

[Granny mugging](#) [1]

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Nick Petford, vice-chancellor at the University of Northampton, [wants to take money from law-abiding pensioners and savers in order to give it to convicted criminals](#) [3]. In the spirit of the times, let's call it granny mugging.

To be precise, Prof Petford is urging British universities to use at least £1 billion of their annual £7 billion procurement budgets by purchasing from 'social enterprises' as part of a campaign called £1 Billion University Challenge whose objective is a 'fairer society.' Prof Petford described social enterprises as companies where profits are reinvested in the business rather than paid out as dividends. As an example, he cited buying furniture from Goodwill Solutions which employs ex-offenders.

Clearly, to Prof Petford and many like him in the ivory tower, dividends are a bad thing, conjuring up visions of fat cats sucking on cigars while gathered round a big table covered with stacks of cash. Perhaps a better understanding of dividends is in order.

Companies are in business to make a profit. If they're successful, they then pay tax on those profits, commit some of the balance to further investment and pay out the rest in dividends. Those dividends are earned by folks who risked their capital in the company in the first place and those folks have to declare those dividends as taxable income. What they do with what's left can vary - re-invested in the same company, invested elsewhere where returns might be better or spent on a good night out.

Many of these folks in receipt of dividends are pensioners or savers with an eye to their retirement. They either hold a company's shares directly, perhaps through an ISA or SIPP, or more likely through a mutual fund or through their participation in a pension scheme. Indeed, Prof Petford's own cushy pension scheme is greatly dependent upon a lot of dividends being paid to ensure his comfortable retirement.

Now, we have no problem with social enterprises if they can provide a good product at a competitive price - that's what a free market is all about. But Prof Petford then wants to play fast and loose with other people's money (ie taxpayers' and tuition fee payers?) by admitting that restricting some procurement to social enterprises would cost 'a bit more' but is counting on reaping big social rewards in a couple of years.

What about the 'social' rewards from profitable companies hiring lots of workers and paying lots of dividends to the nation's grannies while producing ever better and cheaper products?

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