



The Eighth Cambridge University Land Society  
Whitehall Lecture

# The Future of Capitalism

Professor Sir Paul Collier CBE FBA

Professor of Economics and Public Policy

Blavatnik School of Government, University of Oxford

Given on

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Lazard, 50 Stratton Street, London, W1



Cambridge University  
Land Society

The background of the page is a black and white photograph of a series of large, classical columns and a wide set of stone steps. The columns are fluted and have papyrus capitals. The steps lead up towards the columns, creating a sense of depth and grandeur. The lighting is dramatic, with strong shadows and highlights.

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## THE WHITEHALL LECTURE SERIES

The Cambridge University Land Society launched this important series of lectures at the Royal Institution of Great Britain in March 2014 with the inaugural lecture given by Professor Sir Malcolm Grant, CBE. The Lectures aim to recognise the part the Society's members play in contributing to public policy issues. Society members are mainly alumni of the Department of Land Economy, but also from many other academic disciplines in the University of Cambridge. Many play important and often distinguished roles in a wide range of public policy issues that are covered by the work of the Department.

The Department of Land Economy is a leading international centre teaching in a strong research-orientated environment. It applies particularly the disciplines of economics, law and planning for the analysis of the governance of land use, urban areas and interactions with other environmental resources. It seeks to address contemporary problems as well as more fundamental analysis. This includes both the role of governments in establishing regulatory frameworks within which land and related markets operate and the role of private organisations in owning, managing and developing physical and financial assets within those markets. This combination gives the Department of Land Economy a unique and valuable perspective of critical public and private issues.

This series of lectures seeks to discuss major aspects of public policy that in one way or another touch on these disciplines. The lectures provide a valuable public discussion forum based on papers given by eminent speakers and experts in their fields.

The lectures are published and can be found at [www.culandsoc.com/articles](http://www.culandsoc.com/articles)



# WELCOME FROM THE VICE-CHANCELLOR OF THE UNIVERSITY OF CAMBRIDGE



The Cambridge University Land Society is notable for its longevity and for its level of engagement with a wide range of contemporary issues.

Over the last 50 years, the Society has built a membership base of nearly 1,000 alumni, spanning those who graduated from Cambridge in the 1950s who now hold senior positions in their fields, to current students and recent graduates of the Department of Land Economy.

The number of disciplines and interests represented in the Society's membership – as well as the broad range of issues discussed at business and social events held by the Society each year – highlight what Cambridge does so well. We recognise that the challenges we face today are increasingly complex, multi-faceted and global in nature, and that they cannot be overcome with the expertise of just one area. This is why it is so valuable that the Land Society continues to bring together fresh and diverse perspectives from those studying and working in economics, land, planning, governance, finance, environmental resources and beyond on critical public and private issues.

The Whitehall Lecture series represents a great opportunity to take this debate forward – and to build the Land Society's critical mass of expertise – and I wish it every success.

Professor Stephen J Toope, Vice-Chancellor, University of Cambridge.





# CAMBRIDGE UNIVERSITY LAND SOCIETY

The Cambridge University Land Society (CULS) is the largest and oldest departmental alumni Society in the University of Cambridge with over 1,000 members and is the alumni society for graduates and undergraduates of the University of Cambridge who either studied at the Department of Land Economy, The Department of Architecture, or having studied in other fields have since moved into the Property Profession. The Society arranges over 25 events a year, mainly Business Breakfasts in London, Lectures, Conferences, Seminars and site visits to some of the most important developments in the UK. Its events have attracted over 13,000 registrations in the last 10 years.

CULS members work in Architecture, Real Estate, Investment Banking, Climate Change and Sustainability, Planning, Regional and European Economic Research organisations. It has a strong membership across mainland Europe and in Asia as well as in the United Kingdom.

Amongst the Society's membership are the heads of many Real Estate Investment Banks, Public Property Companies, Property Investment Funds and Professional Firms and Institutions. The University is No. 1 in the UK and Europe and 4th in the World rankings.

The Society runs a number of important regular events including the Alistair Ross Goobey, Denman and Whitehall Lecture series and the Whitehall Group thought leadership policy dinners and lunches.

CULS provides strong student support organising careers events, a strong Mentoring programme for Graduates and Undergraduate students and funds academic and support posts within the Department of Land Economy, and the Department of Architecture.



# THE WHITEHALL GROUP

The Whitehall Group is a forum of the Cambridge University Land Society (CULS) and is a high level influential policy discussion group of well-connected University of Cambridge alumni, who are predominantly members of CULS. It pulls together a previous legacy of high quality events over the last decade which is outside the mainstream of CULS activities, into a special group restricted in size of membership, of individual and corporate members.

The Whitehall Group operates through a series of focused lunches and dinners in London for up to 25 attendees per meeting in order to maintain an exclusive, intimate and senior level gathering under the Chatham House Rule. The Whitehall Group also runs a distinguished series of public policy lectures – The Whitehall Lectures.

Whitehall Group events cover a wide range of macro-economic business, social and educational issues of the day – The Economy, Foreign Affairs, Social and Health Policies, Infrastructure, Transport, Energy, Climate Change, Finance and Investment, Environment, Housing, Technology, Real Estate Investment and Finance, Urban Planning, Education and Politics.

## Honorary Speakers

Dame Kate Barker DBE; Dr Ian Black; Sir Tony Brenton KCMG; Rt Hon. Sir Vince Cable; Rt Hon. Kenneth Clarke CH, QC, MP; Professor Douglas Crawford-Brown; Professor Sir Ivor Crewe DL FAcSS; Professor Orlando Figes; Professor Sir Malcolm Grant, CBE; Dr Loyd Grossman, CBE, FSA; The Lord Hannay of Chiswick GCMG CH; The Lord Hennessy of Nympsfield; The Rt Hon. the Lord Howard of Lympne CH, QC, CBE; The Lord Kerslake; The Rt. Hon the Lord Lilley; Professor Sir David Omand, GCB; The Lord Prior of Brampton; Gideon Rachman; Sir Kevin Tebbit KCB, CMG; The Lord Turnbull KCB, CVO; The Rt. Hon. the Lord Willets FRS



## COLM LAUDER WHITEHALL GROUP CHAIRMAN



Colm Lauder is the Head of Listed Real Estate at investment bank Goodbody. Colm leads Goodbody's UK and Ireland company coverage, covering stocks such as Great Portland Estates, Derwent London and Hammerson. Colm is a top ranked real estate analyst according to Thomson Reuters' Extel survey. He is a graduate of Real Estate Finance (MPhil) from Cambridge University and Property Economics (BSc) from Dublin Institute of Technology.

