

Centre  
Write

JESSE NORMAN MP  
on responsible capitalism

MARTIN LEWIS  
has money on his mind



# Capitalism in crisis?

# Contents

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## EDITORIAL

Editor's letter

*Laura Round*

Director's note

*Ryan Shorthouse*

*Kamile Stankute*

Unlocking potential

4 *Pamela Dow*

Skype session with...

5 *Martin Lewis*

14

15

17

---

## MARKETS THAT WORK FOR EVERYONE

Mending markets

*Scott Corfe*

Can we make capitalism healthy?

*Dolly Theis*

Back to work

*Flick Drummond*

Making the consumer king

*James Plunkett*

Does business do enough?

---

## THE RISE OF THE STATE?

Should politicians nudge human behaviour?

7 *Professor Robert Metcalfe*

Theresa May: free-marketeer?

8 *Mark Littlewood*

Fixing the broken energy

10 market

*John Penrose MP*

12 A property-owning Britain

*Alex Morton*

18

19

20

22



Bright Blue is an independent think tank and pressure group for liberal conservatism.

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Johnson, Alexandra Jezeph,

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Editor: Laura Round

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Page 28 *The Centre Write* interview: **Jesse Norman MP**

*Evening Standard*



Page 17 **Martin Lewis** discusses mental health and money

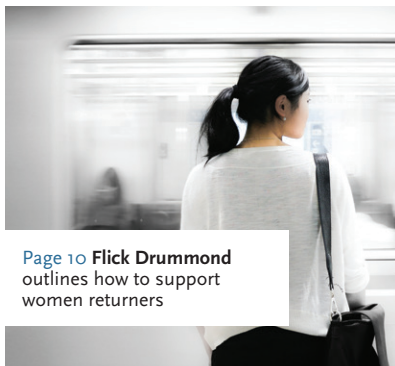
Capitalism is core to conservatism <i>The Rt Hon Lord Maude</i>	23	Energising the industrial strategy <i>Sam Hall</i>	34	<i>Michelle Hubert</i>	40
The conservative state: small, strong and strategic <i>Paul Goodman</i>	26			Prosperity through productivity <i>Antoinette Sandbach MP</i>	42
<hr/>					
<b>THE INTERVIEW</b>		<b>IS DEVOLUTION THE SOLUTION?</b>		Be prepared <i>Chris Green MP</i>	43
The <i>Centre Write</i> interview: Jesse Norman MP	28	Government for the people and for the regions <i>Stephen Clarke</i>	35	Apprenticeship nation <i>The Rt Hon Robert Halfon MP</i>	44
<hr/>					
<b>BRIGHT BLUE POLITICS</b>		Two decades of devolution <i>Paul Masterton MP</i>	36	Creative prosperity <i>The Rt Hon Ed Vaizey MP</i>	46
Why I'm a Bright Blue MP <i>Neil Parish MP</i>	32	Reviving the North <i>Jonathan Moore</i>	38	<hr/>	
Bright Blue research update <i>James Dobson</i>	33			<b>BOOKS &amp; ARTS</b>	
<hr/>					
		<b>INDUSTRIAL STRATEGY</b>		Exhibition: Giacometti <i>Eamonn Ives</i>	49
		Spades in the ground		Film: Dunkirk <i>Fiona Smith</i>	50



Page 26 Paul Goodman on creating a smarter state



Page 23 The Rt Hon Lord Maude on pro-enterprise conservatism



Page 10 Flick Drummond outlines how to support women returners



Page 46 The Rt Hon Ed Vaizey MP on the importance of the UK's fastest growing sector

## Editor's letter



LAURA ROUND is the Editor of Centre Write and Communications Manager at Bright Blue

One of the most striking lessons from the last general election is the collapse in the proportion of those aged under 40 voting Conservative. As Ruth Davidson - the Scottish Conservative leader - has written, unstable employment and wage stagnation - coupled with high rental and transport costs, as well as increasing barriers to home ownership - go some way to explaining why many young adults don't think the current system is working for them. Capitalism has delivered demonstrable economic successes, yet people seem to be losing faith in its ability to make their lives better. This is a huge challenge and has triggered significant debate on the centre-right of British politics.

The Prime Minister spent her first year in office setting out a narrative for a larger role for the state, centred around "the good that government can do". This narrative was lost in the general election campaign. As was hard-won successes on the economy by Conservative Governments since 2010. Nor did the party hammer home positive, compassionate, liberal and pro-enterprise values - many of which, I suspect, are shared by younger generations.

With the advancement of the hard-left under Jeremy Corbyn, the Conservative Party really must learn from its mistakes to ensure it wins the next election. Part of this challenge lies in defending and reforming free markets. This is a topic covered in my interview with brainy Transport Minister, **Jesse Norman MP** (p. 28), who says the challenge for conservatives is to mend broken markets and not throw its "hands up and run for a certain kind of crypto-Marxism".

The Government is clearly keen to ensure markets are fairer and that consumers get a better deal. **Scott Corfe**, chief economist for the Social Market Foundation (p.7), argues that better consumer engagement and bargaining power are necessary for markets to be fair. In my Skype session with Money Saving Expert **Martin Lewis** (p.17), he explains the link between money and mental health. And **James Plunkett** (p.12), Director of Policy at Citizens Advice, discusses why non-choices are damaging the proper functioning of markets.

With the latest Conservative Party manifesto shifting

towards a more interventionist agenda, **Mark Littlewood** from the Institute of Economic Affairs (p.19) argues that in order to win the next election and to ensure a successful Brexit, the Conservatives needs to passionately advocate for freer markets. Indeed, one of the original Tory modernisers, the **Rt Hon Lord Francis Maude** (p.23) says that a Conservative Party that doesn't appear to be passionately in favour of free enterprise and wealth creation lacks credibility and authenticity. The editor of ConservativeHome, **Paul Goodman** (p.26) argues for a streamlined state. And former Number 10 adviser, **Alex Morton** (p.22), outlines what the Government should do to boost home-ownership.

Earlier this year, Theresa May launched the Government's new modern industrial strategy. One aim of this to reduce inequalities between different regional economies in the UK. The second part of the magazine explores whether devolution really is the solution to fixing this imbalance. **Stephen Clarke** (p.35) from the Resolution Foundation looks at how the industrial strategy can ensure growth is spread evenly across the country. Newly elected Scottish Tory **Paul Masterton MP** (p.36) explains why Conservatives should continue to champion Scottish devolution within the UK.

One of the main aims of the industrial strategy is to boost productivity. **Antoinette Sandbach MP** (p.42) points to the importance of innovative education and close ties with Europe to improve it. Former Minister for Culture and Digital, the **Rt Hon Ed Vaizey MP** (p.46), urges the encouragement of creativity to untap talent and explains why the creative industries are an integral part of the industrial strategy. The new chair of the Education Select Committee, the **Rt Hon Robert Halfon MP** (p.44), argues that Conservatives should be loudly celebrating the apprenticeship revolution. I hope this edition of Centre Write helps you navigate through the broad debate around responsible capitalism and, specifically, demonstrate the role the state can and should play in achieving good economic and social outcomes. ●



## Director's note

Ryan Shorthouse



RYAN SHORTHOUSE is the  
*Director of Bright Blue*

So, what went wrong? This summer, there has been much soul-searching from Conservatives on why they recently failed to win the decisive parliamentary majority almost everyone predicted.

Two clear points stand out. First, the substantial polling lead the Conservatives initially had over Labour narrowed during the election campaign. Second, there was a considerable shift in voting intention to the Labour Party after the launch of the manifestos.

*Cabinet Ministers have not been allowed the freedom and profile to develop distinctive policy agendas, in marked contrast to those under Cameron's premiership*

Some Tories now claim that it is because the public are tiring of austerity. This is no doubt true among a small proportion of voters, particularly among some public-sector workers who have experienced pay constraint over a number of years. But it is, frankly, absurd to think there was such a shift in public opinion against fiscal discipline in the space of six weeks. And it is perfectly possible to better support those on modest incomes at the same time as

eliminating the structural deficit.

Anyway, this theory, among others, distracts from the unfortunate and brutal truth: the public were increasingly exposed to the poor leadership and communication skills of Theresa May during the campaign. The manifesto, though rich on philosophy and principles, lacked clear and concrete policies, in contrast to Corbyn's. The manifesto was emblematic, in fact, of May's first year in charge: rousing rhetoric in set speeches, but a lack of any substantial policies to truly tackle 'burning injustices' and support those 'just about managing'. Well, people are not daft: actions speak louder than words.

The flagship policy in the manifesto on social care – to lift the guaranteed amount someone could pass on to their children to £100,000, but to include within the means-test calculation for domiciliary care the value of the family home, as is currently the case for residential care – was sensible, but was received particularly badly. The closed clique controlling government failed to build a significant network of individuals and organisations who could shape and support this policy – and, in fact, May's programme in general. Cabinet Ministers, for example, have not been allowed the freedom and profile to develop distinctive policy agendas, in marked contrast to those under Cameron's premiership.

What May and her coterie did do, right, however, was to emphasise that conservatism prioritises responsibility not just freedom – of both individuals and businesses. This is a social market rather than free market vision, based originally

on the ordoliberalism of post-war Germany, which advocates that a market-based society needs strong morals and rules – even government intervention – if it is to work equitably and efficiently. Hence the Prime Minister's welcome targeting of vested interests and corporate greed, with calls for workers' voices on company boards and greater transparency around the recruitment and pay of different social groups.

*If conservatives are unable to argue that capitalism benefits most people, then they might as well pack their bags now and go home. Of course it has and does*

If capitalism is to remain popular and effective, then individuals and corporates do need to behave more responsibly. Markets are motored by – and have consequences for – human beings, not just profit; that needs to be appreciated and acted upon by more people. Conservatives should not abandon May's 'responsible capitalism' agenda, therefore. Equally, though, Conservatives need to be much more responsible in how they talk about capitalism.

Some on the Left, especially under Corbyn, have pushed a simple, spellbinding narrative about Britain's economic model in recent years: that free-market fundamentalism has been pursued by the Tory Government, and only an elite – the so-called 1% – have benefitted from this. Too many on the Right are now swallowing and adopting this story. You can find it in the words of Theresa May and her previous advisers.

>> It is simply untrue that Tory administrations before the current one only offered the public free-market fundamentalism. Under Cameron, for example, the Conservatives increased the minimum wage; committed to real-terms increases in NHS spending; introduced a cap on the cost of payday loans; and announced a sugar tax on fizzy drinks from 2018: these are not the policies of a libertarian government.

*The Party's leadership needs to be confident and compelling champions of liberal values and economics, especially if they are to inspire younger people, who just voted decisively against the Tories*

And if conservatives are unable to argue that capitalism benefits most people, then they might as well

pack their bags now and go home. Of course it has and does. There is unprecedented access to travel and technology. Rates of education, employment and entrepreneurship are at record levels. According to the Office for National Statistics survey of personal well-being, most the British public – even in less affluent areas – are generally satisfied with their lives.

Conservatives should reject, not indulge, the attacks on liberal and democratic capitalism. The Party's leadership needs to be confident and compelling champions of liberal values and economics, especially if they are to inspire younger people, who just voted decisively against the Tories. Indeed, the recent election campaign and manifesto did not do enough to celebrate some of the real economic successes achieved under the Conservative Governments since 2010. It was foolish not to play

the Tory trump cards: economic competence and fiscal stewardship.

This is a call for a sense of perspective, not complacency. There are still too many people, as the Prime Minister has passionately articulated, who are struggling in our capitalist society. And all of us, to differing degrees, face day-to-day challenges where a little more help from government would be welcome. This is what the Tories should focus on now: not petty philosophical debate, but on devising and delivering sensible policies to improve lives. Practical help from the Conservative Party – not a new name, vision or philosophy – is what will win them the next election.

The Conservative Party needs to argue for – and build – a responsible capitalism. But it also needs to be more responsible in how it describes the reality of living in this capitalist country. ●

## Britain breaking barriers

James Dobson and Ryan Shorthouse

Britain is the home of human rights and a global force for good. After Brexit, Britain should not just be a global leader in free trade, but in human rights too. In this country, as a result of discrimination, too many people are still held back — especially in education and employment — because of who they are rather than what they do.

After a year-long inquiry led by a commission of high-profile decision makers and opinion formers, this report provides a comprehensive and compelling set of policies which can be used by the current Government for its social reform agenda to strengthen human rights and tackle all forms of discrimination.

### LATEST REPORT



# Mending markets

Scott Corfe claims that to save free markets, we need fairer markets



SCOTT CORFE is chief economist at the Social Market Foundation

Many have interpreted the outcomes of the EU referendum and the 2017 general election as a rejection of a market-based economic settlement that is not working for a significant portion of the population – both in terms of providing good work and value for consumers.

At their best, free and functioning markets are a driving force of job creation, innovation and prosperity. They also increase value for money. The recent retail price war, which saw the ‘big four’ supermarkets slashing prices in the face of increased competition from Aldi and Lidl, highlights how competitive forces can lead to better outcomes for consumers. Mortgage rates have also been pushed down in recent years as lenders have had to compete hard to win over customers.

*Free and functioning markets are a driving force of job creation, innovation and prosperity. They also increase value for money*

All too often, however, consumer markets are dominated by a lack of choice and barriers to switching supplier. Inertia among households does not help either – with unengaged consumers often sticking with poor

value telecommunication, banking and energy companies. In some markets such as the private rental sector, businesses also appear to be taking advantage of the weak bargaining position of households.

The consequences of this are clear to see. Customer satisfaction levels are relatively low in concentrated industries such as energy and telecommunications.

The most vulnerable, least engaged consumers often face the highest prices. Research by Ofcom, for example, found that landline-only customers – who are disproportionately likely to be poor and old – had seen rental charges increase by up to 49% in real terms over the past decade. At the same time, wholesale costs of providing a landline service had fallen by 26%.

Despite low costs for credit checks and producing a standardised contract, tenants in the private rental sector have seen a substantial increase in letting agent fees in recent years. Tenants, who are often desperate for a roof over their head lack the bargaining power needed to rebuff excessive prices.

Ultimately, when consumers are disengaged and lack bargaining power, and when barriers to competition are high, households get a raw deal. In these cases, a ‘free’ market can easily become what many people would consider an ‘unfair’ market.

The case for tackling this is compelling, not least because the existence of unfair markets undermines broader faith in markets, full stop. Unless we make markets fairer, there is a risk of this paving the way for a raft of anti-business measures or even the outright abolition of markets – through nationalisation of industries such as transport and energy. This would almost certainly lead to worse outcomes for households and the economy more widely.

*The most vulnerable, least engaged consumers often face the highest prices*

The will within government to make markets fairer, with better outcomes for consumers, is there.

For example, the Conservative manifesto for the 2017 general election emphasised a need to tackle inequality of outcomes in the energy market – where disengaged consumers find themselves on poor value deals.

