IPPR Economics Prize

THE IPPR ECONOMICS PRIZE: **THE WINNERS**

July 2019

ABOUT THE IPPR ECONOMICS PRIZE

The inaugural IPPR Economics Prize invited entries in response to the question: **"What would be your radical plan to force a step change in the quality and quantity of the UK's economic growth?"**

We wanted to know whether the downward trend in the rate of economic growth can be reversed, and if so, how this can be done. Is it realistic, desirable and achievable for the UK economy to grow at 3 or 4 per cent in the 2020s? We wanted to capture the best new thinking out there.

Crucially, we wanted to understand not just what policies could raise the growth rate, but also how growth could translate into higher pay for ordinary households and reduced inequalities across regions and generations. We wanted to know whether such proposals could be environmentally sustainable, accelerate decarbonisation, and ensure that the UK meets its international commitments and its responsibilities to present and future generations.

We offered a main prize-pot of £100,000, with a dedicated under-25s prize of £25,000 and a runners-up prize also of £25,000. IPPR and the judging panel, chaired by Stephanie Flanders, with John Eatwell, John Mills and Helena Morrissey, examined over 200 ideas and ultimately awarded prizes to four entries: two winners of the main prize, an under-25 and a runner-up.

The IPPR Economics Prize was generously supported by John Mills, The de Laszlo Foundation, the Nigel Vinson Charitable Trust and Christopher Nieper.

ABOUT IPPR

IPPR, the Institute for Public Policy Research, is the UK's leading progressive think tank. We are an independent charitable organisation with our main offices in London. IPPR North, IPPR's dedicated think tank for the North of England, operates out of offices in Manchester and Newcastle, and IPPR Scotland, our dedicated think tank for Scotland, is based in Edinburgh.

Our purpose is to conduct and promote research into, and the education of the public in, the economic, social and political sciences, science and technology, the voluntary sector and social enterprise, public services, and industry and commerce.

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The progressive policy think tank

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ABOUT THE JUDGES

STEPHANIE FLANDERS - CHAIR

Stephanie Flanders is senior executive editor for economics at Bloomberg and head of Bloomberg Economics. She was chief market strategist for Europe at J P Morgan Asset Management in London (2013-17) and BBC economics editor (2008-13). She has also been senior advisor to US Treasury Secretary Lawrence H Summers (1997-2001), editorial-writer for the Financial Times and an economist at the Institute for Fiscal Studies and London Business School.

JOHN EATWELL

Lord Eatwell is president of Queens' College, and emeritus professor of financial policy, University of Cambridge. He is also a visiting professor at the University of Southern California.

From 1985 to 1992 John Eatwell served as economic adviser to Neil Kinnock, leader of the British Labour Party. In 1992 he entered the House of Lords, and from 1993 to 1997 was Principal Opposition Spokesman on Treasury and Economic Affairs, a position he resumed from 2010-13.

In 1988 he, with others, set up the Institute for Public Policy Research, where he remains a trustee. He was a member of the Board of the Securities and Futures Authority, 1997-2001, and of the Regulatory Decisions Committee of the Financial Services Authority from 2001 until 2006. He is now chairman of the Jersey Financial Services Commission.

JOHN MILLS

John Mills is an entrepreneur, economist and politician. He is best known for founding UK-based - but with wide international coverage - import-export and distribution company JML, where he is currently chairman and majority shareholder. The company has an annual turnover of about £100m and is known for its direct to consumer marketing.

John served as a Labour councillor in the London Borough of Camden for most of the period between 1971 and 2006, specialising in Housing and Finance. During this time he held a number of political appointments including deputy chairman of the London Docklands Development Corporation, chair of the Housing Committee at the Association of Metropolitan Authorities and the London Boroughs Association.

John has published a series of books on economics and, for many years, he has campaigned for changes to UK economic policy to make the UK economy more competitive, primarily by adopting a lower exchange rate.

HELENA MORRISSEY DBE

Helena is well known for her work on gender equality. She founded the 30% Club, a campaign for more gender-balanced boards in 2010. Since then, the representation of women on FTSE100 boards has risen from 12.5 per cent to 28.9 per cent and there are now 10 30% Clubs throughout the world. Helena chairs Business in the Community's Gender Equality campaign, which has recently canvassed the views of working fathers through its Equal Lives survey.

Helena was CEO of Newton Investment Management for fifteen years, taking its assets under management from £20bn to £50bn. She joined Legal and General Investment Management in 2017, leading a new drive to engage the nation to invest more, with a particular focus on improving women's financial wellbeing.