## DOUGLAS BLAUSTEN, LECTURE CHAIRMAN (HONORARY VICE PRESIDENT OF CULS)



Douglas Blausten is a Consultant to Carter Jonas specialising in Corporate Real Estate Strategic work, the Healthcare and heavy industry sectors. He runs his own Corporate Real Estate Strategic Consultancy Company. He was Vice Chairman of NHS Property Services and Chairman of its Asset and Investment Committee until November 2015. He was a Trustee of the Mental Health Foundation for 7 years, and a Centre Fellow of the Cambridge Centre for Climate Change Mitigation Research. He is a member of the Cambridge Land Economy Advisory Board and holds a number of executive and non-executive directorships. Douglas is an Honorary Vice President of the Cambridge University Land Society.





THE WHITEHALL LECTURER  
PROFESSOR SIR PAUL COLLIER CBE FBA  
PROFESSOR OF ECONOMICS AND PUBLIC POLICY, BLAVATNIK  
SCHOOL OF GOVERNMENT, UNIVERSITY OF OXFORD



Sir Paul Collier is Professor of Economics and Public Policy Blavatnik School of Government, University of Oxford. His research covers fragile states; restoring growth in African economies, the implications of group psychology for development; migration and refugees, which are the subject of his two most recent books; urbanization in poor countries, a program which has just won challenge funding from the Foreign Office; and the crisis in modern capitalism, which is the subject of his

most recent book, *The Future of Capitalism*, published in October 2018. Sir Paul received a knighthood in 2014 for services to promoting research and policy change in Africa and has been listed as one of the hundred most influential public thinkers in five of the past ten years.

## PANEL

### PANEL MODERATOR

**Professor Sir Ivor Crewe DL FAcSS** *Master of University College, Oxford and President of the UK Academy of Social Sciences.*

### PANEL MEMBERS

**Professor Orlando Figes** *Professor of History, Birkbeck College, University of London.*

**Warwick Lightfoot** *Head of Economics and Social Policy, Policy Exchange.*

**Vicky Pryce** *Director, Centre for Economic and Business Research.*

**Professor Guy Standing FAcSS** *Professorial Research Associate, SOAS University of London.*

**The Rt. Hon. The Lord Willetts FRS** *President of the advisory Council and Intergenerational Centre, Resolution Foundation.*



# THE 8TH WHITEHALL LECTURE 'THE FUTURE ON CAPITALISM'

## INTRODUCTION BY LECTURE CHAIRMAN, DOUGLAS BLAUSTEN

Good evening Ladies and Gentlemen. On behalf of Colm Lauder, Chairman of the Whitehall Group, his Committee and myself, welcome to the Eighth Cambridge University Land Society Whitehall Lecture which is to be given by Professor Sir Paul Collier.

This Lecture series is organised by the Society's policy discussion forum the Whitehall Group. Over 1,200 people have registered for these lectures and there have been over 3,500 attendees at our policy discussion business lunches, dinners and seminars since 2014 on a range of topics covering our Built Environment, Poverty in London, the NHS, our Education system, Universal Basic Income, the Economy, Foreign Policy and of course our future in and with Europe. In addition to publishing the lectures we have published discussion papers on the issues of Climate Change and Meritocracy and the Social Divide in our society.

The Lectures have established themselves in very short space of time – 5 years – as making an impact. They have been used in evidence given to a Parliamentary Select Committee, they have been reprinted and redistributed and have had an impact directly and indirectly on aspects of the use of The Government Estate in the health and education sectors. It is important to receive wisdom and ideas at occasions such as this, but it is even more important for there to be future outcomes in some form or other, as a result of wise discussion.

We are extremely grateful to Philip Chapman and Patrick Long of Lazards and Mark Granger and Scott Harkness of Carter Jonas for sponsoring this event. Where more appropriate to discuss capitalism's future than inside a bank and with the



support of a property advisory group! Indeed both businesses were founded at about the time of what Professor Collier calls the first derailment of capitalism – the 1840's and both have lived through the third derailment starting, not in 2008, but in Professor Collier's view, the 1980's.

This lecture and the panel discussion following, comes in the midst of perhaps the most momentous decision for our liberal social democratic economy in our history and perhaps that of Europe, since 1945. It picks up on Sir Paul's latest book 'The Future of Capitalism – facing the new anxieties'.

For the Nobel Prize Laureate George Akerlof "These times are in desperate need of Paul Collier's insights." And for Martin Wolf, who has spoken to the Whitehall Group twice now, "This is a beautifully written and important book, read it". Professor John Kay, whom I am glad to say has joined us this evening has written "For thirty years the centre left of politics has been searching for a narrative that makes sense of the market economy. This book provides it." On the other hand, Dominic Lawson's view in a Sunday Times review is that the solution offered is worse than the disease. It is an opportunity for you to decide today and when you have read the book.

For me this is no ordinary economist's book. It is written with a passion and strong sense of ethical purpose free of any ideological revivalism. And I read it with, very much in my mind's eye, his previous book 'The Bottom Billion'. Professor Collier seeks to show how we might heal the economic, social and cultural rifts prevalent in our society in a pragmatic way by reforming our liberal capitalist democracy.

We will follow Professor Collier's lecture with a distinguished panel discussion moderated by Professor Sir Ivor Crewe. The panel have been selected not only for their erudition and experience but for the wide range of views they hold.

Writing in the Sunday Times this weekend Irwin Stelzer comments: "Capitalism, at least as we know it, RIP. Burial to take place on November 3rd 2020, Election Day. Cause of death: the refusal of dominant elites to consider the consequences of some of their favourite programmes.... In lieu of flowers, donations to charities for chief executives reduced from eight to six-digit incomes and those once known as 'wealthy'."

May I call upon Sir Paul Collier Professor of Economics and Public Policy at the Blavatnik School of Government and a Professorial Fellow of St Antony's College, University of Oxford, to give the 8th Whitehall Lecture....





THE WHITEHALL LECTURE GIVEN BY  
PROFESSOR SIR PAUL COLLIER CBE FBA  
PROFESSOR OF ECONOMICS AND PUBLIC POLICY,  
BLAVATNIK SCHOOL OF GOVERNMENT,  
UNIVERSITY OF OXFORD

It is a pleasure to be here and an honour to be invited. You have had some very distinguished predecessors so I will do my best to follow in their footsteps.

I am going to speak about this, the Future of Capitalism, and the most common question I get about the book from people who have seen its title is, “Does capitalism have a future?”. My answer to that is, I hope so. The reason why I hope so is that capitalism in some form or another has been around for about 250 years. It is the only system in 10,000 years of civilisation we have found that is capable of raising mass living standards. However, it does not work on autopilot. Periodically it derails and I think we are living in one of those derailments now.

I will just say a word on why capitalism is capable of working and other systems are not capable, or at least, none that we have discovered so far. It combines the productivity benefits of scale and specialization which are static productivity gains, with the dynamic benefits of decentralised decision, disciplined by a degree of competition but permitting an element of collaboration. It is that unique blend of collaboration, discipline imposed by competition in the market, and a decentralised ability to take decisions whilst reaping all this scale, that is unique. For most of the last ten thousand years we never got to scale, we were just trying to produce things at the household level and that is truly hopeless. I see that in my ‘day job’, working in very poor countries where what they really lack is the scale achieved by modern firms. The big 20th Century experiment in production beyond the household was communism. That certainly achieved large scale, but proved disastrous because its central planning did not permit business decisions to be decentralised.