So what’s the best route to fairer markets? Social Market Foundation research provides several insights.

We think there’s a case for re-examining the relationship between buyers and sellers, particularly in markets where consumers are disengaged or have little bargaining power. The ban on charging letting agent fees is an example of this.

>>But we believe that reforms should be considered elsewhere. Reverse auction schemes in energy, where suppliers bid for consumers' business, could lead to a much more active and price competitive energy market.

*It should be as easy to cancel a subscription as it is to sign up for one*

It is also worth reconsidering the role and remit of regulators, with a greater emphasis on tackling issues around price transparency and the inequality of outcomes between

those on the best and worst deals offered by a company. One approach may be to curb use of rolling contracts, forcing companies to inform consumers about better deals at the end of a contract term.

There is also a case for regulators to do more to make markets more symmetrical – it should be as easy to cancel a subscription as it is to sign up for one. A service that can be signed up for online, should be cancellable online. Forcing individuals to phone to cancel creates barriers to switching, especially if phone calls involve hard selling

techniques to discourage cancellation. In particular, this can trap vulnerable consumers in poor deals.

Fairer markets lead to more innovation, better customer service and lower prices for consumers. But they do not always come about naturally. In our view, consumer engagement and bargaining power are necessary for a market to be fair – having choice of supplier is not sufficient. Government needs to recognise this with a new, radical approach to regulation. The costs of not doing so are potentially substantial. ●

## Can we make capitalism healthy?

The food and drink industry should do more to reduce the burden of obesity on society, argues **Dolly Theis**



DOLLY THEIS is a researcher at the Centre for Social Justice

Capitalism is making the wealthy healthy, but the majority of us fatter.

Britain is now the most obese country in Europe. Sixty-eight percent of men, 50% of women and a third of children leaving primary school are obese or overweight. This is not only leading to around 70,000 premature deaths each year, it is also estimated to cost our economy a staggering £27 billion annually, which in the absence of concerted effort, is expected to rise to £50 billion by 2050.

In a landmark attempt to address the issue and save our NHS from

going bust, the Government published a plan in August 2016 to “significantly reduce” childhood obesity rates in England over the next ten years. Despite valid criticisms of its weakness in relying on mainly voluntary actions by the food and drinks industry, medical professions and schools, it did mark an important ideological shift for the Government, away from viewing childhood obesity as an issue of poor personal choice, towards understanding that our environment, socioeconomic circumstances, education, and influence put on us by the food and drinks industry dictate the choices we are presented with.

Although obesity is evident in all communities, it is our poorest

and most vulnerable children who are worst affected. By aged five, a child in poverty is twice as likely to be obese than their least deprived peers, and by aged 11 this increases to three times more likely. In fact, according to National Child Measurement Programme (NCMP) figures, the obesity gap between the least and most disadvantaged children in England is growing, meaning inequality in this health outcome is getting worse.

*Capitalism is making the wealthy healthy, but the majority of us fatter*

To help the government, industry and public sector address

>> this inexcusable inequality, the Centre for Social Justice launched a formal review into childhood obesity, physical inactivity and deprivation last year.

A key part of the review will look at how industry can be challenged to take responsible capitalism one bold step further, by making capitalism healthy.

For too long the food and drinks industry has got away with its role in the obesity crisis. Mainly because the causes of obesity are so complex and multifaceted. Unlike the link between smoking and cancer, there is no one thing that leads to obesity. For years, scientists, nutritionists and medical experts have failed to reach a consensus. One minute it's about vilifying fat, the next it's all about sugar. This has allowed the food and drink industry to dodge their responsibilities and continue cleverly marketing food and drink accordingly.

*Only when capitalism becomes healthy and being healthy becomes the norm, will we witness a significant reduction in childhood obesity rates*

The Government's Childhood Obesity Plan placed a spotlight on the food and drinks industry by announcing a sugar levy on fizzy drinks and igniting the reformulation of numerous unhealthy products, particularly soft drinks. This confirms the important role taxation, regulation and targets should play in creating a less obesogenic environment. It was also



a warning to industry that, should it fail to address the obesogenic environment it has helped create and take the necessary steps to remove the advertising and availability of calorie-dense, addictive and unhealthy food and drink, it may face a future like the tobacco and alcohol industry, including: plain packaging on unhealthy products, potent health warnings, duties comparable to alcohol, and blanket advertising bans severely restricting how junk food and drink is sold.

If industry is to avoid this nanny state, serious change must happen immediately. Choice in children's diets must be protected from the undue influence of the food and drinks industry. Parents must be empowered and supported by

industry and health professionals to make informed and healthy choices for their children. Government must set a fair but firm framework for industry, putting reducing health inequality and easing the burden of obesity on society first. Ultimately, the food and drinks industry must make capitalism healthy.

*Although obesity is evident in all communities, it is our poorest and most vulnerable children who are worst affected*

Only when capitalism becomes healthy and being healthy becomes the norm, will we witness a significant reduction in childhood obesity rates by 2026. ●



## Back to work

Greater support should be provided to women returning to work after caring, argues  
Flick Drummond



FLICK DRUMMOND *was MP for Portsmouth South and chair of the Women and Work APPG*

During my short time in Parliament, one of the issues I am most proud of raising is the recognition that women (and increasingly men) who have been out of paid employment are a huge pot of talent which is being wasted by our country.

*Many women need or want to return to work, but don't know where to start and face significant challenges trying to do so*

Many women need or want to return to work, but don't know where to start and face significant challenges trying to do so. This dilemma became the first inquiry and published report from the All Party Parliamentary Group for Women and Work that I set up and co-chaired with Jess Phillips MP.

The inquiry came out of a comment during the Women and Equalities Select Committee's gender pay gap report, which found that women who had been out of the workplace for more than six months found it difficult to find a job. This is a cause close to my heart. I was lucky: I took five years off to have four children and loved being at home with them. Bringing up the next generation is one of our

most important tasks as a society and is not currently given enough recognition. Jess Phillips, on the other hand, went straight back to work after six weeks, because she couldn't afford not to and had a husband who could take on the childcare. Many women are in the same position and many go back to work before they want to because they are worried that they will not find a job again.

Surveys show there is a huge reluctance for employers to hire someone with a gap in their CV. To end this, we need to have a change in values. What if, as a society, we recognised that gaps in our CVs for caring responsibilities are valuable rather than dismissing them?

Whilst job hunting, it's recommended that there are no gaps in employment history, and marital status or children should not be included. Why not? Surely, they make up part of you and for many women having children is a defining moment in their lives, not a blank space on their CV. You don't lose skills whilst at home caring for children or elderly parents: you gain skills.

*You don't lose skills whilst at home caring for children or elderly parents: you gain skills*

Any expertise lost in the workplace is most likely to be in either technological or legal changes, but both are easily picked up with training.

More important are the management skills of negotiation that dealing with children or elderly parents brings — skills I see again and again sorely lacking in some businesses.

*For many women having children is a defining moment in their lives, not a blank space on their CV*

However, after taking a break from a career, something that is lost is confidence, and research shows that women are particularly prone to this. Looking at a job specification and seeing the criteria often leads women to believe that they are only qualified to do half of them so there is no point in applying. Men don't appear to have the same attitude. Encouragingly, there are increasing numbers of organisations and employers helping women through the system. But how do we get around to telling people who want to return that they are valued and can also pick up skills quickly?

Most returners are keen to go that extra mile to equip themselves with extra training when it is provided. One of the ways many companies can do this is by providing short apprenticeships or by advertising the job with additional training provided. These ideas give the confidence to people that they won't fall down at the first hurdle but will be looked after. Mentors and



>> peers should be provided by employers to support the returner. Flexibility is another issue affecting parents and carers. Taking time off to go to parents' meetings at school should be a right, as should taking elderly parents for hospital visits without using holiday leave to do so. Employers need to be more family-oriented and understand flexibility leads to a more loyal workforce. I guarantee productivity would increase.

A happier society is a productive one, and there are green shoots that show we are beginning to understand this. I recently chaired an education conference where a Professor stood up and apologised for her generation getting it wrong. She said the balance had swung too much towards pushing parents back to work and not enough towards a work-life balance. I disagreed as her generation have

given women the opportunity to do both. But there is a truth to the cliché that when people reflect back on their life from their deathbed, they tend to wish they had spent more time with their family and less time at work.

*After taking a break from a career, something that is lost is confidence, and research shows that women are particularly prone to this*

So how do we change social attitudes? I believe it has to start from the top. Some simply assume that the next generation will find a more reasonable work-life balance, but by the time that people get to their 30s and 40s with mortgages and commitments, it becomes harder.

If they see their managers working long hours and not taking time off

for family responsibilities, they will not feel they are able to. There are examples of companies taking this on and far-sighted managers tackling the issue by example. The Government should publicly recognise these companies to share good practice around the country.

I was very pleased the Chancellor recognised returners and the barriers they face in the budget this year. £5million has been put forward to help returners back to the workplace. I hope it will recognise that companies can lead the way. It does not need legislation to change the workplace. It needs leadership to show how it can be done.

In the meantime, it will be interesting to see whether the so-called 'gaps' in my own CV are a hindrance or a help, as I look for work after being an MP. ●

# Making the consumer king

James Plunkett explains how non-choices are making markets unfair and inefficient



JAMES PLUNKETT is the Director of Policy and Advocacy at Citizens Advice

Well-functioning consumer markets run on choice. When people proactively choose products and services they drive fierce competition between firms bringing innovation, efficiency, and lower prices - and they're more likely to get a good deal too.

Too many essential service markets take advantage of 'non-choices'. Non-choices are where a consumer pays, or pays more, for a product or service without making an active, informed decision to do so, or where they have no option but to take a service from a particular provider. Too often, non-choices aren't just unfair, they're inefficient.

*Intuitively we expect loyalty to be rewarded, but in essential service markets too many companies exploit people's behaviour. Companies know people lead busy lives and are unlikely to switch providers so up their prices*

At the extremes, the nature of some essential service markets means consumers have little or no opportunity to choose at all. In the private rented sector, where tenants choose a house rather than

a letting agent, consumers are hit with massive fees - £337 on average - when they rent a property. The fees themselves vary wildly between providers, with letting agents charging anywhere from £6 to £300 to check a reference and from £15 to £300 to renew a tenancy. People don't choose their letting agent on price, so the market is inefficient.

More common is where companies take advantage of consumer behaviour when people are unlikely to choose or choices are difficult.

In the broadband market loyal customers - those who stay with their supplier after their initial contract has come to an end pay £113 a year more than those who choose a tariff. That is not unique. In the energy, mortgage, and savings markets, where people don't make an active choice they pay a high price. Intuitively we expect loyalty to be rewarded. But in essential service markets too many companies exploit people's behaviour. Companies know people lead busy lives and are unlikely to switch providers so up their prices.

Inertia is a clear example of non-choice, but it isn't the only one. Essential service providers often charge high prices when consumers use services in an unpredictable way. In 2014 consumers paid £1.2 billion in unarranged overdraft fees. Companies know consumers are optimistic and find it difficult

to predict how they might use a service. They charge high prices at the point where consumers have little choice - you can't get an overdraft from another bank.

Another way companies profit from non-choices is by selling services with complex contractual terms: interest-free credit cards which become interest-bearing if someone goes over their limit, or car finance deals with punitive charges for breaking certain terms and conditions. Consumers do not break down that complexity when making their choice - the product many people end up with is fundamentally different to the one they chose.

Those non-choices make markets less fair as vulnerable consumers are less likely to actively engage in markets. Nearly 80% of Britain's elderly, disabled and low-income households say they haven't switched their energy bill for three years.

But markets that are built on non-choices are not just unfair, they're inefficient too. If companies can profit from a lack of choice they are less likely to be competitive. That means higher costs and higher prices.

These challenges, because they're so closely linked with inherent human behaviour, often feel insurmountable - the solutions aren't always straightforward and intervention will always involve trade-offs. But there are ways policymakers can limit the impact of non-choices



>> on consumers and markets.

Policymakers and regulators should require information about contracts to be clear and comparable. In the broadband and energy markets for instance, even if a consumer wanted to choose a contract based on the best long-term deal, they'd find it difficult. Information about out-of-contact tariffs is rarely advertised.

Clearer information only goes so far. Where consumers have little to no choice - such as over their letting agent - the price mechanism should be shifted to where the choice is. Letting agent fees charged to renters should be

banned and the upfront costs should be met by landlords who are more able to choose their provider.

More generally, consumer behaviour means better information is a blunt tool. Consumers, particularly vulnerable consumers, are still unlikely to take long-term decisions which carefully factor in future behaviour. Targeted price caps should be used to protect vulnerable consumers from expensive default tariffs or from high prices when they use a service more than they expect. The Government should cap energy prices for people eligible for the Warm Home Discount: a step that

would cut energy bills for 2.6 million people who are most likely to be vulnerable and least likely to switch.

*Markets that are built on non-choices are not just unfair, they're inefficient too*

Efficient and fair consumer markets are driven by choice. Where they can policymakers should strive to encourage engagement and active choices. Where they can't, they should step in to limit the negative impact of non-choice both to protect consumers and make markets more efficient. ●



# Does business do enough?

Kamile Stankute on the role of businesses in creating a fairer capitalism



KAMILE STANKUTE is  
the Parliamentary  
Affairs Officer at the  
Institute of Directors

“It is economic success which will provide the surest guarantee of help for those who need it most,” wrote Margaret Thatcher in 1983. Her view is, after all, shared by most economists – that, simply put, capitalism works better for lower earners. Nevertheless, many feel that the current system is not working and that markets are failing people.

Last month’s general election was a clear expression of this growing feeling in Britain. With Jeremy Corbyn as leader of the Labour Party, it was hardly surprising that their manifesto would offer an interventionist programme. However, the fact that Tories have shifted towards an increasingly interventionist agenda shows that the ‘big state’ is becoming popular again.

The benefits of capitalism should be self-evident – it empowers individuals to progress, gives them freedom to choose and much more. Yet, the current climate of stagnant real wages makes it easy to forget the advantages. On top of that, news stories about business figures like Mike Ashley vomiting in a pub fireplace and photos of Sir Philip Green holidaying on his £100million yacht after putting the BHS pension fund into jeopardy do not help capitalism’s image.



There is of course no easy answer to how the challenges could be overcome, but the business community has a role to play. Businesses should not wait for the government to regulate. They should get out in front and show that they play a responsible role in society.

*The fact that Tories have shifted towards an increasingly interventionist agenda shows that the ‘big state’ is becoming popular again*

It is crucial to remember just how bad the situation got in the 1970s, when industry strikes were the norm and Leicester Square was piled with stinking rubbish. The dangers of going the other way, to the system where there is no reason to invest in the economy, must be highlighted. The solution is not allowing corporatism, but talking about the benefits of capitalism. Winston Churchill once said democracy is “the worst system

except for all the others” – the same could be said about capitalism.