Helena has been named one of Fortune magazine's World's 50 Greatest Leaders and the Financial Times' 2017 'Person of the Year'. She was appointed a Dame in the Queen's 2017 Birthday Honours list.

Helena is a Philosophy graduate. Her husband Richard is a stay at home father and they have nine children, aged from 9 to 26. Her first book A Good Time to be a Girl, Don't Lean In, Change the System was published by William Collins in February 2018.

Download the winning entries in full at: http://www.ippr.org/economics-prize/

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JUDGES' FOREWORD

The IPPR Commission on Economic Justice, which reported in 2018 with *Prosperity and Justice: A Plan for the New Economy*, put forward 73 bold recommendations to fundamentally reform the UK economy to achieve 'escape velocity' from a model that isn't working to one that does. But one commission – even if it draws from many corners of the economy – cannot have all the answers, and continued radical thinking is required. We also know from IPPR polling that the public are extremely sceptical about the capacity of leading politicians to come up with new ideas to boost the economy.[1] The IPPR Economics Prize set out to encourage new and creative thinking in economics to continue the conversation.

The inaugural prize has focussed on economic growth. We wanted to know not just which policies could raise the UK's growth rate, but *how* growth could translate into higher pay for ordinary households and reduced inequalities across regions and generations. We also wanted to know whether such proposals could accelerate decarbonisation and ensure that the UK meets its international commitments and its responsibilities to present and future generations.

The entries we received covered a huge array of areas, from moonshot ideas to comprehensive plans. There were many creative approaches to the brief that found new perspectives through which to approach old problems. We received highly developed technical proposals as well as ideas drawing on a range of disciplines. From the initial entries, which we assessed on an entirely anonymous basis, we asked a shortlist of entrants to develop their ideas further in an essay of up to 20,000 words. This document sets out the summaries of these entries, which each take a different approach to the problem as it was defined.

We made the decision to split the main prize between two excellent entries.

One winning entry presents a plan to incentivise an ethical economics. The authors draw on a historical analysis of the economy, looking at previous periods of British economic history to identify the enabling conditions for our most successful episodes of economic growth. They note the crucial importance of large-scale improvements in welfare and human capital to their success, and the negative impacts when these policies were reversed. Prescriptions include a new, equitable social contract alongside an intergenerational contract, incentivised and funded through tax changes, to re-establish the ethical principles on which the economic success of the Golden Age was built.

The other winner of the main prize is an entry that argues for decentralisation. The authors believe a new model is needed to unlock a step change in UK growth – one that includes 'left behind' communities and promotes the fundamental idea that decisions are best made by those directly affected by them. The essay sets out policies under the theme of decentralisation to radically restructure and rebalance the economy to achieve broad-based, long-term and more sustainable prosperity across all UK regions. These policies would be enacted not in a piecemeal fashion, but through a coordinated effort called the 'Big Push'.

1 See: https://www.ippr.org/research/publications/polling-finds-little-public-confidence-in-politicians-to-have-fresh-ideas-on-the-economy

It was important to us to encourage creative thinking from everyone, including those without years of professional or life experience. For this reason, the IPPR Economics Prize included a prize for the best entry from a person aged under 25. Our winning entry in this category is a creative and forward-looking assessment of the digital economy and how its fruits could be used to improve life through the reduction of working time. The author argues that the time we spend online is political: through our data we provide a product that is sold to generate profit. The entry sets out a plan to recapture some of this value through a digital labour tax, and use the revenue to drive productivity improvements that can reduce the working week.

Our runner-up entry is focussed on rebalancing the UK economy. The authors argue that low investment and low productivity sit at the heart of the UK's low economic growth. They set out a plan for a sustained improvement in productivity growth, and an increase in investment by both private and public sector, through the consistent adoption over a long period of a set of polices to revolutionise the UK economy. These include a higher minimum wage, an active industrial strategy and competitive exchange rate policy.

Each of the winning entries identifies major weaknesses in the UK economy's performance. Following the financial crisis, the UK economy experienced the slowest recovery in the post-war era. In common with other advanced economies, the UK has had sluggish economic growth over the past decade. There has been a long-term divergence between the rate of economic growth in the UK and other western nations when compared to the world average.

In fact, when we look more deeply behind the growth figures, it is hard to say the UK economy is performing well. Wages have stagnated for the past decade, meaning most people have seen little improvement in their living standards. The UK economy is the most regionally imbalanced in Europe. There are huge and growing inequalities of wealth, particularly affecting younger people, who are set to be poorer than their parents.