So for better or worse, capitalism is the only system we have discovered that can reconcile scale with decentralized decisions. However – and this is the vital





**Baroness Falkner; Sir Ivor Crewe, Professor Figes, Sir Paul Collier, Professor Standing**

qualifier - it doesn't work on autopilot. There are ideologues, and we will come to them, who believe that it does. There are other ideologues who believe that capitalism can never work, but I am a pragmatist, and pragmatism believes that there is no permanent guide book to life. Life is too complicated.

We face radical uncertainty, and so periodically we plunge off the rails. To get back on the rails you have got to look at the context at the time. The subtitle of my book, *The Future of Capitalism*, is meant to be an important guide to what it is about: it is 'Facing the New Anxieties'. Each time capitalism comes off the rails it plunges us in to a new range of anxieties, and we have got to try and address them.

To get us started, I am going to take you briefly back to the first derailment of capitalism, because often audiences do not know much about them. Probably this audience is not the sort of audience where that would be a fair assumption,



but forgive me, I am going to take you back to the 1840s. The first derailment occurred in the birth of capitalism; the birth of capitalism was exactly 10 miles from where I was born – the industrial cities of the North of England. Indeed, the first factory on Earth is ten miles from Sheffield (where I was born). It is now a World Heritage Centre. The northern industrial cities became boom towns, because not only did you get the scale at the level of the factory, you got the scale at the level of the city, and so people became dramatically more productive than if they were stuck in cottage production.

My grandfather migrated from a little village in southern Germany to the most booming city in the whole of Europe – Bradford. By the 1840s Bradford was hugely productive, with loads of people flocking in. However it has become about as close to hell on Earth as we have reached outside conditions of warfare. Life expectancy in the northern cities had fallen to just 19 years. On average you were dead at 19. That was one of the new anxieties. A new anxiety was therefore ‘will you be able to afford a burial’? Such concerns were very practical, mundane, tragic, pitiful anxieties. Because people were herded together in these awful conditions, what collapsed was health. Much of the cause of death was due to contagious disease. Let me zoom in on the Bradford of 1849 – what happened was cholera. Why? Because the drinking water got mixed up with the sewage. There was neither piped drinking water nor piped sewage – people started dying like flies.

That is what was happening in Bradford in 1849, and now I am going to take you to Bradford’s Mr Big. Mr Big was Titus Salt. He was the biggest employer in Bradford owning a lot of the mills. He was also the Mayor of Bradford, and he was the MP for Bradford. There he was in 1849, with his employees and citizens dying, and the experience seems to have seared his soul. He realized that he had obligations to his workers and his citizens. He became the first business philanthropist on Earth on a big scale. He gave away his entire fortune. First to his own workforce, pioneering a purpose-built town – that was Saltaire. Because it was the first it is now again a World Heritage Centre. Then the rest of his fortune he gave away to the citizens of Bradford. He cleaned the place up. Nobody knew what caused cholera, but he had a hunch that it would be a better city if you had green parks.

By the time he died, his workforce was loyal, and the community was hugely grateful. In Bradford, even today, there in the centre is the statue of Titus. He





is still fondly remembered as the local hero. That was the business response to the tragedy of the 1840s. We are now just a few miles from Bradford, still in the 1840s, to Rochdale. That was the birth of the World Cooperative Movement. What was going on there? It was the same thing as the business response, but done by families. Families recognised that by building obligations to each other – mutual obligations – they could address these new anxieties. I have already told you one of these anxieties – do you get a burial? The Cooperative Movement became the biggest funeral director in the country. Go a few miles further and we are in Halifax, which became the home of the biggest bank in the country. Its foundation was as a mutual to provide housing for people. If you save long enough then you have got an entitlement to borrow. These were very practical, morally low bearing responses, both from business and from families. That was then.

It's time for 'now'. By this I mean post 1980, and I do not just mean in Britain. You get the same pattern occurring pretty much across the OECD to different degrees. Britain just happens to be at the extreme end of that spectrum, for various reasons. What we see emerging from 1980 onwards are two new social rifts – the third derailment.



Lord Willetts, Sir Ivor Crewe, Lord Hannay



One of the social rifts is spatial. It is between a newly booming metropole – London, Paris, New York, – and newly broken provincial cities. The economic cause of that is not particularly profound. It is basically the increasing global nature of markets which leaves room for fewer but bigger winners, and periodically moves the global winners from one place to another. That is one social rift, the other is the new class divide.

When I was a kid it was quite clear what the class divide was about, it was primarily about inherited position and whether you had inherited wealth. Now the new class divide is about education. One bunch of people have got a decent tertiary education on the back of which they have developed specialist skills which have become more and more valuable. The other bunch went in for manual skills but find that those skills are becoming less and less valuable. Again, the process that gave rise to this divergence is not very profound. I think it is the rise in complexity of production. Complexity is the price we pay for ever rising productivity. We did the obvious things first. That is the 19th century. Then the fairly obvious things in the first half of the 20th century. So by now we are really having to scratch our heads. The price of further productivity is complexity, and to master complexity you need a good education on which you can build the increasingly specialist skills. So here are these two new rifts opening up in 1980 and continuing. The two are correlated. A bright kid growing up in a broken city sees that the sensible thing to do is get out and move to the metropole. We find that narrative across the OECD, that the bright young move and that deepens the narrative of failure in the broken cities.

These latest derailments of capitalism are no more intractable than the health crisis of the 1840s, or the mass unemployment of the 1930s, both of which were addressed fairly fast. The peculiarity this time is that anxieties have continued to mount, unaddressed, for 40 years. The consequence is unsurprising – it is mutinies. We have seen mutinies pretty well all around the OECD. In Britain, it was obviously Brexit where every region of England and Wales votes for Brexit apart from London. It is not really a rebellion against Brussels, which handles 1% of GDP, it is a rebellion against London which handles 40% of GDP. These people are angry over prolonged neglect.

I was introduced as having written a rather ‘passionate’ book and it does have an edge of passion to it. It is meant to have, because as it happens, I straddle both of these divides. I am a fully paid up member of the metropolitan elite. My



postcode in north central Oxford has the distinction of having the highest ratio of house prices to incomes in the entire country, because we have filled up with bankers. Fortunately I bought my house before the bankers moved in and so I have made a bigger capital gain on that house than Oxford has paid me in the last 30 years and it is pretty well tax free! So I am a fully paid up member of the metropolitan elite in terms of where I live and I have quite a lot of education, although people from Cambridge might not recognise it!