It is fair to say businesses recognise the problems with the current situation. Asked what they think the biggest threats to public trust in business are, Institute of Directors’ members outlined “anger over levels of senior executive pay”, “unsympathetic media portrayal of business” and “mistrust of products” as the top three. These views aren’t too dissimilar from the public at large.

This perhaps explains why only 2% of Institute of Directors members say executives should take bonuses in a year in which a company’s financial performance is worse than the previous years, regardless of the reasons for declining performance. The Institute of Directors, of course, mainly represents small and medium size firms. The views of big corporates – that tend to be the ones to dole out excessive bonuses – may differ. Nevertheless, the fact that the problem has been recognised by the business community on



>> the whole is in itself promising.

*There is no reason why those firms for whom it works should not get ahead and begin the process of empowering workers' voices on boards*

There are nevertheless more things that the private sector can do to - by tackling excesses of capitalism, business leaders can help to improve its image. The Conservative manifesto featured pledges to introduce legislation that would guarantee workers' representation on company boards. Following the unexpected election outcome, the commitment did not feature in the Queen's Speech. However, there is no reason

why those firms for whom it works should not get ahead and begin the process of empowering workers' voices on boards. The appetite for that is growing and the benefits for companies are becoming increasingly recognised, both in regards to reputation and productivity.

Training is another area where the business community can show that it's a force for good in the society. As we get reminded every other day, the skills gap is a significant problem in the UK. The crisis is only likely to grow, as the challenge of automation will make Brexit negotiations look like a walk in a park. Through providing better training for their staff, private companies can help to build a pipeline of skills in their

industry, thereby benefiting both their business and workers who are in danger of being left behind by transforming industries.

Business groups like the Institute of Directors also have a role to play in restoring the public's confidence in capitalism and free markets. It is for this reason that the Institute of Directors has been championing the need to improve corporate governance and calling for tax reforms for the self-employed.

Between 1990 and 2010 the number of people living in extreme poverty in developing countries fell from 43% to 21%. Global poverty and inequality are at their lowest recorded levels. The benefits of capitalism are clearly worth extolling. ●

## Unlocking potential

After Brexit, we need more wealth creators. **Pamela Dow** urges us to look to ex-offenders



PAMELA DOW is  
*the Chief Reform  
Officer at Catch 22*

In these tribal times it is pleasing to find a public policy for which a compelling case can be made within every political tradition. Judging the success of prisons and probation by how well they educate and train people into a decent job has universal appeal. Seventy-five thousand people leave prison each year, of which 75% are unemployed. No wonder: nearly half of those

in prison don't read or write to the standard expected of 11-year-olds.

*In these tribal times it is pleasing to find a public policy for which a compelling case can be made within every political tradition*

You can make a capitalist argument for future employment as a core element of a prison sentence, based on efficiency and minimising the tax burden. The criminal justice system's failure is expensive (46-

69% of prisoners reoffend on release, costing £7-10billion a year). People are less likely to commit further crimes if they have the dignity, responsibilities, stability and wage that a good job provides.

You can also argue for it as a social justice warrior. Prisons are disproportionality packed with people from poor backgrounds, who have been in care (23% of total, rising to 50% of those under 25), and who are from a minority ethnic group (26%). Education and a good job helps break cycles of disadvantage.

>> You can even mount a libertarian defence of a Ministry of Justice education and employment strategy: if every other institution has failed to equip someone with the tools for self-sufficiency, prisons and probation must do this at least (and most). A Marxist argument is easily found in the prize of the withering state, by reducing the coerced and incarcerated population.

Given this ideological convergence, why is the status quo so bleak? There are both supply- and demand- side problems. Every prison governor wants to run a rehabilitative regime and offer a full timetable of purposeful activity linked to job prospects, supplying a job-ready pipeline to eager employers. The barriers to doing so are huge. They include the rigidity of national contracts which prevent local partnerships with FE colleges and small businesses who understand the market and can build the personal knowledge and relationships we all know are necessary. ‘Release on Temporary Licence’ (ROTL), used to be an essential and successful part of preparing prisoners for release but since the notorious ‘Skull Cracker’ case in 2014 it is barely in use. (A good example of why political leadership and courage is so important in defending professional practice during sensational outlier incidents.)

Staffing and violence levels also constrain local flexibility. For many prisoners there are also more barriers than just opportunity between them and a vocational qualification. Part of their progress towards a job offer needs to address substance addiction

and mental health, and on the outside whether they have a place to live and supportive family and friends.

The current prison reform agenda is – slowly – trying to tackle these problems, with the most important change being a devolution of budgets, decisions, expectations and ambition to frontline leaders and managers.

*You can make a capitalist argument for future employment as a core element of a prison sentence, based on efficiency and minimising the tax burden*

On the demand-side, the constraints are similarly huge. Even when chief executives and boards sign up to do more to support rehabilitation, making changes in their organisations can be like wading through molasses. The perception that ex-prisoners pose a reputation or safety threat to staff and customers is enough for a risk-averse HR department to block progress. Large employers may sign up in principle but lose patience with the paperwork and inflexible regulation, for example blunt Disclosure and Barring Service (DBS) checks or punitive insurance premiums. Others would love to talk to their local prison but don’t know how to initiate contact. And the centrally commanded hierarchy and constantly rotating managers of the prison service, and fractured probation system, don’t help.

There are many trailblazers working to train prisoners in the skills needed for their workforce pipeline. Code 4000, about to launch in East Riding, is an exciting pilot

using digital mentors from tech to teach code, lining up jobs at Siemens on release. Bounceback, Switchback, Working Chance, Prosper 4, Offploy and Tempus Novo all act as effective brokers, within the walls and outside. Longstanding champions like James Timpson, continuing the wonderful legacy of his father, recruits 10% of his Timpsons, Snappy Snaps and Max Spielman staff direct from prison. Halfords have opened a training academy for the women in HMP Drake Hall. Restaurateur Iqbal Wahhab not only employs ex-offenders but makes the case to others for doing so as a rational business strategy, not a cosmetic PR or CSR exercise. As he argues, while those who have served time may need extra practical and pastoral support from their bosses at first, they become the most loyal, reliable and resilient team members, often rising quickly to senior posts. DHL, Virgin, Greggs, First Direct, Marks and Spencer and The Co-op also deserve recognition for their efforts to overcome barriers.

*Longstanding champions like James Timpson, continuing the wonderful legacy of his father, recruits 10% of his Timpsons, Snappy Snaps and Max Spielman staff directly from prison*

After Brexit it won’t be possible for the UK to ignore 75,000 potential wealth creators leaving prison every year. The first, second and third sectors will all have to work together to unlock potential. ●

## Skype session with... Martin Lewis

Laura Round speaks to **Martin Lewis** about mental health, debt and student loans



MARTIN LEWIS is the founder of *MoneySavingExpert.com* and the charity *Money and Mental Health*

**LR** Do businesses have to behave more responsibly if market economies are going to work properly and fairly, and if so, how should they?

In some ways I think the push towards corporate social responsibility and responsibility in general is a rather damaging move, because it blurs the line. A business's job is primarily to make money for its owners or its shareholders. If we want them to look after people and try to push them into some warm fuzzy responsibility feeling, which isn't their job, we need proper regulation and policies. It is nice if some companies behave responsibly and often they will give good service to the function of profitability. But to try and have it as an innate part of business and to have that as your leverage to have them behave better is futile and I prefer to rely on decent regulations and policies.

**ML**

**LR** Do you think market-based economies make society more miserable?

I don't know because I've never lived in one that isn't. But I would say, the innate problem with market-based economies is that billions of pounds are spent on advertising and marketing and we have systematically failed to provide any training. If you want a market to work, then you need decent behaviour on both sides of the equation. And we don't have good consumer behaviour. Unfortunately, with the academisation of the education system not all schools have to provide financial education. The Government has not provided enough resources nor encouragement on this subject and it has been done incredibly poorly. I think that's irresponsible and short-sighted. A market economy works well when you have consumers and businesses who understand the nature of it. It doesn't when one side is blindsided, and unfortunately that is how we've set up our market economy.

**ML**

**LR** What do you think the impact of student debt is?

I don't believe it is debt, but we call it debt when they go to university and yet we have never educated them about it, which is a huge problem. Because no one has educated about the difference between what is in fact a graduate contribution system and getting a payday loan. I believe it is largely a disastrous social policy, partly due to misnaming it. Calling it a student loan is incredibly damaging. We've framed it wrong, and that framing has been worse than the underlying mechanics which aren't particularly bad. The way it's being portrayed politically, by both sides and the way it's being misnamed and used as political football has been abominable and I think politicians, whether they wear red or blue or yellow, for the last twenty years should hang their heads in shame about it.

**ML**

**LR** Would you say students going to universities are consumers? Do they get a good deal?

No, I think the whole thing is completely mucked up. I think the idea of making universities competitive hasn't worked, full stop. All universities charge the same fee. There is no value for money equation. All we've done is set up a graduate tax that closes once you've paid it off. It should be called a graduate contribution system, it shouldn't be called a student loan. Whether it's value for money depends on the individual and what they put into it. I don't like the consumerisation of universities. I think it risks some dangerous consequences.

**ML**

**LR** Do you think mental health problems are on the rise and why?

It's very difficult to say. I think that we've certainly got an increasing awareness of mental health issues. The diminishing of stigma means it is something that is talked about more, which is good. I think the fast pace and interconnectedness of modern life and the increased stress that people tend to be under are a driver towards a potential increase in mental health conditions.

**ML**

**LR** People with mental health problems are three times as likely to be in problem debt. I imagine in many cases it's the other way around - being in debt might lead to mental health problems?

I call it a marriage made in hell. Mental health problems can certainly lead to severe financial stress and financial mismanagement. Debt problems could lead up to mental health breakdowns. The two feed off each other in an incredibly devastating way. The research we've done shows that it isn't just the lack of income: this is about the ability to manage. A mental health condition is about impaired decision making. A perfect market is one where there's perfect information and perfect decisions being made on both sides. But when one in four in the community has a mental health issue every year and are therefore potentially making poor decisions, you don't have a perfect market.

**ML**

# Should politicians nudge human behaviour?

The opportunities and risks that ‘nudging’ presents to policymakers are assessed by  
**Professor Robert Metcalfe**



PROFESSOR ROBERT METCALFE  
*specialises in Markets,  
 Public Policy & Law  
 at Boston University*

Politicians and governments often try to build a better society by introducing rules, regulations and yes, even taxes. Examples include speed limits, auto exhaust emission standards, and sin taxes. Within the last decade, policymakers have also become interested in using ‘nudges’ to change behaviour. A ‘nudge’ is a relatively small change in the way that information or incentives are presented, ostensibly resulting in a notable change in citizen behaviours.

What’s really appealing about nudges is that they can sometimes change behaviour dramatically at very low cost. So, for example, many more people save for retirement when they are defaulted into the programme versus having to elect an actual retirement plan. To offer another illustration, we know that people reduce their home energy use by when they view their energy consumption as compared to their neighbours.

While the calculated application of nudges is relatively new, they can be evaluated on the same terms as traditional policy tools. For instance, we may appraise a nudge by conducting cost-benefit tests. Do the benefits of the nudge outweigh the costs?

Let’s take an example from work

that our team recently completed with Virgin Atlantic. We conducted an experiment to motivate airline captains to be more fuel efficient by randomising different nudges that we suspected would change captains’ in-flight behaviours. We found that by simply informing the captains about their exact behaviours that were causing excess fuel waste, accompanied with a target for reduction of those behaviours, we consistently reduced the amount of fuel wasted per flight. The cost of the intervention was close to zero. The benefit of the intervention was reduced fuel use and cost, a reduction in carbon dioxide emissions, and higher captain job satisfaction. This nudge passes the cost-benefit test, and demonstrates one way that nudges can be a force for both private and social good.

*What’s really appealing about nudges is that they can sometimes change behaviour dramatically at very low cost*

Should policymakers be using such nudges? In the case above, the nudges buy us a lot. Few would argue against their use to improve overall human welfare. But in other cases, the cost-benefit test is not so clear. We have a lot more to learn about what differentiates an effective nudge from one that is impotent – or

worse, one that backfires. We need more experiments by governmental, public and private organisations in order to not only understand whether and how nudges change behaviour, but importantly how they can be used to improve welfare.

Let’s look at a different type of nudge: that of fear-inducing pictures on cigarette packets (a scary image of a deceased smoker’s lung, for instance). The fear induced by the image is assumed to reduce cigarette demand. Yet, information on the health risks associated with smoking have not changed, nor has the price of cigarettes. Smokers may not want to be shown graphic images of dead lungs, and therefore are worse off from the images. Similarly, overweight people might not want to hear that they are obese. To refer to earlier examples, people using a lot of electricity at home might not want to be told that they consume more than the average household, or people might not want to be defaulted in a retirement savings plan where there is presumed consent.

In many cases, these nudges are successful in changing behaviour, but they are not always easy free lunches and they are not a substitute to the traditional ways for politicians to govern countries. Politicians should be aware of these two facts before trying to nudge a behaviour and attempt to understand whether they actually make people better off. ●

## Theresa May: free-marketeer?

Mark Littlewood argues that passionate advocacy for free markets is the route to electoral success for the Conservative Party



MARK LITTLEWOOD is the Director General of the Institute of Economic Affairs

From the beginning of her premiership, Theresa May has been compared to Margaret Thatcher, that last great female Prime Minister. Both came to power after a period of national turmoil – Thatcher following the Winter of Discontent and May after the painful and divisive Brexit referendum.

*The most recent Conservative Party manifesto further entrenched the move away from free markets and classical liberalism*

However, similarities can be deceptive. While Thatcher saw Friedrich Hayek as her ideological mentor (according to urban legend slamming down a copy of his Constitution of Liberty on the Cabinet table to show what she believed), Theresa May instead looked back to the work of interventionist Joseph Chamberlain, even attacking the ‘libertarian right’ in her first conference speech as party leader.

Unfortunately, the most recent Conservative Party manifesto further entrenched the move away from free markets and classical liberalism.

Increased employment regulation, including plans to force companies

to put workers on boards and further government intervention in pay bargaining, not to mention further retreat from sensible fiscal consolidation, made the manifesto one of the most anti-market Conservative policy offerings in decades.

But worse than the actual policies was the rhetoric of the document. Quotes like “We do not believe in untrammelled free markets” and promises that the government would “act in specific markets” litter the manifesto. While few – even at the IEA – would argue for “untrammelled free markets” without any regulatory check, the clear implication is that Prime Minister May (or perhaps Nick Timothy) believe that the current British economy is too free at present, rather than too constrained.