These poor outcomes for ordinary people originate in deep structural weaknesses that sum to more of an economic muddle than an economic model. Despite having a world-class financial centre in London, our investment rate lags behind our competitors. Productivity growth has stalled since the financial crisis, even though our frontier firms are as productive as global peers. We have an unsustainable trade position, exporting too little and importing too much, despite our strength in services. While we have made some progress on decarbonising, on current trajectories, we won't decarbonise quickly enough to avert climate breakdown.

Overcoming these major challenges will require new ideas and ways of approaching problems. In the entries we judged, we were pleased to see a departure from orthodox economic thinking, with many entries drawing on a range of economic schools. It was notable how many entries focussed on raising productivity and increasing social solidarity.

But in judging the prize, we were struck by several observations. The first is that there is no silver bullet to solving the multi-faceted and complex problems in the UK economy. While some entries attempted to argue that one major tax reform, or one change in economic accounting, or one theory could address the problems of wages, inequality, productivity and the environment, in reading the entries it became clear that these ideas would only ever be a partial answer.

The second is that the plans that were perhaps most comprehensive, or well-evidenced, were not the most original. While this might seem self-evident, it was clear that for a radical step-change in the fortunes of the UK economy,

policymakers may need to try something new and in doing so extend beyond what is rigorously and empirically evaluated.

Third, we found that many original and exciting ideas lacked a coherent theoretical frame, and in some cases, understanding of the economic problems and realities of the UK. This is not to criticise any single entry, but to highlight that there may be a wealth of creative thinking that could find greater expression if supported by public education and debate on the different theories and evidence in economics.

Fourth, there is a deep need for thorough thinking on our understanding of economics and for a new economic model if we are to simultaneously solve the challenges of inequality and climate change. Many of the entries made a valuable contribution in this direction, but we think there is ample space for thinking of this kind that joins rather than segments the issues.

Fifth, the spread of the best entries did not allocate much consideration to the issue of aggregate demand. This seems surprising and mildly disappointing, given the considerable debate about 'secular stagnation' and other demand-related explanations for the slowdown in global growth. Instead, most entries were focussed on supply-side measures to boost productivity and resolve inequalities. The few that did highlight demand factors were not, in our view, the strongest entries.

Sixth, there was a divide between those who thought that economics could and should be isolated from democratic control, and that if only politics could be removed from economics our problems would be solved, and those who felt that to solve the issues we face required a significant deepening and extending of economic and political democracy. Clearly there remains a need for discussion about the relationship between a democratic society and economics.

The observations above in part explain our decision to split the main prize between two entries. We found that, rather than a single plan to achieve a step-change in economic success, there were several entries that together contributed original and rigorous thinking on the question. We chose to recognise and reward a plurality of ideas rather than one single idea.

We know that it's not just the rate of growth in GDP that determines economic success. What also matters to people is who benefits from that growth – and whether it is compatible with a sustainable climate. Technological change and the need to recognise our assets as well as our income further underscore the need to focus on alternative measures of economic wellbeing, beyond GDP.

We asked for a set of ideas that could deliver "a step-change in both the quantity and quality of UK economic growth". The range of entries we received speaks to the depth and complexity of that challenge, but we have greatly enjoyed the process of considering and discussing the many entries and are grateful to all those who took the trouble to take part. We hope these winning submissions will open up a national conversation about the purpose and shape of our economy from as wide a range of people as possible. If we're going to rise to the challenge of building an economy where prosperity and justice go hand in hand, we need rigorous and original ideas. With this ongoing discussion, we hope we can start to move firmly in that direction.

Stephanie Flanders, John Eatwell, John Mills and Helena Morrissey

INCENTIVISING AN ETHICAL ECONOMICS

A RADICAL PLAN TO FORCE A STEP CHANGE IN THE QUALITY AND QUANTITY OF THE UK'S ECONOMIC GROWTH

JOINT FIRST PRIZE WINNER
Authors: Simon Szreter, Hilary Cooper and Ben Szreter

KEY HIGHLIGHTS

- **Unlocking the productivity secrets of our history**
- **A reinvigorated ethical economics strengthening our democracy**
- **A new social contract to nurture human capital**
- **New ways to incentivise reductions in inequality**
- **A National Care Service to deliver intergenerational equity**
- **Targets and rewards for sustainable growth**

UNLOCKING HISTORY

Our analysis looks at previous periods of British economic history to identify the enabling conditions for our most successful episodes of economic growth, noting the crucial importance of large-scale improvements in welfare and human capital to their success, and the negative impacts when these policies were reversed.

