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Labour will set up a British 'sovereign wealth fund' to make direct state investments

The fund could bring in profits for taxpayers Shadow chancellor says move will boost long-term investment

Jon Stone Brighton | @jonstone | Monday 28 September 2015 | 1 comment

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John McDonnell said the fund could be modeled on similar institutions in countries like Norway and Qatar *Getty Images*

A Labour government would set up a UK sovereign wealth fund so that the British state could invest directly in productive projects and create a return for taxpayers, the shadow chancellor has said.

John McDonnell said the creation of the fund, which could be modeled on similar institutions in countries like Norway and Qatar, would help boost flagging long-term investment.

The pledge is in contrast to that of George Osborne, who on a recent trip to China encouraged foreign countries states to buy stakes in British infrastructure projects.

Mr Osborne has indicated that the new HS2 rail line and nuclear power plants would be open to Chinese investors.

Foreign state enterprises have a heavy presence investing in Britain, which has in recent decades shied away from using direct state investment.

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France's state energy supplier EDF (Energy De France) is a major power firm in the UK, and subsidiaries of the state railways of Germany, the Netherlands, France, and Hong Kong run large parts of Britain's rail network.

"What I'd like to do as well is build up a state sovereign fund. At the GLC we had the capital fund that we agreed with the Tories we would establish. That was a pool of resources that we could use over the long term to invest," he told LBC Radio.

"We should do the same with a state investment bank and a state sovereign fund so we can stabilise our long-term investment."

The pledge comes as Mr McDonnell called for the department for business to be turned into an economic development ministry to directly coordinate investment in the economy.

"What we should be doing is looking at another department which develops the economy. I'd like to see the current business department turned into an economic development department ... let's have a department that actually drives economic growth and investment."

Business investment has been historically low in recent years, and the moves appears to be an attempt by Labour to address this. The low rate of investment has also been blamed for the UK's low productivity growth.

The fund and department would work alongside a new state investment bank modeled on similar institutions in Germany.


“Let's have a department that actually drives economic growth and investment”


John McDonnell


The shadow chancellor's announcements come after the appointment of a new party economic advisory committee.


The committee includes "rock star" economists such as inequality theorist Thomas Piketty and Nobel prize-winning former chair of the US President's economic advisory committee


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One key appointment is Mariana Mazzucato, a Sussex University academic who advocates the state taking more hands-on role in investing and promoting industry and enterprise.

She has called for an “entrepreneurial state” that helps create markets and investment opportunities for firms by promoting long-term research and development.

The idea of a sovereign wealth fund has been present in British politics for decades but has never been realised.

The SNP has previously called for a Scottish fund based on oil revenues, and a UK-wide version of the scheme was proposed by former technology minister Tony Benn when North Sea oil was first exploited. ●

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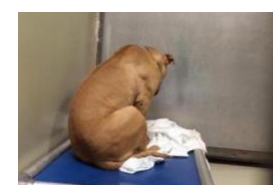
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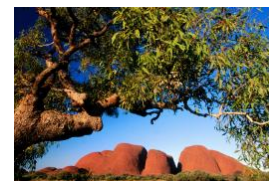


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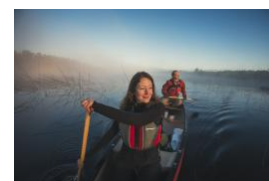
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