I have one foot absolutely four square in that quadrant of the metropolitan, highly educated. But I have got two feet and the other foot is not like that at all. I was born and grew up in Sheffield. You all know what happened to Sheffield because you have all seen the film 'The Full Monty', just some of you have forgotten that is Sheffield! Well the people depicted are my relatives, and what happened in Sheffield was a complete tragedy. It was also economically wasteful. Productivity in a healthy city looks in cross section like a pyramid; as you get closer to the heart of the city the productivity of the people in it goes



**Douglas Blausten, Lord Turnbull, Lord Hannay, Baroness Falkner**





up. That is what Sheffield looked like when I was growing up. Now Sheffield looks like an inverted pyramid. Why? Because the people are still trapped in the city, that is where they live; but to become productive you have got to find work away from it. That is a massive loss of productivity and it is also a human tragedy. So I have a foot spatially in a broken provincial city; in fact in the emblematic broken provincial city.

Although I have received plenty of education, I am first generation educated. Both my parents left school when they were 12, and the rest of my family were not so lucky. There is a little photograph in 'The Future of Capitalism', two little kids aged 4. They were born on the same day and they are cousins. One is me. The passion in the book is driven by our grotesquely divergent lives. I lived these divides and I think it is morally disgraceful that we have neglected them for 40 years when it is perfectly possible to put them right.

I am going to try to leave time in the lecture for what I think is the important part of the book, which is, what can we do about it, but just before I go to that, I will briefly address the question of why this time, unlike the previous two derailments, nothing was done about it for so long. The answer is partly the fault of the political right, partly the fault of the political left. They are about equally to blame since they have each had the same number of years in power. Why? Because each of them were captured by ideologies. Just to remind you again, I am a pragmatist. I believe there is no guide book to eternity – when you derail you just have to study the context, study what the anxieties are now, and figure out what best you can do about them, which is partly a process of trial and error. You make a political commitment and then you experiment.

Instead of pragmatism, what emerged were two ideologies, both with similar messages. On the right, the ideology was that the market works fine by itself, so deregulate. Not only that, business had no moral responsibilities beyond making a profit to shareholders, an ideology which has got picked up in business schools and has belatedly, just been renounced by the Business Forum of America – a sensational renunciation of a doctrine that they had for years. So that was the part of the ideology that firms basically are not morally load-bearing. The other part of the ideology was that families were not morally loadbearing either – this was the rise of individualism.

Our culture has shifted from a system in which we recognised purpose in helping others – not as saints but as morally loadbearing businesses and families.



Both families and firms were usually tight systems of obligation. Fulfilment shifted from being about meeting those obligations, to being about fulfilling your individual ambitions for personal achievement. In my own profession, individualism was encapsulated in the concept of Economic Man which became the ruling ideology in Economics.

I will just give you one snippet of my critique: a simple experiment in social psychology; In fact it is such a simple experiment you can all do it alone tonight, but for those of you over 60 I advise against trying it. You write down the three biggest regrets in your life. The social psychologists bundled them up into categories. Its clear enough what the regrets of Economic Man would be– if only I hadn't messed up that interview with Lazard; if only I bought that house. It would be that class of material regrets. And that category ends up being almost empty. We all have regrets like that, they just do not make it in to the top three. They might make it there if you are twenty-two but they do not by the time you are mature. The category which is overflowing is of the form, 'I let my mother down', 'I let my wife down.' It is breaches of obligations, and those regrets are the ones that linger, that hurt: they hurt for life, and so we try



**Panel Discussion – Warwick Lightfoot**



to avoid them. We are hardwired to be, to a degree, morally load-bearing, not saints, but social animals.

There is a brilliant new book that has come out since I wrote *The Future of Capitalism*, by Nicholas Christakis called *Blueprint*, a huge book on evolutionary psychology. His punchline is that we are hardwired for a degree of pro-sociality. We are hardwired for trust and for affection for others. So the belief amongst economists that economic man is inevitable through the evolutionary process because the 'selection of the fit' produces the selection of the s\*\*t, is just technically wrong. The greedy, selfish, lazy person with nothing else does cling on in evolution, but only as a small slither, about 3% of the population: we call them psychopaths. A lot of modern economics is really about the peculiar circumstances in which a population made up entirely of psychopaths would not be hell on earth. You have to really stretch the conditions in order to avoid it being hell on earth.

That ideology was one strain of opinion. The other – which follows on from it – is the need for utilitarian saints. This is the idea that precisely because the ordinary person is Economic Man – greedy, selfish, lazy – public purpose, public policy, needs to be set by the saints at the top. It would be a top down system of control that sets people monitored incentives to behave according to the saints. If you think that is make believe look at the Annual Jobs and Skills survey. They have been asking the same question for 25 years – do you have enough autonomy to do your job properly to your satisfaction? 25 years ago most people said yes. Over the last 25 years there has been a 40% drop in 'yes': now most people say 'no'. Why? Because we have designed these top down systems of scrutiny and incentive and penalties and contracts which say that in this situation do that. We have reduced people to automata: what is crowded out is trust, judgement, and tacit knowledge. It does not even work very well. It is demotivating and there has been a big corresponding loss of job satisfaction. That is the top down system which is applied both in the private sector, in firms that try and run using this sort of monitored incentive, and in the public sector, where it is even less appropriate because a lot of activity in the public sector has purposes which are relatively easy to internalise and relatively hard to monitor.

This ideological combination has produced a context in which the new social rifts do not correspond to concerns regarded as legitimate and so nobody has





**Vicky Pryce, Lord Willetts, Professor Orlando Figes**

really addressed them. The New Labour response was, at its best, “let’s put the North of England on ‘Benefits Street’”. That made sense within a Utilitarian framework of Economic Man where what people want is simply more consumption.

The height of utilitarian paradise is to lay on a beach and consume but that is not life’s pinnacle. It is not consistent with dignity, meaning and purpose. What most people want to do is to be productive, to be in a position to contribute, both to their family and the community. And that just was not part of the narrative of either the libertarian right or the authoritarian left.

Let me turn in my last 10 minutes to what can we do about it? How can we actually heal these rifts? It divides into two halves. One is that we need to bring productivity back to places where people belong. We have to break the narrative that the future is in the metropolises. That does not mean everywhere, every little town cannot have productive jobs brought to it but it does mean that every region can be a region of genuine hope. Whatever it takes, productivity has to be shifted out of the metropolises in to the provincial cities. They have to be seen to have a promising future, that is one half. Then the other half is we need young people who are equipped with capabilities to do those productive jobs and be motivated to contribute to community where they have a sense of



belonging. Those are the two halves. Both of them are feasible. I am going to sketch in 4 minutes each how to do it.