We first examine the importance of the universal parish Poor Law established by Elizabeth I in 1601 in laying the foundations for the Industrial Revolution. Historians have shown that this system of collective responsibility directly stimulated England's successful industrialisation, liberating labour to be mobile and, uniquely in Western Europe, making famine a thing of the past. Combined with the 1601 Charitable Uses Act the wealthy were incentivised to invest in schools, apprenticeships, hospitals and housing for the wider population.

Following this we look at the 'Golden Age' of economic growth from 1945 to 1973. This was the most successful sustained era of productivity growth in our history, averaging 2.4 per cent per annum, with rising public investment in health, education and housing vital to its success. High marginal tax rates on income, capital and inheritance in this period were also instrumental in incentivising business leaders to promote the long-term growth of the corporations they led, rather than focus on their personal short-term gains.

In its own prescription for kick-starting growth, IPPR (2018) calls for a rebalancing of power to move the economy out of its current low wage/low productivity equilibrium. This, IPPR's Commission on Economic Justice argues, requires a shift in power from: corporate management to employees/trade unions; short-term financial interests to long-term investors; dominant companies to entrepreneurs; Westminster to the nations and regions; and households with great wealth to those with little.

We agree wholeheartedly that such structural and institutional change, including a greater emphasis on localities, allied to significant revenue-raising tax and wealth redistribution, is essential to deliver a step change in the quantity and quality of economic growth. We argue that this must be achieved through reconceptualising the welfare system as a growth promoter. Our radical proposal provides a general, motivating mechanism to achieve this.

OUR RADICAL PLAN

Our original contribution starts with a radical new approach based on two new quasi-altruistic contracts, combined with incentivising mechanisms:

- a new, equitable **social contract** to invest in sustainable growth through tax increases – but combined with rewards when targets are met
- a new **intergenerational contract** offering free universal care in old age – conditional on wealth transfers into a citizens' fund.

These two contracts seek to re-establish the ethical principles on which the economic success of the Golden Age was built. However, the special ingredients of the postwar era, when society came together in a collective and – in the main – mutually supportive spirit of regeneration, will be harder to reproduce in our currently more divided society. A different type of motivator will be required in the 2020s.

We therefore propose building on the Elizabethan era's insight that altruistic behaviour can be incentivised by the right policy architecture. We will do this by **offering businesses and higher rate taxpayers the chance to win bi-annually agreed reductions in corporation and income tax**. For businesses this will be after an initial restoration of corporation tax to 2008 levels. Subsequent reductions will be entirely conditional on meeting a set of economy-wide targets for growth, productivity, skills, inequality and investment for decarbonisation. Businesses will develop these targets with government and other stakeholders and will oversee an investment programme directing the tax receipts and their own resources to renewed sustainable growth.

A new top rate of income tax will be introduced and pegged to levels of earnings inequality. **As actions by businesses or government reduce the pay gap between higher and median earnings, fewer taxpayers will pay the highest rates**. The revenue this measure raises will be invested in measures to reduce poverty.

We propose a similar system of mutual gain in crafting a new intergenerational contract, urgently needed as the burgeoning health and care requirements of an ageing population threaten to swamp public spending, diverting resources from public investment. If we fail to solve the emerging care crisis, our productive capacity and growth potential will be affected as support for the older population becomes increasingly provided by family carers.

We therefore argue for significant changes in the taxation of property and inheritance, alongside collective risk pooling of social care costs, through a levy on retired taxpayers. The direct payback offered for this is a promise of **a ring-fenced social care citizens' wealth fund** capturing this revenue. This **will be used to provide a new National Care Service enshrining a guarantee in old age of free care based on need**, on the same popular principle as the NHS and, indeed, fully integrated over time with health provision.

AN ETHICAL ECONOMICS

We contest the conventional assumption that societies can only afford the luxury of welfare on the back of economic growth – and so can be cut during times of difficulty – because it is a burden on the 'productive' economy. The historical truth is that commitment to universal welfare provision, including health, education and training, has been vital for achieving this country's highest rates of productivity

growth. As endogenous growth theory implies, investment in the entire population's human capital is critical to long-term economic success.

As we prepare for the challenges of climate change and artificial intelligence, ethical economics must replace models based on the notion of homo economicus – an amoral self-interested agent – so that all parts of society come together to invest in the population's collective human capital. It will require political leadership that guides the economy towards long-term sustainable growth, with a clear democratic commitment to ensuring that short-term gains for some are not prioritised over long-term wellbeing for all.

ABOUT THE AUTHORS

Simon Szreter is professor of history and public policy at Cambridge University, fellow of St John's College and co-founder and editor of www.historyandpolicy.org. His many publications and media contributions span modern and early modern British economic, social and public health history, drawing from history to offer insights for contemporary policy.

