be transcended in favour of common ownership through the state.

These perspectives are mistaken. Personal ownership remains relevant and important even today. Property's critics fail to see that people, and especially younger generations, are crying out for a greater sense of responsibility over their own lives, and to be more invested in and connected to our society. The response to this deeply human desire surely cannot be to compromise on the institution of private ownership, or to shift property out of the hands of one narrow group only to place it into those of the state. Rather, our challenge today is to apply the enduring principle of diffuse property ownership to the unique circumstances of our time.

This paper does two things. Firstly, it provides a lens through which to view the challenges faced by democracy and capitalism in the UK today, and a language in which to discuss the potential solutions to them; and secondly, it offers a bold policy programme for delivering wider property ownership in this country. Doing so will not only create the conditions and incentives for the investment needed to drive our economy, but it will also help to render democracy and capitalism mutually supportive. Working towards the property owning democracy will galvanise British society once more through a shared ideal - something conspicuously lacking in our political discourse today.

Above all else, this paper argues resolutely for the immeasurable value of private property - for both the moral development of individuals and the sustenance of society. But if it is to play that stabilising and unifying role, property ownership must be diffused and dispersed far more widely than it currently is. This is, as it was in Skelton's era, the master problem of our time.

List of Recommendations

To unlock homeownership, the Government should:

1. **Introduce a new rules-based planning system**, based on flexible zones with appropriate stipulations for mixed-use areas, conservations areas, and urban densities. Local Plans should be the vehicle by which these zones are allocated, and they should be accompanied by a **design code, produced in consultation with local residents.**
2. **Set up a Commission into the green belt. All land of genuine environmental value should be reclassified as Areas of Outstanding Natural Beauty, and land which does not meet this standard and is within a certain radius of existing transport infrastructure should be made developable.**
3. **Reform Right to Build**, **so that Local Authorities are mandated to supply enough serviced plots to those wanting to build their own custom home within two years**. Under a rules-based planning system, land could be allocated specifically for custom and self-build in the Local Plan. **For the time being, self-build should be given substantial weight as a material consideration in the National Planning Policy Framework.**
4. **Legislate for a new Urban Right to Build**, which gives permission in principle to those living in low density areas to add additional housing units to plots of a certain size.
5. **Pass the Leasehold and Freehold bill announced in the King's Speech, banning the future sale of leasehold houses, and simplifying the enfranchisement process in both houses and flatted developments.** Leaseholders should be able acquire their freehold on a compulsory, "no fault" basis. In converting a building to a commonhold, the unanimity requirement amongst resident leaseholders should be relaxed to 50% and the maximum permitted proportion of non-residential units should be raised from 25% to 50%. For new developments, "sections" should be introduced to improve the viability of mixed-use buildings. This should lay the groundwork for the phasing out of leasehold flats.
6. **Establish new development corporations in urban areas of high housing demand** to coordinate the assembly of land, the expedition of planning applications, the delivery of new homes and the provision of infrastructure.
7. **Work with the private sector to develop a new market-led 25 year fixed rate mortgage product, with funding provide from a blend of retail banks, pension funds and investment banks.**

To widen share ownership, the Government should:

8. **Reform Help to Save** so that poorer households in the UK can put aside cash to invest**. A Help to Save account should be opened automatically for all Universal Credit applicants**, and **the maximum monthly deposit should be raised from £50 to £100**. Help to Save savings should be exempt from the asset calculations of Universal Credit.
9. **Increase incentives and support for retail investors.** The perverse incentives created by the six-day listing rule for IPOs marketed at retail investors should be removed, and MiFiD II "suitability requirements" should be reviewed to help lower the cost of financial advice for customers. Retail investment platforms should be connected with tax wrappers like ISAs or SIPPs to promote everyday investor participation in secondary capital raising.
10. **Deliver a national information campaign to increase awareness about how to invest**, alongside guidance on high-risk investment – like cryptocurrencies – and fraud. Responsibility for such a campaign could be contracted out to a reputable market comparison company with wide reach.
11. **Amend the Companies Act of 2006** to ensure that shareholders are able to play an active role in the companies that they hold equity in.

To facilitate ownership in local communities, the Government should:

12. **Introduce a new pathway for community ownership schemes in energy infrastructure** like windfarms and solar farms. **Developers willing to make a community ownership offer should benefit from a fast-tracked planning process based on a local referendum.** The offer would need to consist of (a) a proportion, of at least 2%, of the equity of the new project to be distributed freely amongst all residents within a defined distance of the project, and (b) a proportion, of at least 10%, of the equity of the new project to be available for purchase under fair terms to residents. Any such project approved by referendum would have an expedited progression to construction, with judicial review only possible under extremely limited circumstances.
13. **Support tax-efficient community investment for businesses and citizens. For businesses, any grants of equity and citizen co-investment should be fully deductible for tax purposes**. For individuals, money invested in such schemes would be tax-exempt, and would not count towards an individual's ISA limits. The Government should also review cooperative law, to ensure that there are no barriers to community-based cooperatives taking part in renewable schemes. If necessary, this should involve establishing a new class of energy cooperative.

14. **Reform and expand the Community Asset Fund**. The length of time communities have to purchase the assets should be extended from 6 to 9 months, and owners should be required to set a clear "reserve" price. A "roll-over" provision should be set to prevent assets from dropping off the register after five years, if they are still in use. **Funding for Community Asset purchases should be tripled**.

To incentivise ownership in business and industry, the Government should:

15. **Introduce a new tax super deduction for the value of shares offered to employees** to increase the number of companies offering employee share schemes.
16. **Reinstitute and update the Employee Share Ownership Index**. By highlighting the benefits to business leaders of operating such schemes for productivity and performance, more firms will be encouraged to offer employees ownership stakes.
17. **Develop a new financial instrument to allow cooperatives and mutuals to raise capital**. This should be modelled on the Mutual Capital Instrument recently legislated for in Australia.
18. Pursue a new policy of **"mutualisation by default" when reprivatizing businesses** like banks or energy and utility companies.

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