How do you bring jobs to place? Britain is uniquely bad at it. There is only one city outside London that manages to get above national average per capita income, and that is Edinburgh. So I am going to tell you how Edinburgh does it; it is partly a fluke and it is partly purposeful. There are 6 features and I will run through them quickly. One is Edinburgh has got quite a degree of local autonomy, devolved political power, a bi-product of Scottish Nationalism; devolved political power to the city government is vital. Second, thanks to the quirk of Scottish law being different, Edinburgh has managed to preserve its finance industry. Local finance is really important because local finance has the tacit knowledge which can know whether to back a firm, even if the risk-weighted model says 'don't'. I was recently in Trondheim and spoke to an old Trondheim banker. He told me 'my bank just functions in Trondheim, it's a hugely prosperous city and, I've spent my whole life learning about the firms in this city. I know which to trust. By law now when I've made my judgement I've got to send the case with a codified knowledge form into a risk weighted model, but I know when it comes back saying don't lend, if I think I should lend, I lend.' 'But', he says, 'the young bankers, even in my local bank, when the risk model says 'don't' and they think they should, they daren't overrule the model. Because of that, they're losing the experience that only trusting your judgement would build. Local banking is really important' and Edinburgh has it.'

Where you get local political power and local financial power, the business community will organise as an association locally. So in Edinburgh that is where you find Scottish business organised. The rest of Britain looks to London. This is a big contrast with Germany where political power is devolved, financial power stayed local, and the business groups are all organised city by city with huge city pride. I did a lecture tour in Germany and one of the things that struck me is how intense that city pride is. Business communities really funded a lot of activities in the city.

Fourth element, you need good tertiary education. Edinburgh has two very good universities and tertiary education is important for two things: train the skills that will be needed by the firms in the city, and keep the research that is pertinent for the local firms so that they stay reasonably at the frontiers of what's going on.







**Sir Paul Collier, Anthony Hilton, Professor John Kay**

Fifth, you need civil society to work together to create some kind of cultural identity – a cultural ‘brand’. Edinburgh invented how to do that. I was up speaking at the Edinburgh festival this summer. My eighteen year old was there as well, not to listen to me of course, but because Edinburgh is cool: all his friends were there. A lot of them applied to Edinburgh University. The population of Edinburgh doubles during the festival. Half a million people fly in from all over the place. So Edinburgh has really got a very strong cultural brand, a cultural identity.

Those are the five basic elements and then the Sixth ingredient is you have to get those entities to collaborate instead of fighting each other. In a city that’s failing the natural discourse is for each of these five groups to blame the other; it is a narrative of grievance for some past wrong and that gets you nowhere. What you need is a forward-looking common purpose, which says if we all do this then we can make this place better and that is what Edinburgh managed ten years ago.



Ten years ago it came together and posed the question, 'where are the jobs coming from?'. Their answer was not very profound. What they decided was – 'we better get a sector that's all abuzz – IT'. Then they thought to do an inventory of how many IT firms they already had in the city. Ten years ago they had two, so it didn't look very promising but all five entities collaborated to attract IT. They now have 480 IT firms in Edinburgh – the biggest single cluster in the whole of Europe. That is getting it right, bringing jobs to place. Productive jobs.

Finally, the other task – young people capable of being productive. We are going to go from conception to carrier. I start from conception, not birth, because of devastating new evidence from Finland which has tracked people from the foetus to forty. The evidence is that stressed mothers during pregnancy produce people who even at the age of forty are systematically damaged. The clear implication is that social policy has to be aimed at reducing stress in pregnant women and then in the early years – so I first focus on conception to the age of three. There is frankly only one system that we know has ever worked very well from conception to three: it is called a family. Deeply unfashionable but that's the bitter truth, and Britain is spectacularly bad at supporting and sustaining stressed, young, poor families.

You do not need to take my word for it. My relatives have been at the bitter receiving end of social services, but for a forensic critique I recommend Hilary Cottam's brilliant and devastating book *Radical Help*. If you can't read the book then watch her eighteen minute Ted Talk.

Moving on, the next stage is turning the three-year-old into a five-year-old, and here we need pre-school. What's the best in Europe? Probably France. It's standard, it's free, and because it's standard and free everybody goes. Because everybody goes, the children of the poorest families go without any stigma. What do they learn in pre-school? They learn to be socialised, so that by five the teachers do not have a nightmare of how to get children to pay attention. Britain is really bad at pre-school.

Then school, which I will skip over because too much is expected of it. There's a very fine book by Robert Putnam, *Our Kids*, which argues persuasively that schools are primarily sites where kids interact with each other, rather than where they learn from adults. In a catchment area of good families, the school amplifies the culture of the families; in a catchment area of bad families, the





**The Lecture Discussion Panel with Douglas Blausten (L) and Colm Lauder (R)**

school will amplify the effect of those bad families. That is what we are doing in Britain.

And then finally the bit where we are truly awful is post school – vocational training. We did not used to be as bad but we dismantled apprenticeships. Last year only 4,000 people in the whole of Britain qualified as apprentices. It beggars belief. The best in Europe, by a wide margin, is Switzerland. I am focusing here not on the cognitively gifted – they do well in Britain – it is the less cognitively gifted. Switzerland like Britain has a top ten university but 60% of Swiss kids chose not to go to university, they take the vocational route. It is equally prestigious, you can end up running a Swiss bank with a vocational route. The courses last three or four years and are paid, so the cost is very high. Half those costs are paid for by local firms. They put so much money in that they make sure that those kids come out well trained. How do they do it? By joining forces with the training colleges so that part of the training is with the



firm. All the evidence on training is that if training is detached from the local firms where people are going to end up with jobs it is useless, or if you read Amy Goldstein's Jaynesville, worse than useless.

Do we know perfectly how to do these two tasks – jobs to place and conception to career? No. Should we do them? Yes. The implication is indeed the punchline of pragmatism. We should make a clear political commitment of the form: 'we're going to do whatever it takes to heal these rifts'. 'Whatever it takes' is a brilliant phrase because it really admits we are not sure what will work. If we are not sure, what is the sensible thing? Not to give up, but to experiment! Find out what works where.

That is 'the future of capitalism', or rather, the future that it needs. Will it take that course? Will it even survive – will the future read 'Capitalism 2020 RIP'? I hope not, but it is basically in the hands of the next government. It needs to renounce the ideological beliefs that mislead adherents to believe that they know exactly what will work. We need to make a start, following these two clear purposes.

Thank you very much.