Hilary Cooper is an economic consultant, researcher and writer. A former government economist and senior policymaker, she has extensive experience of policy development and delivery both nationally and regionally. Her areas of expertise include labour markets, gender and intergenerational inequalities and the economic and social impacts of increased longevity.

Ben Szreter is chief executive of a community-based charity. He has an MSc with distinction in economic and social history, and won Oxford University's Feinstein Prize for best master's thesis in 2016. He has a keen interest in devising policies that address inequality and support inclusive and sustainable growth.

DECENTRALISING BRITAIN

THE 'BIG PUSH' TOWARDS INCLUSIVE PROSPERITY

JOINT FIRST PRIZE WINNER
Authors: Romain Esteve, Martin Kábrt, Agata Makowska, Dano Meiske, Nick Robin, Farooq Sabri and Rhys Williams.

The UK economy is chronically ill. A record-strong labour market masks a worrying trend of persistently low growth in labour productivity.

The long-term slowdown in productivity growth is a global phenomenon, but the UK's weakness stands out. The country has lower productivity than its peers, suggesting greater scope for growth. However, this gap has widened further, as the UK's productivity stagnated after 2008.

The UK's 'lost decade' cannot be explained by the Great Recession alone. The stagnation is structural and has origins long before the financial crisis. Standard fiscal and monetary tools cannot address the UK's low levels of investment, pervasive skills mismatches, corporate short-termism and impaired financial intermediation.

A significant part of the slowdown is attributable to the loss of momentum in the most productive firms and sectors, which had driven growth since the 1990s, masking the stagnation in the rest of the economy.

These decades of divergence between firms have also had a distinct regional dimension in the UK. Jobs in high-productivity sectors are disproportionately located in the south east regions of England. Moreover, it is the most productive firms *within* these sectors that are based in London, the South East, and the East of England.

Globalisation and technological progress have led to a concentration of economic activity in other countries as well. However, the UK stands out as the most regionally unequal country in Europe – a disparity that has widened since the Great Recession.

We see widening regional disparities as one of the defining challenges of contemporary capitalism – its persistence compromises social cohesion, delegitimises capitalism and promotes extreme alternatives that are destructive in the long-term.

We believe a new model must unlock a step change in UK growth – one that relies on a broad-based productivity growth across many businesses and industries; one that includes 'left behind' communities and promotes the fundamental idea that decisions are best made by those directly affected by them. At the same time, redesigning the UK's economic model provides a unique opportunity to address the UK's international and moral obligation to decarbonise. To this end, we suggest a set of policies under the theme of decentralisation to radically restructure and rebalance the economy to achieve broad-based, long-term and more sustainable prosperity.

We define decentralisation in the broadest sense, advocating the decentralisation of economic activity, political governance, knowledge, finance, and capital in the UK.

Firstly, we believe that resources in many regions are inefficiently utilised. A well-thought-out plan for spatial decentralisation can solve this mismatch of economic activity and deliver a further economic dividend by reducing congestion, pollution, and all related economic, health, and environmental costs.

However, coordination failures and a capital deficit in many English regions, Wales, Scotland and Northern Ireland, means that the benefits of spatial decentralisation cannot be achieved through market forces alone. We therefore propose a progressive profile of investment in transport, housing and digital infrastructure outside the south east regions to boost the productivity of these regions and retain the benefits of connectivity to London 'remotely'. To facilitate the redistribution of economic activity, we will offer government-backed financing to encourage the mobility of credit-constrained households and firms. We also endorse targeted relocation of public institutions to maintain sectoral clusters by encouraging the coordinated relocation of interdependent businesses.

The large economic imbalances in the UK originate also from the underrepresentation of regional and local interests in the political system. To make spending decisions more accountable and responsive to local needs, we propose further decentralisation of public expenditure from central to local government.

Large public investments in economic development tend to cross local authority boundaries and scale is needed to deliver public services efficiently. We therefore promote the formalisation of 'combined local authorities' with elected representatives into a new layer of regional government to deliver public expenditures and investments in economic development that are responsive to local needs.

Our policies further aim to boost innovation by opening access to knowledge. Collaboration between firms with knowledge and firms with complementary resources can facilitate better transmission of innovation and managerial best practice between firms. This can be achieved by reforming intellectual property protection to remove barriers to the reuse of ideas, reductions in the validity length of most patents, and a new system of compulsory licensing to encourage 'downstream' innovation and promote the commercial use of IP by other firms. A novel knowledge-sharing tax relief scheme, coupled with government-facilitated marketplaces, can also help encourage more business-to-business R&D cooperation whilst minimising tax abuse and wasteful investment duplication.