This is extraordinary. Despite the Cameron Government having a number of liberally good points, it would be difficult to complain it was too taken with free markets. The Government now presides over an economy that pays more as a proportion of GDP in tax than under any previous Conservative Government since World War Two. Meanwhile, the UK tax code is one of the longest and most confusing in the world, clocking in at ten million words in length with half this word count added during George Osborne’s tenure as Chancellor. To give you a sense of what this means, if you were to dedicate yourself full-time (40

hours a week) to reading the entirety of the UK tax code, it would take you two years to read the whole thing. During the same amount of time, you could alternatively read the five longest novels ever written – or *War and Peace* twenty times.

*The UK tax code is one of the longest and most confusing in the world, clocking in at ten million words in length*

No government in the past 25 years has maintained much of a hands-off approach to the economy or society. In that time 34,000 new Acts of Parliament or statutory instruments have been introduced, while the regulating of industries such as financial services has increased so rapidly that, on current trajectory, the number of regulators will soon outnumber the number of financiers. It is clear that we live in no libertarian paradise.

So, it is saddening as well as concerning that when framing her vision of the future of Britain, Theresa May looked not to policies that would break down the entrenched elites and give individuals and local areas more control over their own lives and money. That rather than defend the successes that free market liberalism have brought to both Britain and the world, the Conservatives effectively yielded the intellectual and moral debate to



>> the Labour Party by agreeing that the market was not the answer, but that their brand of state control was slightly better than that of Labour.

It is worth remembering why this retreat matters. There has never been a more successful poverty-reduction policy than free trade and liberal economics. Hundreds of millions of people across the world have been brought out of poverty as countries such as India and China

have liberalised their economies and lifted the dead hand of the state from industry. Countries like New Zealand have freed their farmers from addiction to subsidies, and seen the productivity and wealth creation from doing so. A health care system more open to market provision has saved thousands in countries like the Netherlands and Germany that would have died under the care of the NHS.

Britain stands at a crossroads during the next two years. The choices that this Government (for as long as it lasts) makes will determine the success of Brexit and the economic opportunities available to the next generation. If the Conservatives want to hold back the socialist tide, then the leadership must once again defend the free market and the good it does. Be bold, Prime Minister! ●

## Fixing the broken energy market

**John Penrose MP** encourages the Conservative Party to continue being bold in reforming the energy sector

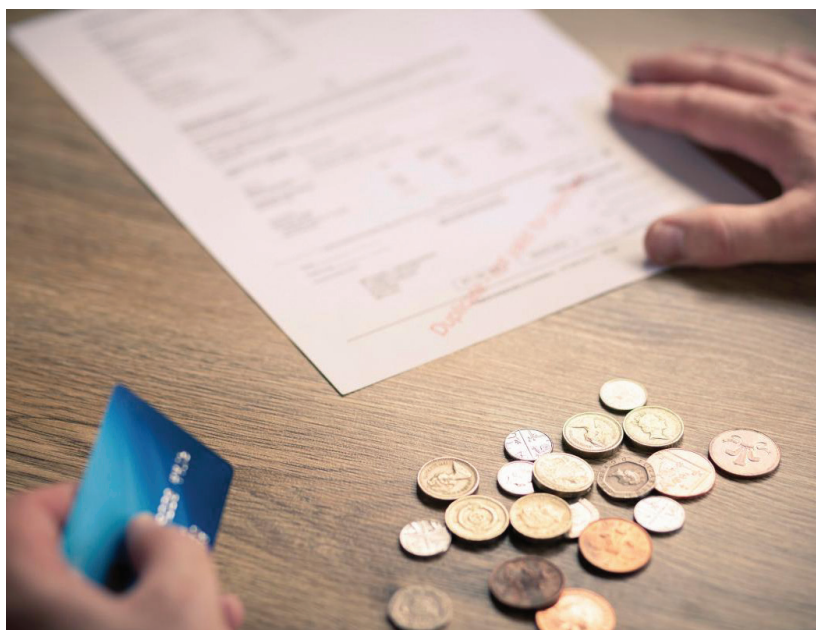


JOHN PENROSE is the MP for Weston-Super-Mare and former Minister for the Cabinet Office

Whatever you think of the Conservative election campaign, we got one policy offering absolutely right: the energy price cap. We promised a cap that would end the rip-off for 17 million consumers and it was, unsurprisingly, very popular on the doorstep.

But some people feel that if some customers are too disengaged to pay attention, or can't be bothered to switch, they deserve to be ripped off. They're grown-ups, after all; why shouldn't we treat them like adults? It's their own fault if they're too stupid or inattentive to notice. They should be left to suffer.

This simply won't wash. We need



to stop blaming customers for not exhibiting what economists think ought to be 'correct behaviours' and start asking why the sector

isn't delivering what consumers want and why. Because, at the moment, contrary to all economic theories, the amount of switching



>> does not increase as the size of the potential cost savings rise.

This shows this market is completely broken. So broken that even the basic laws of supply and demand aren't functioning properly. Clearly, we must reform the sector so it behaves like a normal industry where the customer is king – not the regulator, or the politicians.

Markets aren't natural creations, like the laws of physics. They're man-made. If we get the rules right, consumers and citizens are top dogs. But if we get them wrong, then prices go up, quality goes down, and either the shareholders or the bosses make out like bandits at our expense.

*We need to stop blaming customers for not exhibiting what economists think ought to be 'correct behaviours' and start asking why the sector isn't delivering what consumers want and why*

First, we need to make switching simple, quick, easy and safe. There are some detailed, but vital, steps

that would make it less stressful and not so scary. If you could change your energy supplier, or your contract, in a few seconds, with a click of a mouse or a tick of a box, the number of people switching would go through the roof.

But persuading us all to behave differently and to switch more will take time, probably years. And we can't leave 17 million households to carry on being ripped off while it happens.

All parties, including Labour and the SNP, agreed in their manifestos that we need an energy price cap to stop this sort of behaviour. The 30 or so challenger energy companies that are snapping at the Big Six agree, and have been clamouring for a relative price cap for some time. I think we should listen to them.

Simply put, the relative price cap is a maximum mark-up between each energy firm's best deal, and their default tariff. It would mean that, once your existing deal comes to an end, if you forget to switch to a new one then you won't be ripped off too badly.

Energy firms could still have as

many tariffs as they wanted, so there would be plenty of customer choice, and competition would be red hot. Crucially, it would be a lot better than an absolute price cap or freeze, which is what Ed Miliband originally proposed, because each energy firm could still adjust prices whenever it wanted, if the wholesale price of gas or electricity went up or down.

*Let's be bold. We have to ignore the Big Six and deliver on our manifesto promises*

To their credit, Ofgem realise there's a problem and they're trying to fix it. But their proposals are timid, shrivelled, pathetic things which only help two million customers, not the 17 million customers who are being ripped off to the tune of £1.4 billion each year.

Let's be bold. We have to ignore the Big Six and deliver on our manifesto promises. The prize would be an industry that is fair. That isn't hated by its customers. And that can hold its head up high at last. ●

## A property-owning Britain

Conservatives must act now to reverse the fall in home ownership, argues **Alex Morton**



ALEX MORTON is *Director at Field Consulting, and was formerly David Cameron's adviser on DCLG matters*

One of the greatest advances since World War Two was the rise and rise of home ownership. Whereas in 1953 just 32% owned their home, this had risen to 71% in 2003. But home ownership fell from 71% in 2003 to just 62% in 2016. In the past two decades for those aged 25, the number owning their home fell from 46% to 20%.

Yet over 85% of people still want to own their home and falling ownership is a massive source of frustration. Additionally, even some owners are trapped in a smaller flat than they need as they cannot afford a family sized home.

*One of the greatest advances since WWII was the rise and rise of home ownership*

The key in the long run is greater housing supply. It is important to note that, despite some very lazy commentary to the contrary, the UK does not have an undersupply of social or council housing. We actually have the fourth highest level of sub-market rent in the European Union – we are miles ahead on that front.

Instead, the failure has been on the system to deliver enough private homes – a failure that is much worse than other countries. For decades,



councils have been told that they have to deliver a local plan and ensure that enough homes are built in their area to keep up with population growth and the desire for more space. Very few councils have done so. Even worse, the government until 2015 did not even monitor in a systematic way housing numbers delivered in each area and cross reference this with local need to make sure this goal was met.

The Government has now announced a ‘delivery test’, with councils having to build enough homes to meet 95% of any requirement in their area or face an action plan on how to get the level of homes up to the level required. These action plans need to set out,

in a simple way, the infrastructure needed, the design of new homes, and measures to make sure that local people see the benefit of new homes (for example, low-cost home ownership for local people).

*It is important to note that, despite some very lazy commentary to the contrary, the UK does not have an undersupply of social or council housing*

Unfortunately, few believe these action plans will follow, and most think councils will get away with not meeting housing need. Government talks big about housing but it needs to think small and intervene



>> intelligently if it is to actually get housing numbers to 250,000.

*The failure has been on the system to deliver enough private homes – a failure that is much worse than other countries*

To deliver sufficient homes will require a diversification of housing supply away from the big housebuilders. The major housebuilders build out sites slowly to ensure that they can sell them – at a rate of around one property a week. They also tend to build a fairly similar product across the country. They are a key part of the mix, but they will not get us to 250,000 homes a year.

Such diversification in housing can also help achieve other objectives as well as just supply. For example,

an increase in retirement housing, which is sold to a totally different market to the normal housebuilders, would bring the UK more in line with other countries, where the numbers living in retirement homes are much greater. For every year that people delay moving to full time residential care this saves around £30,000 in health and social care. So retirement housing is about both housing supply and fixing social care.

Another example is shared ownership, where a home is purchased jointly, with a share taken up by another investor. It is often cheaper than renting or owning outright. After 2015 the Government had started to switch funding to help build shared ownership. The grant required for each shared ownership home was around half that of social housing so this meant more affordable homes.

There are already four million sub-market rent properties versus just 200,000 shared ownership homes. The Conservatives urgently need to offer something now in the short term to younger people – and expanding shared ownership must be part of the mix. Private investment into shared ownership can link up pension funds to helping people become owners, rather than trapping them into renting.

*Retirement housing is about both housing supply and fixing social care*

The Conservative Party should not give up on home ownership – the British people have not. The Conservatives just need a narrative and a clear action plan to turn people's aspirations into reality. ●

## Capitalism is core to conservatism

Brexit presents an opportunity for Conservatives to champion free enterprise, argues  
**The Rt Hon Lord Maude**



THE RT HON LORD MAUDE  
*is the former Minister of State for Trade and Investment and a member of Bright Blue's Advisory Council*

A Conservative Party that doesn't appear to be passionately in favour of free enterprise and wealth creation lacks credibility and authenticity. With

a Labour leadership overtly hostile to capitalism and globalisation, in the recent election no one was making the case for open markets and private enterprise. The Chancellor, who is an articulate advocate for the market economy, was seemingly locked in a cupboard for the duration of the campaign; and with no frontline economic spokesman on the airwaves the case went by default. This was

an especially severe failure because unprecedented numbers of younger people are – even if they don't think of themselves in this way – entrepreneurs. The so-called gig economy thrives on people having chosen to work outside the formal structures of conventional employment. A Conservative Party seeking to re-engage successfully with younger people needs to be able to connect the way many of



>> them live their lives and make their livings with what Conservatives believe and Labour hates.

I took no part in the EU referendum campaign last year. I thought both sides were wildly exaggerating their case and that the arguments were quite finely balanced. I thought a vote for Brexit meant some certain short-term downside – and the short-term is by no means over yet; but that it would open up some longer-term upside opportunity. I stress the word ‘opportunity’. It is by no means a given. Yes we have to negotiate free trade agreements – neither the walk in the park Brexiteers boast nor the eight year nightmare claimed by Remainers. But if we are ‘taking back control’ then we need to use it to make Britain unequivocally the best place in the world for people and businesses to put to work their money, ideas, talent and energy. We’ve been pretty good at that – among major economies the best at attracting inward investment. But part of that has been the certainty that locating an activity in the UK gives certain access to the European Single Market. I think that is likely to continue but the inevitable uncertainty means we need urgently to signal that

Britain will be a uniquely advantageous destination for investment and job creation. Yes we have lots of advantages: brilliant universities and science; the language; the time zone; and much else. But we need to show that we will be ready to make changes that give Britain decisive advantages over our competitors: advantages that will outweigh the disadvantage wrought by Brexit uncertainties.

*Unprecedented numbers of younger people are – even if they don’t think of themselves in this way – entrepreneurs*

So I worry when I read headlines like “We won’t be a tax haven after Brexit”. Well, I certainly don’t want us to be a jurisdiction where businesses can avoid tax; but I emphatically want us to be somewhere people and businesses don’t mind paying tax. And I do emphatically want us to have a regulatory regime that is simple, sensible, pragmatic and proportionate. No one wants the approach that the European Commission offensively call ‘social dumping’ – but there is little point in having ‘taken back control’ if we don’t use it to optimise

the business environment. We know that excessive and disproportionate regulation stifles innovation, deters investment and destroys jobs. Disasters like the Grenfell Tower horror inevitably make us anxious about deregulation – but we best honour the suffering of those families by finding the right answer, which is not necessarily the most regulatory answer.

*A Conservative Party that doesn’t appear to be passionately in favour of free enterprise and wealth creation lacks credibility and authenticity*

Most current explorations of the future for the Conservatives talk about the need for ‘reform of capitalism’. We need to be careful about this. This notion can easily find expression in rhetoric that sounds quite simply anti-business. This is lethal to us, and serves only to feed our opponents. Of course there are abuses and failures; but the capitalist system is unequivocally the best motor for social progress and wealth creation. So we can reform capitalism piecemeal and pragmatically, addressing specific issues as and when they arise. But for Conservatives to believe that their political revival depends on the contention that current capitalism and globalisation are deeply flawed is both wrong and daft. Free enterprise, based on a capitalist system, is at the core of conservatism, and without it as our backbone we slump. And for the twenty- and thirty-something generation, for many of whom doing their own thing is the new normal, this is how we can reconnect them with our party. ●





# Tackling social mobility is the key to driving productivity



**Rachel Hopcroft**

Head of Corporate Affairs  
KPMG

A person's background can have a huge impact on their ability to reach their full potential, and disadvantage too often passes from generation to generation. Britain has a deep social mobility problem, with a child living in England's most disadvantaged areas 27 times more likely to go to an inadequate school than a child living in one of England's most advantaged areas.

Addressing the geography of disadvantage has the potential to increase economic productivity nationwide. Today, 23 out of the 32 London Boroughs are in the top 10 per cent of areas for social mobility, and output per person in London is more than £43,000 a year, compared with less than £19,000 in the North-East.



A failure to bridge this gap hinders our ability to be competitive on a global stage.

The Government has recognised that promoting social mobility is an economic necessity, and when the Department for Education announced 12 Opportunity Areas, drawn from coldspots identified by the Social Mobility Commission, we were eager to support it.