## PANEL DISCUSSION

### MODERATOR

**Professor Sir Ivor Crewe DL FAcSS, Master, University College Oxford and President of the UK Academy of Social Sciences.** *Sir Ivor Crewe was Vice Chancellor of the University of Essex from 1995 to 2007 and is a founding Director of the Institute of Social and Economic Research. He is currently Chair of the Higher Education Policy Institute, and a governor of the European University Institute in Florence. Amongst his many published works he wrote, with the late Professor Anthony King, 'The Blunders of our Governments'*

### PANEL

**Professor Guy Standing FAcSS, Professorial Research Associate, SOAS University of London.** *Guy Standing has held Chairs in Labour Economics at Monash University and Economic Security at the University of Bath, he was until recently Professor of Development Studies at SOAS. A strong advocate of universal basic income, he is Economic Adviser to Rt. Hon. John McDonnell, MP and this month he published his latest book – 'Plunder of the Commons: A Manifesto for Sharing Public Wealth'.*

Transcript of Professor Guy Standing's opening comment: 'Thank you, Paul. This is the second time I've heard you in the last couple of weeks so I'm familiar with the arguments. The first point I'd like to make is that we're in the middle of a global transformation, akin to Karl Polanyi's 'Great Transformation', the emergence of national capitalism through the 19th century dominated by finance. Then the insecurities and inequalities increased until we had a crisis, and that crisis led to the Great Depression and fascism and all the things you know. But it was about forging a national market capitalism.

Since the 1980s we've been in a similar phase of the evolution of a global transformation, a globalised capitalism. You can't analyse the future of capitalism





without putting it in that global context. We have seen an evolution from a rhetoric of free markets by Thatcher and Reagan and the Mont Pelerin Society in the 1980s gradually morphing into what I call 'rentier capitalism'. And rentier capitalism means that more and more of the income and wealth is going to the owners of property: financial property, physical property, and most of all intellectual property. There has been a fundamental transformation – having worked in the UN – from the United Nations and the World Bank and Britain to the domination of the World Trade Organisation and WIPO [World Intellectual Property Organization]. WIPO has been the midwife of the generation of rentier capitalism.

Contrary to what Keynes predicted, the euthanasia of the rentier, we've seen more and more of the income going to the rentiers. And the key point in the evolution of this rentier capitalism is the passage of TRIPS in 1994 – the Agreement on Trade-Related Aspects of Intellectual Property. In 1994 fewer than 1 million patents were filed internationally, now over 3 million patents per year get filed. There are about 12 million or 13 million patents in operation. Every one of those patents gives a monopoly profit to the owner for the patents, for 20 years or in the case of pharmaceuticals, 40 years. We have a system in which, according to WIPO's own estimates, the income generated from patents alone (and that's not accounting for copyright or trademarked brands and other intellectual property) has multiplied 7- fold, so that roughly speaking intellectual property makes up about 20% of global GDP, of global income.

You can't analyse the challenge of the future of capitalism without thinking how we dismantle that system, because it doesn't encourage competition. There's a huge amount of research that shows that actually the strengthening of intellectual property rights has impeded innovation and slowed growth. Again, you can't analyse it without taking all of that into account.

The second point I'd like to make is this growth of the precariat which you've mentioned. Unless the insecurities and the needs of the precariat are addressed as a matter of urgency, we will see a political monster. My first book on the precariat was published in 2011 and I've just come from Spain where everyone knows about the precariat, but somehow it hasn't got into the political discourse in Britain. I think that the precariat debate and how we respond to the growth of the precariat is a central aspect.



The third thing is a point you've made, and I don't need to go in to detail, is the loss of our commons. The commons gives substance to society; it's not just the natural commons, it's our social amenities, the social structure. It depends on having a robust commons. And yet we've seen a commodification and a privatisation of our commons. Take water for example. Here we have a situation – Paul mentioned the 1840s – but Thames Water, a privatised company that is now owned by foreign private equity, recently exported £1.6 billion in profits but has had to pay a fine of just £20 million for pouring 1.4 billion tonnes of untreated sewage into our rivers. We have lost a lot of our commons, that's the extra challenge.

And the fourth point, and I would be remiss not to end on this one, is for heaven's sake we can't analyse the future of capitalism without thinking of the ecological crisis rushing towards us, you just cannot. Whatever Extinction Rebellion and dazzle doesn't do, and some of us have mixed feeling about it, we've got to think – how do we readjust our idea of growth, readjust our ideas of work, readjust our ideas of what it is to make a good society? These are challenges of the left and right; they're not an ideological thing on the left or the right, they are fundamental to what we want as a good society. And I think that those challenges are going to lead us forward, as we are genuinely in a dangerous phase where we see neofascist populism spreading all over the world, and we can all do better than that. It is a really dangerous moment, and we can either go forward pragmatically or otherwise, or we drift further and further into this populist era which we see around us.

**Professor Orlando Figes, Professor of History, Birkbeck College, University of London.** *Orlando Figes is a world expert on Russian history and author of several award winning books. He has just published 'The Europeans – three lives and the making of a cosmopolitan culture.'*

Transcript of Professor Orlando Figes' opening comment: I'm not an economist, I'm a historian. I'm certainly a fan of Paul Collier and I like many of the ideas he has. But I'd like to just draw one or two points about the historical parallels with the 1840s in particular. Because I'm not sure whether the post 1848 stabilisation in Europe has parallels or lessons for the post 1980s or 2008 stabilisation we might think about, and I think I agree with Guy Standing that we need to rethink values entirely in order to cope with the challenges ahead.



The first point I would make is that although there was a crisis in the cities which as Paul says was in many ways addressed by public health, by philanthropy, by state intervention and so on, what really stabilised the systems of the capitalist world in Europe in the late 19th century was the growth of trade. It was the growth of jobs, it was free trade led ultimately by Britain with the One Nation Tory created by Peel, the abolition of the Corn Laws, and then encouragement of that throughout Europe. So there was a spirit of optimism created by the boom in world trade, led by the railways and steam ships and all the rest of it which created jobs. I don't know whether the situation now, the technological change I mean, I would draw a parallel between the railways of the 1840s transforming the world economy in the same way that the internet and the gig economy is transforming the world economy today. I think the big difference is that whereas the railways grew world trade, created jobs, and for the leading economies of Europe created an empire to export your surplus population that wasn't wiped out by disease and all the rest of it, today I don't see that.

It seems that the technological changes we're living under now are shrinking the jobs market. And not just for the provincial people fighting against the metropolis or not with a university degree. The worrying thing, and I speak as a father of two millennials who've got 4 degrees between them but only one job, and that's a soft job, on rolling contracts, and god knows poor Lydia went through a number of internships before she even got the soft job - unpaid, I mean we have this phenomenon now of a rising number of graduate unemployment or underemployment. So now we have fully trained chemical engineers working as baristas and they've no prospect of saving. So that's where youth anxiety comes from and I just don't see where the jobs are going to come from in the new technological revolution we're living under.

The second thing I would say which again is a contrast with the mid 19th century, is that the growth of the railways and that booming trade was based on internationalism. It wasn't, Guy said that phase of capitalism was about building national. Yes by all means, but that was completely compatible with and in fact dependent upon the growth of international trade, international connections, borders coming down, and I say it time and time again, the four freedoms of the EU are all inventions of the 19th century. So that's what it was based on, and what I fear again is a parallel that we can't really learn on or draw on, coming back to what Guy said, is that we're seeing borders going up again. We're seeing



a crisis for all international institutions. We're seeing a growth of protectionism, growth of nationalism, as if that's the answer to a shrinking of the economy, that those not in the growth areas are having to deal with.