A more decentralised and diverse financial sector can reduce the UK's vulnerability to global financial shocks and provide funding to small innovative firms currently starved of credit. We also envisage a greater role for finance that funds projects with greater social and environmental return. For example, we propose the setting up of a network of community banks that are tied in ownership to local authorities and have social as well as financial goals. Local intelligence allows community banks to offer loans at lower cost than traditional banks, crowd-in other sources of funding and generate wealth that is retained in communities. Additionally, scaling social impact investment can direct private capital to underfunded policy areas, freeing-up public funds in the process.

We also take the theme of decentralisation to the private sector, where the detached UK shareholder model has contributed to the macroeconomic picture of low investment and low productivity. Decentralising firm-level decision-making and widening the number of stakeholders influencing corporate decisions can boost private investment in capital and innovation, increase localisation, and reduce costly firm-stakeholder conflict.

Many of the policies we advocate have been suggested or even implemented before. However, these attempts have been piecemeal. Instead, decentralisation requires a coordinated effort – a concept that we term the 'Big Push'. We therefore propose policies that collectively address each of the UK's complex productivity problems. We believe a step change in the UK's growth prospects is only possible with the kind of focussed blueprint for radical restructuring and empowerment that our policy combination represents. Together, these policies also provide a unique opportunity to re-engineer the UK's economic model towards greener growth by promoting long-term corporate decision-making and investments in low-carbon infrastructure.

The successful implementation of this model requires refocussed public investment, legislative change, and limited constitutional reform. The implementation and impacts of these policies are long-term but achievable with affordable increases in public investment and a strategic focus from Westminster to catalyse the shift. The result will be an environmentally sustainable country whose population is prosperous, less economically divided and less disconnected from decisions over its future.

ABOUT THE AUTHORS

This report was written by several colleagues at London Economics, a specialist policy and economics consultancy. The report was written on the authors' own initiative and in a personal capacity. All views expressed in this report are those of the authors (listed below in alphabetical order).

Romain Esteve holds a MSc in environmental economics from the Toulouse School of Economics. He is member of London Economics' Space Team. Romain has an interest in environmental problems and a passion for space, believing that Earth Observation applications can enhance environmental resilience.

Martin Kábrt developed his professional focus on international economics, financial markets and economic development in the European and Czech civil service. Martin studied economics and philosophy at LSE and the University of York. His research interests include the role of professional ethics and cooperative social norms in economic policy.

Agata Makowska holds degrees in quantitative methods and economics from the Warsaw School of Economics and University of Amsterdam. Her professional and personal goal is to apply her passion for economic modelling to improve the quality of public and environmental policies in Europe.

Dano Meiske has strong interests in public policy and development economics. As a consultant, he has gained experience in economic modelling across the public and private sectors. Dano holds a master's degree in economic research from the University of Cambridge and two bachelor's degrees from the University of St Gallen.

Nick Robin has experience advising both the public and private sectors. His interests span innovation, growth and international economics. He is also fascinated by socioeconomic networks and their role in economic development. Nick holds degrees in economics and political economy from the University of Cambridge and King's College London.

Farooq Sabri has delivered economic projects for government, academia and the third sector in previous roles at New Philanthropy Capital, the Behavioural Insights Team and the UK Space Agency. Farooq studied economics at the University of Bristol and is interested in political development and the decisions behind 20th century crises.

Rhys Williams completed the Economics Tripos and the Economics MPhil at the University of Cambridge. His interests include competition and behavioural economics and the positive or negative role they play in effecting consumer interests. Rhys is currently writing an academic paper on the relationship between climate change and investment.

AUTOMATION AND WORKING TIME

HOW TO REWARD DIGITAL LABOUR

UNDER-25 WINNER
Author: Bertie Wnek

IF THE SERVICE IS FREE, YOU ARE THE EMPLOYEE

The time we spend online is political. We may not think it so, but our engagement with the digital world is increasingly resembling a product that is stored, studied and sold. Our digital presences make up a mass that has come to be so valuable it is forcing entire political and economic structures to rewrite themselves. At the root of these changes are the major digital platform companies.

The major digital platforms are all modelled on the accumulation of vast amounts of user-generated data. This data is used to develop artificial intelligence (AI) technologies, improve platform performance and is sold to advertisers. As an indicator of scale, the five largest companies in the world by market value (Alphabet, Facebook, Amazon, Microsoft and Apple) are now all modelled – or partly modelled – on this type of data extraction. If the total mass of user-generated data in the UK – the result of billions of hours of unremunerated labour – was treated as a product, it would constitute our country's sixth largest export. Instead, this is a commodity we elect to give away for the reward of being allowed to use the relevant platforms free of charge. This is a little like an employer granting employees free office space, a desk and a chair, provided they agree to work for nothing.