KPMG joined forces with The Careers & Enterprise Company and signed up to be a 'cornerstone employer' in two Opportunity Areas, Norwich and Fenland & East Cambridgeshire. Through this pledge, we are committed to supporting young people to prepare for the world of work, and convening

the local business community. I am delighted that we are one of 40 employers to sign up.

We were thrilled to achieve second place as a leading employer in the inaugural Social Mobility Employer Index, but the job is far from complete. It is unacceptable that in today's Britain, only one in eight children from low-income families is likely to become a high-income earner, so it is vital that business, Government and the third sector take sustained and collaborative action to drive this agenda forward.

You can find out more about our social mobility work at:

[www.kpmg.com/uk](http://www.kpmg.com/uk)

## The conservative state: small, strong and strategic

Paul Goodman says that if the Conservative Party is to attract younger voters, it must get better at making the case for a more streamlined state



PAUL GOODMAN is  
the Editor of  
*ConservativeHome*

Election day polling by Michael Ashcroft showed a Britain divided not so much by class or region as age. The 45-54 age group split almost evenly between the two main parties. Older voters went for the Conservatives; younger ones for Labour. Among 18-24 year olds, only 18% voted Tory, while 67% supported Labour. Among 24-35 year olds, that first figure rose to only 22%, and the second dropped to only 58%.

*It does not follow that because we think the state should shrink that we believe it should all but vanish altogether*

It is inevitable in the aftermath of these findings and June's result that the Conservatives should mull younger voters' embrace of Jeremy Corbyn; think that the latter have little grasp, because they have no memory, of why socialism doesn't work; and conclude that Tories need not so much to 'Change to Win', as David Cameron once put it, as 'Educate to Win'. The case for conservatism must be put to younger voters as it hasn't been for the best part of 50 years.

An integral part of that case is the belief in a smaller state. Tories in modern times have consistently

held that a big state, and one that seeks to impose equality of outcome, is dangerous not only to individual freedom but to social cohesion. A glance at the chaos in one of Corbyn's favourite countries, Venezuela, should be enough to prove the point. Conservatives will always believe in a smaller state than socialists - or, as Theresa May once put it, think that the state should be "small, strong and strategic".

It does not follow, however, that because we think the state should shrink that we believe it should all but vanish altogether. There are solid political as well as electoral reasons for rejecting the view that the nightwatchman state is enough, even before delving

into the historical differences and linkages between conservatives and liberals. These might be summarised roughly as follows.

*Most voters want government to be out of their hair yet there when they need it*

First, capitalism is not producing well-paid, secure, blue and white collar jobs in western Europe on the scale that it did even 25 years ago. Voters thus expect the state to step in: to help support lower paid workers through the National Living Wage or tax credits; to improve schools, so that younger people are better prepared for work; to help ensure that there are houses in places where



>> workers need them; to provide transport and digital infrastructure.

Second, changes in our lives at work mirror those at home. More people are coping on their own, as families change, with debt, or substance abuse problems, or the inability to read and write, or the lack of the 'soft skills' that underpin regular work. The traditional free market nostrums do little to help them.

If a man has an alcohol problem, cutting taxes won't help him. If he can't read, nor will slashing red tape. If he lacks soft skills, privatisation won't create a job that he can do.

Third, the state isn't necessarily the provider who meets all these requirements. For example, there

is a need, as people live longer, for new savings vehicles to supplement the state pension. But government must set the overall framework. And that state pension must be there in some form - at least, if a party is to win elections. The manifesto social care fiasco is testimony to what can happen when governments propose sudden change.

May put it baldly when she praised "the good that government can do". Cameron's vision of the Big Society, with its enhanced role for the independent sector, charities and voluntary groups, was closer to the mark. But it needs the state to still be there after it has stood back: to act, in that clunking but indispensable

word, as an enabler - championing, regulating, setting a tax and legal framework, sometimes funding.

Finally, a plea to see ourselves as others see us. I've never heard anyone who wasn't politically active talk of a small or big state. Most voters want government to be out of their hair yet there when they need it. They respect, even if they don't always like, politicians who deliver stable economic management and a competitive tax framework - which in turn raises the revenue to fund higher spending on schools, hospitals and other public services. Which is what Margaret Thatcher, free market heroine, delivered in her time. ●

# Join Bright Blue

Becoming a member of Bright Blue enables you to support and partake in the championing of liberal conservatism.

You will be an official part of Bright Blue's network – invited to all our events and conferences, with the opportunity to meet a wide range of people who share Bright Blue's positive and open-minded view of politics. You will also have the opportunity to contribute ideas on policies and strategy in various ways – in debates, on our blog, and in our magazine.

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## The *Centre Write* interview: Jesse Norman MP

**Laura Round** discusses the industrial strategy, compassionate economics, Edmund Burke and the general election with the Transport Minister

**Capitalism has delivered demonstrable successes, yet people seem to be losing the faith in the ability of capitalism to make their lives better. Why do you think this is the case, and how should conservatives respond?**

Capitalism is really a combination of two things. It's a combination of free markets, or more or less free markets, and the activity of private corporations and companies. We had markets before we had corporations, and so capitalism only properly starts getting going towards the middle and end of the nineteenth century. If you look at a lot of the problems that people have with capitalism now you get several different strands of critique. One is 'crony capitalism', which

includes corporate misbehaviour: for example, CEOs paying themselves egregiously large amounts of money unrelated to stock market performance or to profitability, while the average working man and woman has stagnant real wages. I don't see any reason at all why the centre-right and Conservatives shouldn't be really strong in calling out that kind of behaviour. Another strand of critique is about globalisation, where it seems there have been great gains in economic value through international trade, yet they have been shared out in disproportionate ways. This is largely a political problem. Especially in the Blair years, politicians did little to prepare for globalisation or understand its likely consequences,

>> or support those who were negatively affected. The third strand is the feeling that markets are dominating our culture, a sense that corporate values have taken over, and a cultural or moral panic about what that means. The problem here is that we aren't having a genuine discussion about what we really care about, and therefore there's a danger that the values of big business become absorbed and normalised by default. Those are three strands of public concern. I think all of them can be addressed; the challenge for politicians of all stripes is to continue to bear down on them.

**Many regions outside London lack adequate physical and digital infrastructure. Theresa May has launched the modern industrial strategy to tackle regional economic imbalances. How will this Government improve Britain's infrastructure?**

There is an enormous amount being spent to improve our infrastructure within my own department. And that's not just on motorways. More investment is going into roads of every kind than we've ever had, certainly in living memory. There's also a lot of investment in railways, HS2, and soon on Heathrow and greater international interconnectivity as well. Certainly, much more could be done about broadband, but there an awful lot of the slack comes from underperforming corporates, in particular BT. When I was chair of the Culture, Media and Sport Committee two years ago we commissioned a big expert study which concluded that BT was structurally underinvesting in broadband, potentially by hundreds of millions of pounds a year, to the detriment of customers and shareholders, and of course the UK as a whole.

**Your book *Compassionate Economics* urged policymakers to put compassion back into economics by recognising the wider social context in which people operate, and to move away from what you call "rigour mortis economics". An example you provided where policy had gone wrong was tax credits. Do you believe government has become better at taking into account that people aren't perfectly rational utility maximisers? And would you say that Universal Credit, for example, has taken this on board?**

Well, that's a very interesting question. My point was really about compassion as fellow-feeling, not compassion as pity. It's about the kind of economics you get if you take Adam Smith seriously, rather than just through the usual caricatures. The point I was making about tax credits was that the way in which they were introduced by the Brown government didn't take account of an absolutely basic fact of behavioural economics called 'loss aversion', which is that - very broadly speaking - people are twice as angry about having something that they have taken away from them than they are pleased to be given something they don't have. So, if you have a tax credit system which overpays people, and then reclaims the overpayments, this is a guaranteed recipe for social anger and discord. And that was the result. In the Brown case, it was also a catastrophic waste of public money, which cost us two or three billion pounds in the first year alone. There is some evidence that government is getting smarter about these decisions. When I first arrived at the Department for Transport, the first thing I did - albeit a bit wonkish - was to ask for a detailed brief on investment appraisal. The Department for Transport has some of the best economists in government and it sets the benchmark for investment appraisal. I wanted to see exactly how they did it and whether or not I was happy with it. It's a much more sophisticated process than just looking at benefit-cost ratios you might expect from a traditional 'rigor mortis' economics point of view.

**At the time of your book, you argued that the Labour government was in the grip of an outdated 1970s textbook of economics. What are your current views, considering the Labour Party seems to have moved even farther to the left since then?**

Well, the Labour Party has massively benefited from the fact that, if I may put it that way, no one took the leadership seriously enough to interrogate their policies particularly closely. If they had, then they would have asked more searching questions before the general election about the Labour Party than they did. A lot of ink has been spilled on the election and I don't propose to revisit that. However, it is generally agreed



that we should have pressed harder and for more detail on the issues ourselves. For example, my voters would have discovered that one of the proposals that was being offered by my local Labour candidate was over and above all the nationalisations that the Labour leadership was proposing, that they should nationalise BT. Now, whatever you feel about BT, and I've just been quite tough on them, to nationalise BT would cost £40 billion, and would replace a set of managers with a set of officials. Now, it is by no means clear that would be an improvement, to put it mildly. And it would cost £40 billion, which is very roughly the amount of money we spend on defence every year. So it just felt that none of those economic policies, if taken at all seriously, could stand up to public scrutiny for a second. And we're discovering this because as it starts to become framed by voters as a potential party of government, the Labour Party is now beginning to come under more scrutiny. You're seeing the effect, for example, in the roll-back on tuition fees that we've just seen by Labour. Their bigger problem, I think, is compounded of two things, really. One is that the leadership of the Labour Party is in the grip of a set of economic ideas that are potentially catastrophic, which they are one successful general election away from being able to put into place. The second is that I think there is a kind of unwillingness there, generally, to understand that we are in the world of markets, whether we like it or not. We can't duck that, we can't pretend to step out of it by nationalising industries or setting prices and income policies in the way they would have done in the 1970s. The challenge for us is to understand that we're in a world of markets and make those markets work better for us, and be really intelligent about interrogating them: what they are, how they work, and what they are for. Rather than, as it were, throwing our hands up and running away to a certain kind of crypto-Marxism.

**Many Conservatives are instinctively sceptical of an industrial strategy, and I suppose many of them remember the lessons of the 1970s, when governments tried to essentially plan the country's economy to support 'winners'. Can you reassure Conservatives that the Prime Minister's new industrial strategy is different and in line with conservative principles?**

Often the first question is to check whether they have actually read the strategy. My general rule is that if you think you haven't got an industrial strategy or it's a bad idea, then you have an industrial strategy without knowing it. We have always had some form of tacit or explicit industrial strategy in this country, and this is an attempt to be more self-aware of what that strategy is, what the different trade-offs are, and what we're trying to achieve, and then try to build some consensus around that. I think that's a thoroughly worthwhile thing. What I don't think it means is throwing the baby out with the bathwater. It's not about saying we're retreating from the benefits of free markets, but rather that in some cases these markets aren't working very well at the moment, that great markets and companies need great infrastructure, and that we need to think harder about how the world is changing, where this country has competitive advantages, and how we can make the most of them.

**During the election, the Conservative Party didn't really play to its strength: the economy. And the Labour Party was very successful in playing towards its values. Do you think this was a mistake?**

What many people forget and what we need to state and keep restating, is that conservatism is a philosophy of social value. To put the matter at its most general, conservatism is about keeping what is of value, and getting rid of what is not. So, it can never be a view that tolerates serious social injustice, and great conservatives from Burke to Disraeli to the modern day have always fought injustice. But conservatism is also about taking what is of value, acting as trustees, nurturing it, building it up, and passing it on to the next generation. That's the conserving part of conservatism. And that doesn't mean saying no to the new, because the new is often about ways of improving what we have and what we care about. But it does mean being very reluctant to throw away things that work. Which is where its pragmatism comes from.

**But the Conservative Party hasn't been talking about that much.**



*Jesse Norman MP speaks at the Northern Transport Summit*

>> We do, but maybe not enough, and maybe not enough about some of the aspects of social value that people care most about. An example is the arts, which are all about understanding a tradition which are all about understanding a tradition, a practice, a discipline, immersing oneself in it and achieving excellence and self-fulfilment through it. I think about places like the Roundhouse in London, which my father created. People know the Roundhouse for the iTunes festival and the Electric Proms, but its main purpose is a world-class centre for young people in the performing arts. The idea of allowing a young person to find what it is of value in their lives and pursue it with aspiration and energy and entrepreneurship, and share the love and the joy, that's a very beautiful thing, and a rather conservative one. You know, it's entirely something that we should be welcoming and promoting. That's also why I really support all of the work on civil society and independent institutions that has been done by the Conservative Party.

#### **Was Nick Timothy right to describe the manifesto as consciously Burkean?**

Many people have had a field day in analysing the manifesto. What I think was Burkean about it was that it made a real attempt to say something about

social value, and about crony capitalism, as we have already discussed. These are very Burkean themes. So, I think that's a very worthwhile thing, and that aspect of it has to be applauded

#### **How can the Conservative Party get back on track and reach out to the under-40s that it appears to be losing?**

I think that the lessons for the future of all our campaigns is you have to go back and start from key conservative ideas about social value, responsible stewardship of the public finances, a strong nation-state and strong defence. Those are core conservative principles. The Party also has to be willing to look hard at how to tackle injustice. And it needs to be willing to talk about areas that people don't regard as traditionally conservative, such as healthcare, the environment and the arts, on which conservatism in fact has some very useful things to say. There are no areas of policy and of public discussion that lie outside a strong, warm and intelligent conservatism, if it's properly focused.

#### **Will another Etonian ever be Prime Minister?**

I think Jacob Rees-Mogg would be an outstanding candidate. I can only admire the Moggmentum that's already underway! ●

## Why I'm a Bright Blue MP

The Conservative Party should put conserving the environment at its heart, writes **Neil Parish MP**



NEIL PARISH MP is the *Chair of the Environment, Food and Rural Affairs Select Committee*

The Conservative Party does not talk enough about its strong record on the environment.

As Chair of the Environment, Food and Rural Affairs Select Committee, you might expect me to say that. But I find it consistently frustrating that this Conservative Government does not shout from the rooftops about how much progress we've made on environmental issues over the past seven years.

Just look at the facts. Since 2010, the UK's greenhouse gas emissions are down 18% and our carbon emissions down 19%. In the last year, over a quarter of our electricity came from renewable sources, keeping the UK ahead of target on our renewable energy directives.

Meanwhile, we've introduced a five pence charge on plastic bags, decreasing their use by 83% in just two years, started phasing out unabated coal-fired power stations, ratified the Paris Agreement on climate change and will soon introduce laws to ban the sale and manufacture of microbeads. A strong record of action.