A small footnote, I would disagree with Guy on intellectual property, because I think one of the great achievements of the 19th century was the establishment of copyright on an international level. I'm not talking about patents, I'm talking about the copyright issue, and I think we're coming out of that phase of the great achievement of international copyright, in to one where it's becoming increasingly difficult for the technologies of streaming and the rest of it to actually enforce copyright, and I think that's a problem.

The third thing I would say, just comparing with the 1840s, is I'm fully behind Paul's call for a return for Victorian civic pride, philanthropy. But that was often based on religious conviction, Quakerism, Methodism, and I don't see where that's coming from. And the corporate mission statement is a ridiculous and disgraceful attempt to mimic it. It's hideous. So where is that coming from? I would love to see Edinburgh's pride everywhere but I don't see that integration of civic spirit... I mean what you say about local finance seems to be absolutely crucial, and it's not just in Germany, it's in France and Italy where they've got terrible banking systems, but they do have local banks. So I don't see that in Britain and I don't see it in the logic of how capitalist finance works, that you would be able to dial back the financial agglomeration to get that sort of civic business investment. So I'd love to see it and I'd love to see more purpose in a civic minded, globally minded, ecology minded, capitalism take place, but I really don't see where its coming from.

**Vicky Pryce, Director, Centre for Economic and Business Research.**

*Vicky Pryce has been Senior Managing Director at FTI Consulting, former Joint Head of the Government's Economic Service and prior to that was Chief Economic Adviser to the Department for Trade and Industry.*

Transcript of Vicky Pryce's opening comment: Thank you. I'd like to talk a little bit about evidence. We can attack capitalism for having led to a particular allocation of resources, but a lot of it has come as a result of the increase in globalisation we have experienced. We can't talk about the impact that capitalism may have had on particular parts of the economy and particular regions, without looking at what globalisation has done – a point Orlando has been talking



about and also Guy mentioned. Although overall world demand has increased globalisation has also tended to sharpen competition, reduce prices for many goods and services and put some industries in difficulty, not least in the UK. It has led to reassessment of skills needed and altered countries' competitiveness. At the same time it has allowed huge flows of mobile capital that makes national policies at times difficult to sustain. We therefore have to be very careful when we are looking at what capitalism has not been able to do and rather than dismiss it think of how it can be improved in what is now a much more difficult environment for individual governments to control. On top of this because of short termism, because of the profit motive if you like, and because externalities such as the impact of CO<sub>2</sub> emissions are not priced properly in a capitalist free market system, we end up with a misallocation of resources, in a sub-optimal 'equilibrium' and that requires intervention to sort it.

We have become as a result less productive than we could be, and whether it's women not being properly educated and used at their skills level, or whether it is any other part of the economic ecosystem such as carbon not being priced properly we end up with a world economy that is not doing as well as it should do leading to a misallocation of resources and creating problems with the long term sustainability of the ecosystem. We are more conscious of all that globally now both in terms of the impact on the environment but also in relation to women's labour force participation and position in society about which I have written, but still moving too slowly.

It's very interesting what Guy said in this respect about the way the system works, because in many instances it's not just how we encourage people to make profits, it is also what the state does in this sphere as in truth it intervenes quite heavily in most aspects of our lives and in companies' existence. The complaint from firms is that that we have too much rather than too little regulation. And firms are fined for misbehaving – perhaps not sufficiently but they do get increasingly scrutinised now for their behaviour. There have been fines to water companies for water leakages and they are paying for new sewage systems, fines in the billions against banks that are still here, still very prominent, for money laundering and breaking sanctions and mis-selling of products. The state is involved with most companies in the Footsie 100 either buying from them, regulating prices, controlling the way they compete. The system is already very mixed but there is no reason why it can't be more effective in ensuring that





long term externalities are properly built in and that long term sustainability must be at the heart of an organisation's purpose.

Finally, let's look at the suggestion of doing things regionally and giving people more autonomy as a way of dealing with the worst aspects of capitalism. And you mentioned Edinburgh as an example. I find that really rather interesting as I used to work for the Royal Bank of Scotland, I seem to pick the interesting areas to work in and of course I used to go to Edinburgh all the time. But which were the banks who were in the deepest trouble come the financial crisis? Royal Bank of Scotland and Bank of Scotland, which had merged into HBOS. You look at banks in individual countries that we said would be so good to emulate as they are much more local than what we have in the UK. There is no doubt that banks moving from local centres to more regional or central decision centres – say in the headquarters in the City, deprives you of the local knowledge of what's actually happening on the ground that may allow for better decision making. But the corruption in the local banking systems in places like Spain and Germany was obvious when the financial crisis hit. Yes they do lend more money to small and medium size businesses, very often long term and at relatively low interest rates, but these haven't always necessarily reflect the risk of the companies they were lending to which gave rise to troubles during the crisis for many of the banks – while also opening up the possibility of conflicts of interest at local level. and then mistakes can be made in terms of allocation of funds and industry support at local level just as much as when decisions are centralised. it's not the answer. Localism doesn't quite answer it by itself.

I think the point about skills is so important because one of the things I used to be responsible for was productivity for the UK economy. It's the sort of thing that should keep one awake at night, but because it was such an impossible problem to solve I slept quite soundly. But we had some data that actually completely supported your points Paul about education, and if you look at the regions in the UK, and you look at average productivity in the UK, which isn't that good – in fact it's been falling recently as we know, the only regions that have above average productivity are London and the south east. Almost all other regions apart from the South East have productivity levels below the UK average. There is one interesting correlation we've found, and that's my last point on this, which is that the regions that kept their graduates, the regions where the number of graduates was quite high, somehow you managed to keep them there because of industry or whatever, they were the ones with the higher productivity.



So how we can use capitalism in a more intelligent way to sort that out? Less emphasis on London and distributing more of the wealth to the regions is interesting. But economic structures and regional conditions differ across the world so what we may think here about moving emphasis out of big cities like London may not work for China for example where policy has been one of massive urbanisation. What we've got to work on here we can't quite emulate anywhere elsewhere but your ideas on that I find really interesting and worth exploring more.

**Warwick Lightfoot, Head of Economics and Social Policy, Policy Exchange.** *Warwick Lightfoot is an economist with specialist interest in monetary economics, labour markets and public finance. He has served as Special Adviser to three Chancellors of the Exchequer and a Secretary of State for Employment.*

Transcript of Warwick Lightfoot's opening comment: Well a couple of things. The one thing you didn't really mention, and it was a very rich talk – this isn't a criticism – is that the macroeconomic background is very different now and much more different than anyone could have expected. If someone had said to you 14 years ago, you know you're going to encounter absolutely fixed, stable sticky prices of the sort you might have expected in the 19th century, very, very low rates of interest, lower than we've ever had before, and some kind of stasis similar to the sorts that the classical economists explored in their thought bubbles in the early 19th century and maybe have this for real, I think we would have found this very difficult to imagine.