Our extraordinary generosity needs to be set against the profitability of the work we do for the platform giants. Alphabet and Facebook alone reported £9 billion in UK sales in 2017, revenues on which they paid a total of £65 million in tax. Our first proposal, therefore, is to treat digital companies, for tax purposes, in the same way as conventional ones.

This proposal recommends the introduction of a new levy on revenues generated from the provision of digital services or advertising activity in the UK. A digital company would be deemed to have a taxable status if it either exceeds a threshold of £25 million in annual revenues in the UK, if it has more than 100,000 UK users in a taxable year, or if it has global revenues of over £650 million. As an indication of the potential returns for such a tax, 5 per cent levied on digital advertising services and services provided by online marketplaces/intermediaries would yield an expected gross tax revenue of about £2.02 billion. If one assumed deductibility of the revenue tax at 18 per cent, these estimates would reduce to a net figure of £1.64 billion.

Thinking of the data supplied by UK internet users as the product of unremunerated labour brings us to our second related proposal.

There is significant evidence to suggest that a 30-hour working week can provide a solution to a range of socioeconomic problems: mental and physical health crises, over-consumption, rising carbon footprints, low-wage low-productivity

equilibrium, and an ageing population, to name a critical few. In addition to these advantages, reducing typical working hours could hold some of the keys to our nation's productivity crisis. Whereas, traditionally, one would have probably had to accept a reduction in overall productivity with a shorter working week, emerging technologies are beginning to allow us to work far less as a society without losing our output. An increase in productivity-boosting investment could be the way to stimulate long-term growth. This comes with a caveat; we strongly believe the efficiency improvements from such technology should not further entrench inequalities between shareholders and employees in the form of greater profits, but should be shared equally among us all. This proposal therefore recommends that the revenue generated from the digital labour tax should be used to set up a fund to accelerate the uptake of such labour-saving automation and other productivity boosting technologies. In order to keep the benefits evenly distributed, the investment grants would be conditional on firms opting to do shorter working weeks of 30 hours.

We seek to make an explicit connection between a reduced working week and our collective digital labour. By reframing the time we spend online as labour, we intend to overcome the conceptual and cultural resistance to a 30-hour week. In simple terms, the working week would not be reduced, but merely altered to account for unrecognised labour, which would be rewarded to the benefit of millions of UK citizens.

This policy would also ensure that the reduced working week would be collectively earned and facilitated collectively; that is to say, a reduction in working hours would be made possible by an investment derived from the collective generation of taxable data. As a result, we believe the UK population would all have a stake in the fiscal basis of a reduced working week. Businesses would be supported by a collective digital labour that would serve to generate a sense of collective responsibility and agency. The investment fund would have the dual function of safeguarding the jobs and incomes most at risk from automation in the longer term by enshrining and accounting for any efficiency improvements in a reduction in working hours. In this way, workers would be protected from shocks to the labour market. The final purpose of the levy would be to provide a timeframe wherein adequate measures can be taken to bring privately-owned data into public ownership, bringing with it its own collective benefits.

This significant restructuring of the British economy must, however, be taken in careful steps, as opposed to abruptly and with undue risk. We argue that this moment in our economy represents a unique turning point and opportunity to facilitate two great economic redistributions: of labour and data. But it is crucially important not to miss the opportunity by forging ahead with one and not the other. Only after both redistributions can we fully capitalise on this hugely important moment for our economy to provide a basis for a wholesale redistribution of power, wealth and reward.

ABOUT THE AUTHOR

Bertie Wnek is a member of the Institute for New Economic Thinking (INET) Young Scholars Initiative working group on gender and economics. He is currently completing a Masters degree in writing at the Royal College of Art, focusing on theories of work and historical ideals of leisure.

A REBALANCING PROGRAMME FOR BRITAIN

ENDING AUSTERITY IN THE UK

RUNNER UP
Authors: Richard Mark Plackett and Dr George Cooper

The rate of economic growth in the UK has fallen noticeably in recent decades. Economic growth since 2000 has averaged under 2 per cent per annum, and this poor growth rate looks set to continue for the foreseeable future. Worse, that meagre growth which does exist is unevenly distributed, with the result that living standards for many have stagnated and in-work poverty has increased.