But still, the tag sticks that Conservatives don't care about the environment. It's infuriating and something I am passionate about changing. The clue is in the

name – Conservatives care deeply about 'conserving' our natural environment and passing it on in good condition to future generations.

*The tag sticks that Conservatives don't care about the environment. It's infuriating and something I am passionate about changing*

That's why I am a Bright Blue supporter. The think tank does fantastic work highlighting the positive steps we have already taken on the environment and keeps pressing the Government to go further.

In April, Bright Blue published an excellent report on Conservative voters' views on the environment. Written by Sam Hall, a real rising star in modern conservative thought, the report surveyed Conservative voters and showed they are just as passionate as any other voters on environmental issues. Very large majorities of Tories want to maintain or strengthen environmental protections after Brexit in areas like water quality and beach cleanliness (96%), air pollution targets (92%) and recycling (90%).

This is great ammunition to remind the Government to keep up the progress on environmental issues. Moreover, as we leave the EU, I want Ministers to look to maintain, and enhance where possible, the UK's environmental standards. Whether that means reforming farm support

payments to better promote our natural environment, or boosting animal welfare standards, the Government should always be looking to do more on environmental matters.

Over the past year, I have been proud to campaign with Bright Blue on the issue of air pollution. This is a problem linked to over 40,000 premature deaths per year, with 40% of local authorities breaking air pollution limits. Working with Bright Blue, I have called for additional funding and powers for councils to tackle toxic air, as well as a diesel scrappage scheme to replace some of the dirtiest diesel vehicles on our roads with electric ones.

The Government has now published its new air quality plan to tackle the problem. I look forward to holding the Government to account on their promises and ensuring toxic emissions are reduced in inner cities as quickly as possible. I'm sure Bright Blue will continue their strong campaigning record in this area.

This is the most important Parliament in decades for our environmental legislation. As we leave the EU and create our own domestic environmental regulations, I want to make the Government commit to the highest possible standards. We need to press the Government to continue its good environmental work and remind Ministers how deeply Conservative voters care about environmental protections. In that task, I know I'll have a strong ally in Bright Blue. ●

## Bright Blue research update

James Dobson updates us on Bright Blue's research programme



JAMES DOBSON is a Senior Researcher at Bright Blue

Since our last magazine, it has been yet another turbulent period of British politics. In April, the Prime Minister hastily called an early election to ostensibly prevent opposition parties from sabotaging Brexit. But despite the optimism of early polls, which forecast a Conservative Party landslide, the final result was bitterly disappointing for the Tories as the Party relinquished 14 seats and with them its overall majority in the House of Commons.

Following the election, the Prime Minister struck a more conciliatory tone. She has asked opposition parties to work with her and present policies which can demand a majority in the Commons. Theresa May has also reaffirmed her desire to create a truly 'one nation' government that fosters real social reform by tackling the 'burning injustices' which prevent individuals achieving their full potential.

There were no shortage of policies to tackle 'burning injustices' in Bright Blue's latest publication. In *Britain Breaking Barriers*, we presented 70 policy recommendations to strengthen human rights and tackle discrimination. The recommendations were the result of a year-long inquiry led by

a commission of high-profile decision-makers and opinion-formers that included three former cabinet ministers.

This publication formed part of Bright Blue's *Conservatism and human rights* project. This project will publish more reports over the summer. This month we will release a paper by an independent expert on the future human rights legal framework in the UK and, in September, we will present a new report on Conservative voters' attitudes to human rights.

### *There were no shortage of policies to tackle 'burning injustices' in Bright Blue's latest publication Britain Breaking Barriers*

In July, we hosted our Social Reform Conference 2017. The conference included a keynote speech from The Rt Hon Damian Green MP (First Secretary of State), and break-out sessions with the centre-right's most influential politicians and thinkers. Areas of discussion included education, housing, prison reform, international development, social integration, and the future of work.

Part of Theresa May's social reform agenda is the concept of a 'shared society'. According to the PM, such a society is one that doesn't just value individual rights but focuses on

the responsibilities citizens have to each other. To build on this concept, Bright Blue will soon be launching a new report from an independent expert on the future of civic society.

Elsewhere, our energy and environment team have recently launched a project which will be developing new ideas for a cross-departmental approach to promoting conservation, both domestically and across the world. The first publication from this project will be an essay collection of leading opinion formers in early 2018. We will also publish a new paper on the natural environment after Brexit.

As part of our immigration and integration theme, our research into the effects immigration has on social integration continues, and we will publish our findings in Spring 2018.

We have a number of smaller projects to look out for too. These include two essay collections. One examining the future of workplace pensions and, the other, presenting a cross-party approach to the 'burning injustices' the Prime Minister has identified. Finally, this autumn we will begin a project that will scrutinise the experiences of Universal Credit claimants during the initial roll out.

In this period of political uncertainty, we hope you will see that Bright Blue's research continues to be a passionate and reliable advocate for liberal conservatism. ●

# Energising the industrial strategy

Clean energy is now also affordable energy, argues **Sam Hall**



SAM HALL is a  
Senior Researcher  
at Bright Blue

Clean and affordable energy is one of the ten pillars of the Government's new industrial strategy, and rightly so. Energy fuels a country's economic growth. For heavy industry, energy costs can be the difference between keeping open or closing a factory. For businesses in the service sector, high energy bills can mean less productive investment in things like workforce expansion or new digital infrastructure.

Contrary to what the fringe climate sceptics argue, the 'clean' part of this prescription isn't just a nice-to-have, but hard-headed economic self-interest. Unconstrained climate change would present huge risks to the economy, like expensive infrastructure damage from increased flooding and worse public health from higher average temperatures. And this is just the direct UK impact of failing to cut emissions. The adverse effects of increased conflict abroad, mass migration, and weaker trade would all be felt in Britain. No strategy worth the name should fail to deal with such serious long-term challenges.

Happily, the list of energy sources that are both 'clean' and 'affordable' increasingly overlap. In over 30 countries, clean energy is now cost-competitive with fossil fuels and is starting to undercut them. The cost of solar, for instance, has plummeted by 62% since 2009, leading the Indian Energy Minister to remark

last year that new solar projects are now cheaper than coal in his country. Here in the UK, the Government says onshore wind and solar will be as cheap as, and in some cases cheaper than, gas for new projects being commissioned in 2020.

The Conservatives should be careful not to see fracking as the solution. Unlike in the US, our shale gas revolution has not come in time to displace more polluting coal, which last year generated just 9% of UK electricity. Further, as the much larger European market largely sets UK gas prices, fracking won't significantly cut business energy costs.

Clean energy isn't just the fuel for industry: it's an industry itself. The UK's low-carbon economy, according to the latest figures, turns over around £43 billion annually and supports the equivalent of 234,000 full-time jobs. There are some real British success stories, too. The UK has the biggest installed offshore wind capacity in the world, a fact that led to Siemens recently opening a new turbine factory in Hull. And the Nissan factory in Sunderland manufactures one in every five battery electric vehicles sold in Europe.

So how can this potential be unlocked? The top priority should be to encourage more onshore wind and solar, the cheapest forms of energy. The Government hasn't held an auction for mature renewable technologies since the days of the Coalition. They should announce a new one, with the proviso that no contract will be awarded if the lifetime cost is greater than an equivalent

fossil fuel plant. This would guarantee there would be no subsidies. At the same time, the Government should be wary of committing to subsidising technologies, like large-scale nuclear and tidal lagoons, without setting a clear and swift trajectory for them becoming subsidy-free.

The second priority should be to incentivise energy efficiency improvements. The cheapest energy is the energy you don't use. The reason that average household fuel bills have actually fallen since the Climate Change Act was passed in 2008 is because the savings from greater energy efficiency has been worth more than double the cost of clean energy subsidies.

To make further progress on efficiency, the Government should establish a successor to the failed Coalition-era programme, the Green Deal, that allowed homeowners to borrow for energy upgrades and pay back the loan through their bill savings. The financing mechanism should be made more attractive, through loan guarantees and through integrating small-scale renewables tariffs, and targeted regulation should be introduced when homes are sold and when properties are being renovated to ensure there is a base level of demand for the scheme. Post-Brexit, our EU-derived regulations about energy efficient appliances, which polling shows are popular among Conservative voters, should be maintained.

Energy is fundamental to our industrial strategy. But to power the economy forward into the future, more bold action is needed. ●



## Government for the people and for the regions

Stephen Clarke evaluates the successes and blindspots of the UK's industrial strategy on different people and regions



STEPHEN CLARKE is a  
*Research and Policy  
Analyst at the Resolution  
Foundation*

Recent electoral surprises, particularly the EU referendum last summer and last month's general election, have been described as reactions against the economic status quo. The shocks have been greeted by politicians promising no more business as usual. Theresa May has said that her government will create "a country in which prosperity and opportunity are shared right across this United Kingdom", while Jeremy Corbyn has repeatedly promised to "build a society where no one and no community is left behind".

*It is concerning that where advanced industries are flourishing the benefits aren't always spreading through the local area*

However, promising a break with the past – particularly in terms of economics – is nothing new. Following the onset of the financial crisis, the Labour Government promised to rebalance the economy away from finance. In 2011, George Osborne called for a "Britain carried aloft by the march of the makers". The Coalition Government identified 11 key sectors (including aerospace, life sciences

and professional and business services) to support. Given this, last month's announcement by Greg Clark that the Government would continue to support key sectors in an attempt to raise productivity and living standards, should be seen as a continuation of an approach that has been in place for almost a decade now. The real question is: how successful has it been?

For the first time we have comprehensive evidence that provides an answer. The Resolution Foundation, working with Dr Neil Lee at the London School of Economics, has estimated the impact that advanced sectors – many supported by government – have had on living standards across the country. In terms of the sectors themselves, government support appears to have helped them expand. Between 2009 and 2015, 140,000 additional jobs were created in the digital sector (computer hardware, software and telecommunications), alongside 120,000 more jobs in the creative (advertising, architecture, fashion) and tech sectors (aerospace, pharmaceuticals, advanced manufacturing).

Such jobs form an important – although relatively small – proportion of the two million or so jobs created over this period and clearly many of them – particularly those that are high-paying – were a boon to the people who filled

them. But to what extent did the expansion of these sectors help share prosperity and opportunity?

*Promising a break with the past - particularly in terms of economics - is nothing new*

Our analysis shows that these sectors, where they flourish, create significant numbers of jobs in the wider economy. Our estimates suggest that for each ten jobs created in advanced sectors over the period, a further six jobs are created in the wider service sector economy, and four of these jobs are filled by people with fewer qualifications. In terms of job creation there is strong evidence that policies that help advanced sectors can also raise the living standards of the least well-off. This is the good news. The bad news is that many people and places aren't benefitting as much as they could be. London accounted for three-quarters of the growth in high-tech, digital economy, tradeable finance and creative industries between 2009 and 2015, and currently a quarter of all jobs in these advanced sectors are found in the capital. Although there are pockets of excellence across the country – Manchester, Newcastle and particularly Leeds have made progress recently – the majority of areas that have seen the greatest growth in advanced industries since 2009 are in the south-east.

>> It is also concerning that where advanced industries are flourishing the benefits aren't always spreading through the local area: 5,500 more jobs in advanced sectors were created in Oxford over the period, but almost no additional service sector jobs were created as a result. The same is true of Portsmouth, Poole and High Wycombe. By contrast, for each ten additional advanced sector jobs created in Cambridge a further 28 jobs were created in the wider economy. This speaks to the fact – noted by successive governments but not always acted upon – that place does matter. Devolution – although perhaps (sadly) less of a priority now than it was before the referendum – has the potential to give places greater control over economic growth and living standards, but for this to happen all areas must have the

opportunities currently being grasped by a handful of large city regions.

*When sectors such as retail, hospitality and accommodation are described as 'strategic' we'll know we have an industrial strategy really working for everyone*

Finally, some sectors have far less of an impact on pay. The evidence is that when an aerospace plant or pharmaceutical firm expands it marginally increases pay for mid-skilled workers in the wider economy, but it does little for the lowest paid. In fact pay falls slightly for workers at the bottom of the labour market as more low-paid people enter work, dragging down the average.

A lack of focus on low-paying sectors is the biggest omission of

the industrial strategy. Although governments have rightly grasped that some sectors should be supported, and that local as well as national actors should be involved, lower paying, big employing sectors have been ignored. This has always been a problem given that the vast majority of people work in these sectors and productivity in these industries is lower than in their counterparts in other developed countries. However, it is something that now needs to change as many of these sectors will be particularly affected by an increasingly generous minimum wage, expanding auto-enrolment and a reduction in inward migration. When sectors such as retail, hospitality and accommodation are described as 'strategic' we'll know we have an industrial strategy really working for everyone. ●

## Two decades of devolution

Conservatives should continue to champion Scottish devolution within the UK, argues **Paul Masterton MP**



PAUL MASTERTON is the MP for East Renfrewshire

In Scotland, we are no strangers to constitutional referenda.

Two in as many years, with the threat of a third still lingering, albeit much more weakly of late. This has made Scotland one of the most politically engaged societies in the world.

However, the referendum that awoke Scotland's political clout is often forgotten. In almost a mirror image of what would come on IndyRef results night 2014, in 1997 Clackmannanshire was the first area to declare if Scotland should have a parliament, and if that parliament should have tax raising powers.

Seventy-five percent of Scots backed the creation of a Scottish Parliament. Sixty-three percent

wanted tax raising powers.

In 1997, the Scottish Conservatives were the only major party against devolution, and found themselves on the wrong side of the argument. The party misread the political climate; to many it seemed that the Tories had no faith in their own country, and were rightly punished for it.

The Scottish Conservatives of that era are far cry from today's party, travelling on a journey from

>> devo-sceptics to devo-champions.

Immediately after the 1997 result the Party set about pushing forward with the will of the Scottish people, but remained cautious. Ruth Davidson stated in her leadership bid in 2011 that the transfer of more powers to Holyrood was “a line in the sand”. Why? Because Davidson recognised that Holyrood elections had become a battle over how to spend the same pool of money, and that was a battle Tories could never win. By giving the parliament more teeth in the form of revenue-raising powers, the Party could provide a unique centre-right offer to the electorate.

*As the UK Government works to get the best Brexit deal for the nation, the Scottish Government seeks to twist it into an excuse for another divisive referendum*

A year later, the independence referendum was the ultimate test of our belief in more powers for Scotland. In stark contrast to 1997, we stood on a cross-party platform, that would not only keep Scotland in the United Kingdom but also devolve huge swathes of powers to Edinburgh.

The Smith Commission, set up following the ‘No’ vote to fulfil the famous ‘Vow’, adopted the Scottish Conservatives’ proposals for further devolution set out in the Strathclyde Commission. And, importantly, it would be the Conservative Government in Westminster that would legislate for these new powers in the 2016 Scotland Act.