We seem to have an amplified financial cycle. This causes trouble not so much by inflation but by asset price bubbles that can have a bad effect on real markets. An amplified financial cycle moreover where monetary policy cannot stimulate the economy very much to get real output going when you would like to have that stimulus. Obviously in the long term there is the neutrality of money issue. I am not suggesting you can just use money to get you through on a permanent basis, but the use of an expansionary monetary policy, is much weaker as a source of short term stimulus than it used to be. Yet tighter monetary conditions still appear to have a potent effect in slowing economic activity as the actions of the Federal Reserve in 2018 demonstrated.

The climate change and the carbon issue I think is very, very big, because maybe some of the things we're going to need to do to address that, won't be the sort of measures that economists like Vicky Pryce and I would normally focus on, such as perfecting a carbon tax or carefully calibrated changes of



prices. We may have to go for much heavier regulation. And when you talk to Dieter Helm, he says if you really want to make progress on this stuff, and you think you've got to move quickly, you might have to interfere with many more price signals than the normal mechanisms that we as economists would normally occupy ourselves with. This will have further implications for economic growth and the future trend rate of growth. A bit like the impact of the oil crises in the 1970s.

I think you're absolutely right about intellectual property. What was that great phrase from Abraham Lincoln – "patents unite the genius with reward." We all realise why patents are very useful, but it seems to be so easy to get so many little innovations you have scored as an intellectual property, that defeats the diffusion of technology which may have something to do with why productivity across the world is slowing, and does lead to these rents that you refer to. I think there's a huge problem with corporate governance, don't ask me for any solutions, but those people who are running companies nick too much money out. This is principally against interests of the shareholders. It damages workers and people who are trying to save in one way or the other, whether through their pension fund or their ISA, high executive compensation suppresses investment returns. Many diligent savers end up disappointed by the results and part of it is senior managements being inappropriately rewarded.

I just want to talk about the public sector and public intervention for a moment. We have had every kind of public intervention on the very difficult things – complex social pathologies. A comprehensive welfare state has been in place for over seventy years, yet these problems appear no more tractable than they were forty years ago. The same complex cycles of deprivation that worried commentators in the 1960s and 1970s – filling the columns of *New Society* – remain today. So there has been an enormous effort to make policy work and huge resources have been deployed, but it has been very disappointing in its outcomes. David and his family have seen the raw side of it in relation to children social services.

Like David I have a foot in both camps the metropolitan world and the very different world of my home town where I grew up. So tonight I will catch a train and go back to Plymouth where I am around people I went to school with, people I have known since I was a teenager. I think there is a very serious issue of sensibility that I would like to raise. It turns on our attitude to universities and further education and the way we perceive and value different



form of work and life. At its heart is the question of whether we over value work of an intellectual or professional character and under value practical work or carers and school care takers. Not just in terms of monetary rewards but more fundamentally in the way we perceive use and worth.

I work in a think tank and have the pleasure of meeting many young interns. I am often worried when they say I'm now going to go off to do an MPhil, having already benefited from excellent high educations. I wonder whether it might be better to consider other opportunities, such as joining a friend who is working in a roofing business or a firm of heating engineers. What would you rather have, a 39 year old who has got their own electrician's business employing 40 people with their own balance sheet, knowing what their is doing, and earning a good living, or another MPhil navigating the graduate and professional labour markets.

**Rt. Hon. The Lord Willetts FRS, President of the advisory Council and Intergenerational Centre, Resolution Foundation.** *David Willetts is former Minister of State for Universities and Science, an Honorary Fellow of the Royal Society and Chancellor of the University of Leicester. He has published extensively and delivered the 6th Whitehall lecture at Imperial College on 'UK Policy: Prioritizing Science and Innovation'.*

Sir Ivor Crewe (Chair): "What does the former Higher Education Minister think about too many 30 year olds having an MPhil?"

Transcript of Lord Willetts's opening comment: I'm a believer in more education. I'm an optimist in that respect. But ironically my critique of Paul, and it's a great book which I've enjoyed reading and it's a very stimulating talk, is that actually he's too much of an optimist. The point in his argument which I most disagree with is when he describes the problems of the UK, and says the trouble is they have been neglected when it was perfectly possible to put them right. And then because Paul believes it's perfectly possible to put them right, he has this kind of critique of both the Margaret Thatcher strand of politics on the Right and the Gordon Brown strand on the Left.

I think we have to keep on trying to put them right. In my career, in different roles, I have sat in endless meetings with endless people with lots of different responsibilities who are all desperately trying to put these problems right. His critique of the last 40 years was therefore very harsh but if you think they can



easily be put right then the only explanation as to why we haven't done it is that these people must have either had deep misconceptions or been malign.

Paul's account of those northern cities reminded me of Margaret Thatcher and Victorian values. Margaret Thatcher thought the destruction of these great British cities had been caused by the erosion of the power to govern themselves. One of the reasons she wished to push back the state so that she thought civic spirit and local enterprise would flourish more. Maybe she was too optimistic but that was much closer to her view of the world than the neoliberal caricature.

Blair and Brown strengthened regulation and it may have gone too far, but there was enormous pressure to strengthen the regulation because people thought you can't any longer operate on the basis of trust, tacit understandings and personal discretion.

If it were indeed the case that our problem was that we had 40 years of public policy driven by people who were ignorant and ill-intentioned then I would feel more optimistic about solving these problems than I do.

One reason for the problems facing some of our local towns and cities is that when you have the levels of specialisation that we've had in the UK, and then you have a big change in the economy like coal mining proving to be uneconomic and environmentally unsustainable anyway, then you do have a massive economic shock, and these areas become dependent on public money. Autonomy is very hard to do when you have such divergence in economic circumstances. They are receiving substantial public transfers and, partly because of democratic accountability, strings are attached to the transfers. But we do have some advantages such as the wide distribution of our most prestigious universities.

I do think Paul is a bit too bleak on personal education and opportunity. I don't buy the early level years determinism. Our brains are more malleable for longer. But I also think that the belief in apprenticeships is so seductive because it is an appeal to a kind of British industry and British industrial structure that if it ever existed, doesn't exist now. It is no surprise that in a society where we don't have the sustained support for the type of business sectors that they have in Germany, and where we have a much smaller proportion of our GDP in manufacturing than they do in Germany, and much less license to practice regulation in the



labour market, there are fewer activities for which taking an early decision to focus on a particular set of vocational skills makes sense.

The expansion of higher education is by and large a force for good. The edu-sceptics who think there are too many graduates. But I think there is a deep-seated trend here and I would wish a young person to have the opportunity for a university education.

But my main conclusion was that if only there was this relatively straightforward policy list, but I'm afraid my own experience is that these things are much harder to do than we might wish.



**Professor Peter Tyler, Colm Lauder (Whitehall Group Chairman)**



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