At the heart of the UK's low economic growth is low investment and low productivity. Investment as a percentage of the UK economy is significantly below that of any other G7 country. Investment in productive capacity has fallen from 3.6 per cent of gross domestic product (GDP) in 2008 to 2.7 per cent in 2017. Productivity growth over the 10 years to December 2017 is thought to have been the lowest since the 1820s on a rolling 10-year basis.

Our thesis is that a sustained improvement in productivity growth, and an increase in investment by both private and public sector, is the key to increasing the trend rate of growth.

There is no single solution. What is needed is the consistent adoption over a long period of a set of policies which, taken together, can correct the imbalances which create a low-growth environment, and in so doing revolutionize the UK economy.

A COMPETITIVE EXCHANGE RATE

A major influence on decisions to invest in productive capacity is clearly terms of trade – the competitiveness of goods and services produced in the UK relative to those elsewhere.

Exchange rates are set by markets – ours is a function of our significant current account deficit and a surplus on the capital account. Governments can nevertheless significantly influence their currency. We would make a competitive exchange rate a key criterion for the Bank of England in setting monetary policy. We would take direct action to limit the freedom of foreign nationals to buy UK residential property, which would limit capital inflows. If sterling began to appreciate, we would implement a policy of foreign asset purchases similar to those of the Swiss National Bank.

The overall aim of policy would be to maintain sterling at or lower than current competitive levels over the medium term.

AN ACTIVE INDUSTRIAL POLICY

The theoretical benefits of a competitive exchange rate are only achieved if manufacturing and service industries respond by investing in productive facilities. To do so they need more than simple financial incentive; they also need confidence

that the UK has the right skills, technologies, housing and transport infrastructure to enable them to grow their businesses and get goods to market.

We would develop a meaningful industrial policy, significantly increasing investment in public transport, roads and public housing. We would involve industry and educational leaders in developing a long-term plan for skills and would manage higher education, vocational training and immigration accordingly.

This policy would involve a significant increase in public investment as a percentage of GDP with a clear emphasis on investments which would contribute to increased productivity.

INCREASES IN THE NATIONAL LIVING WAGE

The principal downside to an exchange rate and investment-led economic approach is the short-term squeeze in living standards that results. A currency devaluation works like a real wage cut as imports become more expensive. This reduces consumption and unsurprisingly has historically proved unpopular with voters.

Such a strategy therefore requires an element of compensating action to support consumption, particularly for below-average earners. This ensures that the purchasing power of those with the highest propensity to consume is safeguarded, and that inequality does not increase.

We therefore propose real increases in the national living wage each year with the objective that this is raised over a five-year period to a level that exceeds the OECD definition of low pay. We would make changes to the tax system to further assist the lower-paid.

While such a policy safeguards the purchasing power of the lowest earners, it would by no means negate the overall cost benefit to firms of a devalued currency. We would ensure through exchange rate management that the overall costs of domestic businesses remain competitive in euro and dollar terms.

CORPORATE TAX ENVIRONMENT

A competitive corporate tax environment is also required to attract investment. Corporation tax should directly encourage investment much more effectively than it does at present. In preference to current policy of low overall rates, we would instead provide much greater direct incentives to invest in both research and development (R&D), and capital and equipment. We would also significantly enhance incentives for companies to set up in economically deprived areas.

TECHNOLOGY AND INNOVATION

A sustained increase in productive capacity cannot be based on low-technology manufacturing where the UK will mostly never again be competitive. For our international businesses to thrive we need to properly harness all intellectual property created by research and innovation in the UK. This requires a much closer partnership between business, finance and universities.

We would make scientific research a key growth industry. This would be achieved through the establishment of a British Research Agency which would provide a significant multi-billion sterling public sector investment alongside private sector R&D.

PREFERMENT

The government is the biggest purchaser of goods and services in the UK. Once we have left the European Union, we should use the increased flexibility this brings to prefer UK suppliers for government contracts where those suppliers are credible.

ENVIRONMENT

Faster growth will increase carbon emissions and plastics pollution unless government takes tougher action than currently proposed to prevent this. Such action involves incentivising consumers to switch to environmentally friendly products, mandating energy efficiency in the planning process, and setting mandatory targets for business.

CONCLUSION

This is our rebalancing programme for the UK. The consistent combination of these policies over an extended period would be unparalleled in the context of recent UK economic history.

In this manner we can significantly improve the trend growth rate of the UK in a fair and environmentally-friendly way.

ABOUT THE AUTHORS

Richard Mark Plackett graduated from Cambridge with an MA in economics. He was a leading investor in smaller UK companies over a 25-year career with 3i, M&G and Blackrock. He is an international bridge player.

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