Already responsible for areas such as health and social care, education,



transport, the environment and housing, new powers over social security, income tax and VAT receipts were added to Holyrood’s remit.

It is no coincidence that the Scottish Conservatives’ positioning as the champions of devolution, and for a strong settlement for Scotland within the UK, coincided with an elevation to the official opposition in Holyrood.

By embracing devolution, the Scottish Conservatives gained room to make different decisions. The party has a standalone policy unit in Edinburgh, and election campaigns are run entirely from north of the border. On issues ranging from grammar schools, to prescription charges to social care, Scottish Conservatism treads a distinctive path.

How ironic that, after 20 years, the roles of the SNP and the Scottish Conservatives on devolution have reversed. The Scottish Conservatives, championing devolution from the UK and from Brussels, wanted to create the most powerful devolved assembly in the world.

But the Scottish Government, after arguing for more social security powers, was granted them,

then asked for their transfer to be delayed. Rather than maximising Holyrood’s powers to improve and reform public services, they are left to stagnate and wither, as the SNP focuses on its only priority – independence. As the UK Government works to get the best Brexit deal for the nation, the Scottish Government seeks to twist it into an excuse for another divisive referendum.

While the SNP not only doesn’t want to use the powers it already has, it wants to hand back all the powers it will gain straight back to Brussels.

The problem which Scotland faces is not how many powers Holyrood has, but how they are used. It is not a new settlement that is needed, but a government that is willing to maximise the potential of the current one in the best interests of the Scottish people.

In 2021, Scotland will have the opportunity to elect a Scottish Conservative Government, led by Ruth Davidson, championing a modern, inclusive, open, dynamic programme of One Nation Conservatism to do just that. ●

## Reviving the North

The next steps for energising the Northern Powerhouse, by **Jonathan Moore**



JONATHAN MOORE is the *Chief Executive of Manchester Arcadis and a Board Member of the Northern Powerhouse Partnership (NPP)*

There has been an election in the last few months, though there was one just before that which has, it seems, almost been forgotten.

The mayoral elections this year saw four of six Conservative wins. The West Midlands has a Mayor in Andy Street of the calibre to any global city would aspire – a serious business person by any yardstick. A Conservative Mayor of Tees Valley, a result no one had predicted before the election began.

The general election saw the North as its primary battleground on which the Prime Minister chose to focus her fire. In the Yorkshire town of Halifax the manifesto was launched, yet this and so many other seats, did not change hands.

Despite the election result, the Northern Powerhouse has been reconfirmed in recent months as an economically essential project, led by the civic and business leaders of the North. A recognition that UK plc is weaker for the North not fulfilling its huge potential.

George Osborne, former Chancellor and who remains committed to the North as Chair of the Northern Powerhouse

Partnership ‘(NPP)’, launched the idea itself. His influential speech in Manchester’s industrial and science museum presented a critical economic imperative, to agglomerate Northern city economies to create an economy equivalent to a Chinese mega city, but without losing the individual character of cities like Leeds or Liverpool, and most importantly what makes their people so proud of them.

There is much that is already being delivered. The rail franchises agreed for the North will see dramatic improvements alongside new roads. Underlying the much greater change still needed, Transport for the North will by the end of this year become

the country’s first sub-national transport body with its work to deliver Northern Powerhouse Rail, including Manchester to Leeds in under thirty minutes. Planning for this Crossrail for the North is underway, and awaiting approval in this autumn’s Budget.

*The North has some of the world’s best universities, yet has struggled to retain the graduates they have taught*

Transport is a vital prerequisite for creating a virtual city of the North by 2050 – but it is not the only necessary mechanism for transformative change. After its







>> first report earlier this year, the NPP has gone on to do work on the four prime capabilities of the Northern Powerhouse: advanced manufacturing, energy, health innovation, and digital.

One key next step for the Northern Powerhouse is to think about the problems which are less easy to see, but just as important to the long-term economic and social prospects of the North. The most notable example being education and skills. Whilst London has after past decades taken some of the worst schools in the country, and emerged after the London Challenge with some of the best, underachievement in some parts of the North still stubbornly can't be shifted.

With Collette Roche, MD of Manchester Airport leading it, the Northern Powerhouse Partnership has begun work on a major report

on education and skills. As a fellow business leader from the North, I have also joined the group working on it with her along with Lord Jim O'Neill and respected educationalists from across the North. The report will provide solutions to eliminate the gap with the rest of the UK in the percentage of good and outstanding secondary schools – building on the approach of the Wilshaw report, whose author has also agreed to join us to help.

The report will have aspirations such as to raise attainment at age 16 in English and Maths in the North to at least the national average, and to be regarded as a leading European region in digital skills at age 16. The North has some of the world's best universities, yet has struggled to retain the graduates they have taught. Instead, we must become a net importer of graduates,

particularly those with science and technology skills to support growth in the prime capabilities.

Finally, we are committed to ensure employers can access the skills they need to grow, and that local people can see the way to develop adaptable skills for the future to achieve their potential.

*Whilst London has after past decades taken some of the worst schools in the country, and emerged after the London Challenge with some of the best, underachievement in some parts of the North still stubbornly can't be shifted*

The Northern Powerhouse is just getting started; and investing in infrastructure, industrial base and skills of the North is essential. ●

# Spades in the ground

Michelle Hubert outlines a five-point infrastructure plan for the new Government



MICHELLE HUBERT is *Head of Energy and Infrastructure at the Confederation of British Industry*

Industrial strategy is back with a bang. Brexit may be on the tip of everyone's tongue at the moment, but setting a long-term strategy to make British industry more competitive – and to see communities thriving with people enjoying a more prosperous life – is, once again, firmly in the foreground of British politics.

The economic rationale for industrial strategy is sound – four in every ten pounds spent in the UK is spent by the government. So it's all the more crucial that business and the Government work together on a shared vision for our future economy at this crucial stage in the UK's history.

## *Four in every ten pounds spent in the UK is spent by the government*

That shared vision should at least partly be about unlocking regional growth. The UK has one of the most uneven regional income distributions anywhere in the western world. Industrial strategy must be the antidote for this – raising productivity and spreading prosperity across the whole UK.

Having excellent quality infrastructure lies at the heart

of productivity growth, and so our chance to really boost living standards, in the UK. The good news is that the Government understands that infrastructure matters. And we've seen positive progress, with commitments on major projects like Heathrow, Hinkley and HS2. But commitments are one thing. Seeing spades in the ground is another.

Infrastructure delivery also means much more than decisions on high-profile projects. It means the government keeping its foot on the accelerator across the whole of our infrastructure pipeline. Now is the time to step up a gear – we need action, not words, and delivery, not delay.

The CBI's infrastructure survey, conducted with AECOM, last year showed that almost half (46%) of firms were dissatisfied with the infrastructure in their region, and two thirds thought the UK is unlikely to be more internationally competitive in 2050 than it is now.

This demonstrates that we need to step up the pace, and that progress is needed, in five key areas.

First, we need to stay focused on delivering a third runway at Heathrow. Now that the Government have made the right call on committing to building a new runway at Heathrow, we need to make sure progress stays on track. That means diggers in the ground by 2020 and seeing the runway up, running and

operational by 2030. But it is equally important that we see a national strategy to ensure all our airports can thrive. Developing a successful aviation strategy for all parts of the country has never been more important, connecting people and businesses to more regions and cities across the UK and around the world – the practical face of global Britain.

## *Commitments are one thing. Seeing spades in the ground is another*

Second, we must deliver the road and rail improvements that will better connect the UK. One of the surest ways to boost productivity and achieve real regional growth is to invest in the networks that link our towns and cities. We are due to break ground on HS2 shortly, which is good news, with legislation also in the pipeline to build a connection to Crewe. But firms are already itching for more progress on projects like Northern Powerhouse Rail. It's vital that projects in different parts of the country are not seen as 'either or'. Improving the North of England's infrastructure should come at the same time as enhancements in the South, like Crossrail 2. A determined focus on delivery will ensure the widest possible benefits are spread right across the United Kingdom.

Third, the Government must set out a 'future fit' energy policy





>> framework. The case for investment in the low-carbon economy has already been won, now the challenge is to get on with the job. But whether or not Britain has a clean, smart, efficient energy system in 2030 depends on choices taken today, so decisions to give investors certainty beyond 2020 now means there are huge, and exciting, opportunities for businesses and households in the future.

Fourth, we need to see a long-term strategy for digital communications. Digital infrastructure is simply going to be absolutely fundamental in connecting businesses and households to the economy of the future. The UK has already made big strides in

the quality of its digital networks, but to stay ahead of the international competition we need to do a much better job of connecting towns, cities and, especially, rural areas.

*If we don't get spades in the ground on existing plans, it's clear we could put a major dent in the competitiveness of British business – and the UK itself*

Finally, we must deliver a diverse housing market which works for people and firms. The incident at Grenfell Tower has tragically, and entirely rightly, prompted a national debate about the challenges

facing Britain's housing. There is no question that we need to build far more affordable and good quality homes each year, and see the construction of 250,000 new homes a year as an infrastructure priority.

So, with these areas high on the priority list, it's time to get to work. If we don't get spades in the ground on existing plans, it's clear we could put a major dent in the competitiveness of British business – and the UK itself. This is something we cannot afford to do, especially during this period of uncertainty as the UK leaves the EU. Firms are ready and willing to work with the Government to develop the skills and capacity to deliver on plans. ●

## Prosperity through productivity

**Antoinette Sandbach MP** points to the importance of innovative education and close ties with Europe in improving UK productivity



ANTOINETTE SANDBACH  
MP *was a member of  
the Business, Energy  
and Industrial Strategy  
Select Committee, 2017*

With life outside of the European Union looming, economic prosperity must be at the heart of our approach when shaping our country's future. As well as promoting an outward-looking and open trade regime with the EU, as well as the rest of the world, it is imperative that the UK economy is as resilient as possible and supported by successful businesses. Improving productivity is a major factor in determining our economic success, or failure, in the coming years.

This is recognised by government, industry bodies, academics and anyone else with at least a little knowledge of the UK economy. Indeed, the Government's industrial strategy green paper, published in January, mentions productivity no fewer than 87 times. The Prime Minister's foreword said that: "If we want to increase our overall prosperity, if we want more people to share in that prosperity, if we want higher real wages, and if we want more opportunities for young people to get on – we have to raise our productivity". So, why is productivity so important, how chronic is the problem and how should we address it?

Deloitte states that since 1850, GDP per head in the UK has risen 20-fold. Had productivity remained flat during that period, GDP per head would only have doubled. Productivity is key to delivering higher living standards, stronger economic growth and higher tax revenues to fund public services. UK productivity was typically strengthening at a rate of around 2% annually until the 2007–08 recession. In recent years, progress has stagnated and economic growth has relied on sharp falls in unemployment. British workers are 19 percentage points less productive than the average for the rest of the G7, languishing behind countries such as France, the US and Germany. All three of those nations have had higher productivity than the UK since the 1970s, but it is the stagnation in the last decade that is particularly concerning and that must be reversed with urgency.

Closing the skills gap is an obvious place to start to improve the quality and efficiency of our domestic workforce, made all the more important due to uncertainty around the exact make-up of the immigration system post-Brexit. Allowing for greater diversity in our education system, such as a major overhaul of technical education, should help align business needs with the pipeline of talent. In addition, the UK needs to embrace significant changes in industry, whether the Fourth Industrial Revolution or

the imminent electric car boom.

This points to the underlying principle of productivity growth: investment in innovation and new technologies. It is clear that the recession, then the impending EU referendum and the subsequent result, have caused uncertainty for business. It is for this reason that we should seek the closest possible relationship with the EU and an open trade policy. Firms need confidence to invest and there needs to be clearer rhetoric on our ambitions to prioritise trade in the Article 50 negotiations. A protectionist and isolationist approach would be catastrophic for productivity and prosperity.

To boost investment, not only should the Government upgrade infrastructure and add to the National Productivity Investment Fund (worth £23billion) announced last year, serious consideration should be put to our ability to attract Foreign Direct Investment (FDI). Strikingly, 45% of our stock of FDI originates from the EU. This is yet more evidence of the need to develop the UK's brand as a powerful and amenable trade partner, not least with European counterparts.

We face potentially turbulent times, to say the least, beyond March 2019. However, we can mitigate against calamitous economic circumstances if we prioritise the resilience of the UK economy. Boosting productivity is central to achieving that aim. ●



## Be prepared

Chris Green MP preparing young people for the new world of work



CHRIS GREEN MP is Vice-Chair of the APPG on Youth Employment

What next? It used to be so much easier for school leavers to answer “what next?” and for parents and teachers to offer guidance. But we now have a confusing wealth of options.

For many, university was the obvious next step but, with the expense and value of a degree increasingly in question, it is not as easy a choice as it once was. Towns are no longer dominated by a single major employer and the simplicity of knowing your future employer is also gone.

*There needs to be a far better understanding in schools of the advances in the nature of work and the rewards of working in modern Britain*

Apprenticeship starts have been on the rise under this Government but there is relatively little understanding of what they entail and the opportunities they present. Culturally, society still looks to university as the stepping stone to a good career and too often schools are narrowly recognised for the numbers of their children who attend university rather than their ability to deliver a broader education that prepares children for life. Thankfully

this is now starting to change.

Jo Johnson MP, the Higher Education Minister, has said that he would not mind if his children did not go to university and that “the days of degree or bust are long gone.” This is a welcome attitudinal change but the filtering through society of this view is going to take a long time.

We know that there is less career certainty than there was but we are also less clear about what the options are or, at least, what they will deliver. In a recent essay, Ruth Davidson MSP, set out a powerful case for a reinvigorated vision of capitalism.

First, defending its dazzling achievement of routing extreme poverty and creating a healthier wealthier world. Second, to set the challenge for where capitalism needs to take us and what we as a nation and a government need to do.

Ruth describes the radical changes that happen in the shipping industry and, as a lad from Liverpool, I grew up with stories about the poor conditions that the dockers faced and the decline of our ports. Inflexible work practices and containerisation meant the end of a once great but low-skill industry. Young people would hardly want to work in that environment now, but the new £400 million Liverpool2 deep water port couldn't be more different. Many of the jobs on offer are far more skilled and productive and will help enable the re-industrialisation

of the North of England.

L. S. Lowry's vision of a bleak industrial landscape still resonates but could not be further from the truth of so much of Britain's modern industry. I worked in the mass-spectrometry industry for nearly twenty years before entering politics and South Manchester is one of its global centres – but few would know it. Mass spectrometers combine precision engineering, advanced electronics and the most sophisticated software but it all goes on behind the anonymous façade of buildings that, from the outside, could be housing a large legal firm.

*Unemployment is at its lowest since the early 1970s, manufacturing is at its highest since 1988 and the IMF is predicting continued UK growth.*

There needs to be a far better understanding in schools of the advances in the nature of work and the rewards of working in modern Britain. We need far better engagement between our industrial and educational sectors to inspire and enable children to have a vision of what's possible rather than being mired in the past. This is set to become even more important in the future since, as Alan Mak MP recently highlighted in the last edition of this magazine, we are now entering

>> the Fourth Industrial Revolution where artificial intelligence and machine learning will set the scene for a wealth of yet-to-be-conceived disruptive technology.

*L. S. Lowry's vision of a bleak industrial landscape still resonates but could not be further from the truth of so much of Britain's modern industry*

Just as the textile, shipping, mining and many other blue collar industries have radically reformed or disappeared, the same is now going to happen to our aspects of

our white collar industries such as retail, accountancy and law.

The gig economy has rightfully received a great deal of attention recently, especially with the publication of Matthew Taylor's government-commissioned report on modern working practices, but it would be wrong for the media to continue to wilfully characterise the future of employment as being in low-paid, zero-hour contract work with ever decreasing rights. Unemployment is at its lowest since the early 1970s, manufacturing is at its highest since 1988 and the IMF is predicting continued UK growth.

Ultimately, the question we must

ask is, are our school, college and university leavers equipped for a fully globalised and digitalised world where the pace of change continues to accelerate? The answer is complex and we will always be playing catch up as new and disruptive technologies emerge. Fundamentally our ability to prosper in an increasingly competitive world depends upon government setting the right foundations for business to invest and prosper in the UK, attracting the right talent from overseas but, most of all, for this increasingly well-educated and motivated generation to engage with, and adapt to, an ever-changing world of work. ●

## Apprenticeship nation

The Rt Hon Robert Halfon MP on the message that Conservatives should be sending to young voters



THE RT HON ROBERT HALFON MP is the Chair of the Education Select Committee

Imagine thousands of young people cheering Prime Minister Theresa May in a similar manner to those singing songs about Jeremy Corbyn. Unthinkable, yes, but not impossible. And, as the late Sir Nicholas Winton said, "If it is not impossible, there must be a way to do it".

At the General Election, we missed a significant opportunity. The Labour Party was galvanising young voters by offering to get rid of tuition fees and 'deal with' past debt. Whatever back-tracking they are doing now,

it was a powerful message. This was not just about money, but saying to students, 'we are on your side, we will be with you through your studies and look after your economic security'.

Our response was feeble, to say the least. We looked like the hard-nosed businessmen from those old Virgin Train adverts, which made everyone who could not afford a train - stuck in a car on the motorway - look weak and insensible.

This was all the more astonishing because, with the right narrative, message and campaign, Conservatives did actually have something to offer to younger voters.

It could have shown that the Conservatives are the party

of the ladder of opportunity. Conservatives' job in Government is to give every young person an equal chance — whatever their background — to climb that ladder and help them up, step by step, to get the skills and training they need so they can get jobs, security and prosperity for their future.

*With the right narrative, message and campaign, Conservatives did actually have something to offer to younger voters*

Furthermore, whilst it is great that more students from disadvantaged

>> backgrounds are going to universities than ever before, I am concerned about both the level of interest rates for students and whether they are getting value for money. Some universities are charging high fees, some are paying their senior management huge salaries, job destinations for students post-university are often very poor.

We can't get rid of all tuition fees however, not just because of our difficult economic finances, but due to the need to share the burden of the cost of universities, fairly with students and the taxpayer - especially those from working class backgrounds who may not have gone to university.

*We looked like the hard-nosed businessmen from those old Virgin Train adverts, which made everyone who could not afford a train - stuck in a car on the motorway - look weak and insensible*

We should not just say no to abolishing tuition fees and leave it at that. We should have a different and special offer to every young person from the age of 16 and beyond.

We should give every young person who wants it the chance to take up an apprenticeship from level two right up to degree level. Not only will there be no loan or debt after, but apprentices will be paid at least the apprentice minimum wage. The higher the level of training, the higher the apprentice salary. At present, over 80% of apprentices are paid over the adult minimum wage.

An apprenticeship can be taken up

in almost every field of work from business administration to coding, from engineering to healthcare, from nursing to policing. And in all the traditional crafts too.

Degree apprenticeships are being offered by more and more universities with prestigious companies like Jaguar and Accenture. Young people have a chance to get a degree, an apprenticeship, be paid without any loan, and are virtually guaranteed job at the end of your training.

For those who might be concerned about the parity of esteem between apprenticeships and higher education, it is worth noting that apprenticeship qualifications are highly prestigious. The new Apprenticeship Standards coming through are designed by employers and the new Institute for Apprenticeships.

Apprentices from level two onwards end up earning much more over a lifetime than the average employee. Ninety percent of apprentices either get jobs after their training - usually in the companies, where their apprenticeships took place, or they go on to additional education.

All this is paid by the Apprenticeship Levy on big business, which will see £2.5 billion spent in England by 2020, double what it was in 2010. The Apprenticeship Levy is about ensuring that those with the broadest shoulders - the larger companies with wage bills over £3million - help pay for government's apprenticeship revolution. It will change behaviours in the way that companies train their workforce and will mean that smaller companies will have the

funds to also train apprentices.

We also believe that the wealthiest must make a bigger contribution to our society. That is why we introduced the Apprenticeship Levy.

We should look at raising the Apprenticeship Levy if needed and to see how more of the funds raised can help those from disadvantaged backgrounds climb the apprenticeship ladder.

*Just because we missed this opportunity at the election, we really do still have the policy architecture for this ladder of opportunity. All that the Conservative Government has to do is to communicate properly what is possible and help people climb it*

Between 2010 and 2015, there were over two million apprentices. We currently have an additional 900,000 apprentices, the highest in our in Britain's history.

If you are a young person and want something real, to climb that ladder of opportunity, to get that apprenticeship, so that you can get the job, security, prosperity you need, join the Conservatives. Become part of the apprenticeship revolution and help us build an 'Apprenticeship Nation'.

Not a bad offering for our young people? Just because we missed this opportunity at the election, we really do still have the policy architecture for this ladder of opportunity. All that the Conservative Government has to do is to communicate properly what is possible and help people climb it. ●

## Creative prosperity

The Rt Hon Ed Vaizey MP on the vital importance of the UK's fastest growing sector



THE RT HON ED VAIZEY MP  
*was formerly Minister  
of State for Culture,  
Communications and  
Creative Industries*

From Shakespeare to Skepta, the UK has a proud history of cultural leadership.

2017 is already proving to be another fantastic year for this dynamic sector. June saw the world's greatest music festival, Glastonbury, watched by a record 21 million people. Mesmerising headline performances from two brilliant British artists: Radiohead and the other Ed (Sheeran). The grime scene continues to make waves on both sides of the Atlantic. Spend on film production in the UK reached the highest level on record. David Hockney's Tate Britain show became the most popular exhibition in the gallery's history. The list goes on.

*Encouraging creativity from people of all ages and backgrounds is vitally important and will prove imperative in helping us discover untapped talent that could become Britain's future stars*

These achievements are clearly a cause for celebration, even more so when their economic impact is

taken into consideration. Figures published last year indicate that the creative industries are now worth £84.1 billion per year to the UK economy, generating nearly £9.6 million per hour. That is more than both car manufacturing and aerospace. The sector is also growing at almost twice the rate of the wider UK economy – quicker than any other sector – and now accounts for almost one in 11 jobs.

*Glasgow and Liverpool have undergone huge economic transformations since being selected as European Capitals of Culture in 1990 and 2008 respectively*

Ensuring the continued growth of these industries is therefore of utmost importance for the country's future economic success. I am pleased that this was recognised in the Industrial Strategy Green Paper released earlier this year, in which the creative sector is identified as one of the Government's five key priorities for post-Brexit Britain. The paper quite rightly underlines the sector's high productivity, competitive global advantages and growth potential. I am encouraged that an independent review by Sir Peter Bazalgette is also underway to address how these industries can help underpin our future prosperity.

Highlighting the fact that the

creative industries are as important as more traditional sectors to the future economy is an important first step. This is particularly pertinent when we consider the role of automation and artificial intelligence in the future job market – an area I covered in depth during my time as Culture and Digital Minister. A study by Nesta, the innovation research body, found that 87% of the UK's creative jobs were at low or no risk of being automated. The sector's high-profile recognition in the Industrial Strategy Green Paper represents an acknowledgement of how business continues to evolve in the 21st century.

*Ensuring the continued growth of these industries is of utmost importance for the country's future economic success*

Developing our country's creativity is therefore paramount. During my time as Culture and Digital Minister, we outlined how we intended to achieve this through the Culture White Paper – the first in more than 50 years and only the second ever published. Within its pages, we set out our commitment to improving creative education, increasing cultural participation and enhancing access to funding and export markets across the sector. Encouraging creativity from





>> people of all ages and backgrounds is vitally important and will prove imperative in helping us discover untapped talent that could become Britain's future stars.

More recently, the Government launched a new 'Culture is Digital' project to develop the relationship between the worlds of culture and tech. The aim is to build on the commitments of the Culture White Paper and build on the natural synergy between these two complementary sectors. Projects such as these reaffirm the Government's commitment to the creative industries and will, I'm sure, prove to be a positive step

in securing the UK's position as a creative leader in the digital era.

*From Shakespeare to Skepta, the UK has a proud history of cultural leadership*

Culture has also proven a driving force in the changing face and fortunes of many of the UK's cities and towns. Glasgow and Liverpool have undergone huge economic transformations since being selected as European Capitals of Culture in 1990 and 2008 respectively. This year, Hull will hope to follow in their transformative footsteps as the new UK City of Culture,

hosting a plethora of arts events, including the 2017 Turner Prize. The impact of culture is not limited to metropolitan areas either - many of the country's smaller towns are beginning to benefit from the ever-growing rural creative economy.

British musicians, artists, fashion brands and films have long been recognised in nations across the world. Nurturing our country's creativity and fully integrating the sector into our industrial strategy will be key moving forward. As the UK's fastest growing sector, it is already proving to be an increasingly vital component to our long-term economic future. ●



## Building the world's largest offshore wind farms **Developing a world-class UK supply chain**

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DONG Energy is the world leader in offshore wind farm development and operation. As our largest market, the UK is at the heart of our success. Off the Yorkshire and Cumbria coasts, we are building the world's largest offshore wind farms. We're doing this using the specialist skills and products of leading UK companies, helping them grow and export.





# BOOKS & ARTS

## Exhibition: Giacometti Tate Modern, London



EAMONN IVES is a  
Researcher at  
*Bright Blue*

The Tate Modern truly is a cathedral to creativity. The gargantuan extension, recently opened, hums with eerie and enticing piped sounds, amidst the expected chatter of excitable tourists who have flocked to their destination of pilgrimage. A surprisingly pleasant restaurant, and the best viewing platform in London, complete the venue. But I am not here to eyeball the people below from ten floors up – art, believe it or not, is my agenda for the morning. The exhibition in question is that of the Swiss painter-sculptor, Alberto Giacometti.

The door is pulled open and one is immediately met by a collection of twenty or so sculpted heads. Most look straight past me, giving one a feeling of absence, of irrelevance. A little unnerved, I progress into the next room, displaying Giacometti's earliest work – decorative objects produced largely to earn a living. All the while, one notices the nascent beginnings of the creations for which he will go on to acquire such acclaim. Sculptures of women, by no means overtly unusual, but



Archives of the Giacometti Foundation

certainly a little out of proportion, what the appetite for what one knows lies around the corner.

Eventually, of course, one encounters what Giacometti is most famed for – the distinctive, stalagmitic silhouettes of figures, cast in bronze or wrought crudely from plaster and clay. The juxtaposition of different qualities which the sculptures possess is striking. Heavy distorted feet anchor the brittle fragility of the subjects' elongated arms and bodies. Nor are the statues particularly statuesque – for their two-dimensionality sees some of them seemingly evaporate away as one attempts to view them from a different angle. The illusion of the effect is captivating.

In the final room, one is met by a series of figures – the tallest and most robust of the entire exhibition. Towering over me, the sense of insignificance conjured up by the unseeing busts of the first room returns. In the surreal world of Giacometti's creations, normality is nothing worthy of interaction.

Though the presentation of objects was, at times, uncalculated and unimaginatively lit, the chilling sensation of seeing the troubled artist's work first hand was remarkable. Sculpture is an art form which demands to be appreciated in person, and Giacometti's harrowing effigies are no exception to that rule. ●

*Giacometti runs until 10th September 2017 at the Tate Modern, London.*

# Film: Dunkirk

## Directed by Christopher Nolan



FIONA SMITH is *Events and Administration Officer at Bright Blue*

Given the trend for ‘historic’ films covering more and more contemporary issues, it’s testimony to the Second World War’s place in public consciousness that there is room for yet another film on the subject. *Dunkirk*’s minimal narrative assumes its audience knows the subject, and the film relies more on atmospherics, managing to conjure claustrophobia, palpable fear and unbearable tension within minutes of opening.

*Dunkirk’s minimal narrative assumes its audience knows the subject, and the film relies more on atmospherics*

Director Christopher Nolan illustrates the apparent hopelessness on the beaches contrasted with hope burning bright in the captains of the now legendary little boats that rallied to the call. Scenes of soldiers in orderly lines evoke abject terror as enemy aircraft strafe the coast, and in event after event, it is apparent no one is safe even on board the waiting ships. So much is obscured from view as boats are compromised and capsize, that the audience is left to fill in the gaps – and the result is terrifying. The confusion, muffled sounds and cries, make for an uncomfortable viewing. As troops wait to be “picked off



© Warner Bros

like fish in a barrel”, we flit back to three Spitfire pilots racing across the Channel to support the evacuation effort, and one of the little boats plotting its course towards Dunkirk. I can’t resist a broad smile as the captain quips, as Spitfires pass overhead, “Rolls-Royce Merlin engines- the best sound in the world”. I think any aviation enthusiast would agree: the sound of a Spitfire is certainly evocative - and to the troops waiting on the beach, it is the sound of hope.

Nolan’s past collaborator Hans Zimmer provides an evocative, atmospheric soundtrack, using synth style in the vein of *Chariots of Fire*, or *Tron Legacy*, and blending it with orchestral tradition familiar to lovers of war cinema. The result is a score

that starts with brevity and builds the viewer up to patriotic fare, that slips in so seamlessly and subtly.

*The result is a score that starts with brevity and builds the viewer up to patriotic fare*

By the closing scenes, the sight of a Spitfire gracefully force-landing on the beach as a Nimrod-esque piece plays is too much for me. I go from misty-eyed to weeping. It might be something about being ex-military and an aviator. It could be “an English thing”. I’d happily stake it is more to do with the makings of a hallmark war film – free from judgement, capturing the spirit of the hour. *Dunkirk* turns defeat into triumph. ●



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\*Source: National Audit Office 'Hinkley Point C' report & Hendry Review of tidal lagoons

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