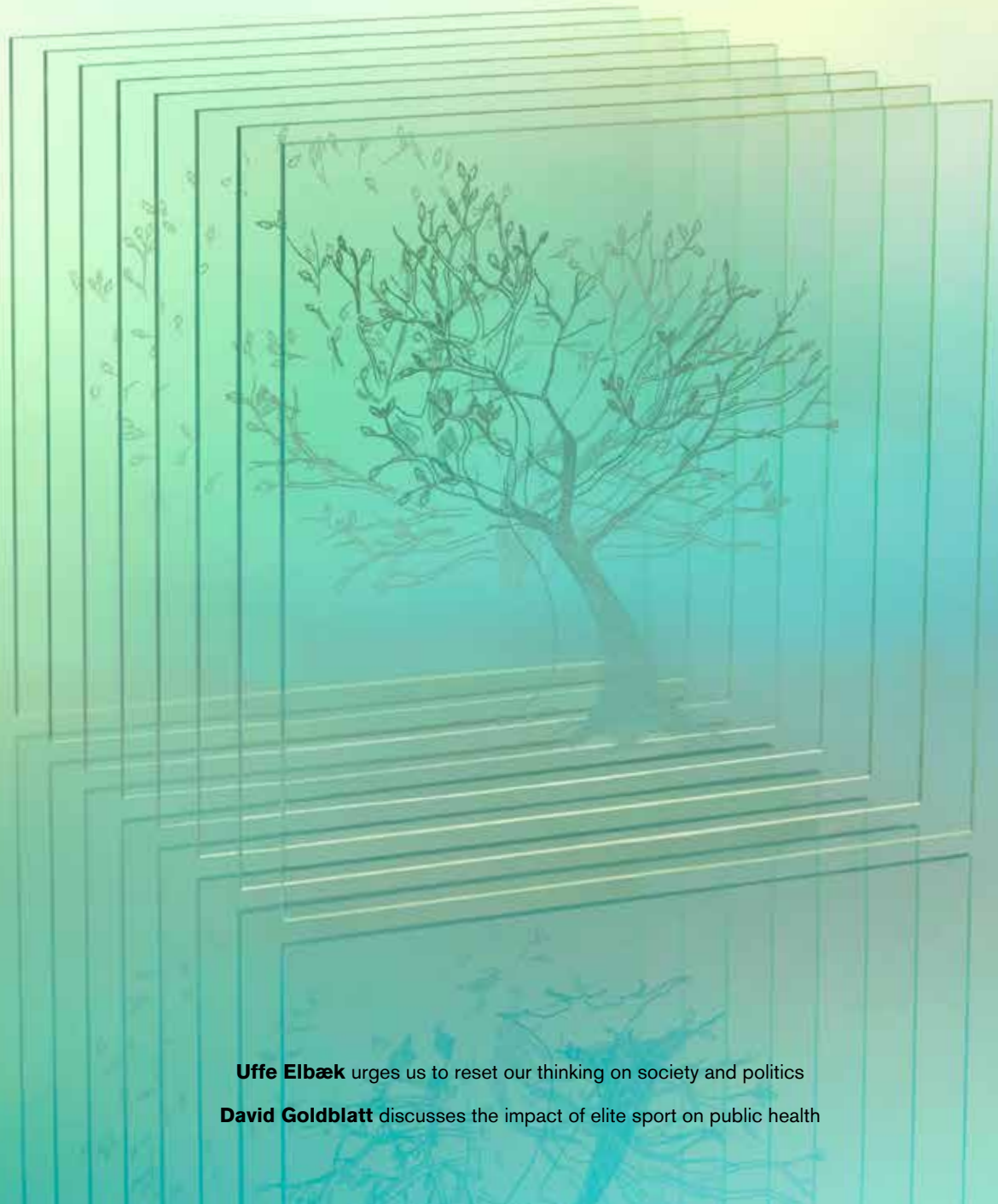
RSA

21st century enlightenment

Journal Issue 3 2016

The inclusive economy

Stephanie Flanders on creating growth that benefits everyone



Uffe Elbæk urges us to reset our thinking on society and politics

David Goldblatt discusses the impact of elite sport on public health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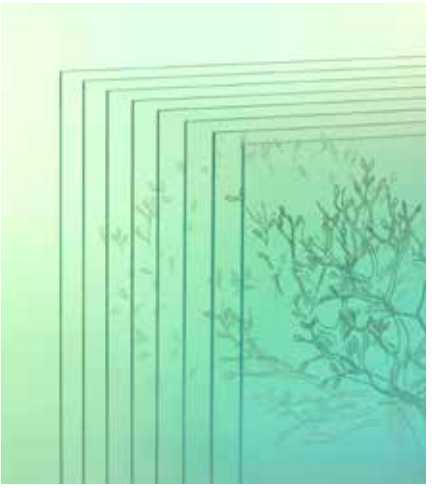

"IF WE ARE GOING TO ACHIEVE INCLUSIVE GROWTH, A NEW MODEL IS NEEDED. THIS IS THE UNFINISHED AGENDA FOR WHITEHALL THAT THERESA MAY HAS INHERITED"

STEPHANIE FLANDERS, PAGE 10

REGULARS

FELLOWSHIP IN ACTION

FEATURES

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"THE RSA CAN BE THE KIND OF ORGANISATION THAT THE 21ST CENTURY NEEDS"

MATTHEW TAYLOR

Three sets of thoughts keep swirling around my mind. Standing on the tube, jogging to work, daydreaming in the shower; each takes it in turn to engross and confuse me. Occasionally I think I have grabbed a thread but as I pull towards some kind of insight I find myself entwined in knots. After 10 years as RSA chief executive I'm hoping you, our Fellows, might help me out.

First, what is going on in the world? In the last two decades more people have been raised from absolute poverty than at any time in human history, the Paris accord suggests a global community starting at last to address the climate crisis, almost every day science and technology offer amazing new possibilities to alleviate suffering and create opportunities undreamt of a generation ago. And yet, in Europe and America we live with economic frailty, entrenched inequality and a sense of decline. The victory of Trump in America is part of wider evidence of growing division and populism. Meanwhile, across the world we see murderous conflicts often involving religious extremism, the unfolding tragedy of the refugee crisis and the apparent strength and confidence of authoritarian regimes in China and Russia.

Second, how do we achieve change? Focusing on Britain, there is a broad consensus on our national priorities. Most people want a society that is more equal and inclusive, an economy that is dynamic and productive, a civic domain that is vibrant and compassionate. Yet there is a yawning gap between our intentions, those of our policymakers, and our ability to secure lasting change. In my annual RSA lecture I described why some policy succeeds but most fails. I suggested that achieving change means 'thinking like a system and acting like an entrepreneur', but for government, even local government, to work like this will require radically new approaches to policymaking and civic engagement.

Third, and here the scale gets smaller again, how can the RSA itself shift through the gears? I believe the Society is as strong now and as influential as it has ever been in its illustrious past. Our online content engages millions of people, our research projects are widely respected and achieving higher profile, our Fellowship is growing, as is the proportion of those Fellows who engage with the organisation and with each other. In recent elections of the Trustee Board and Fellowship Council, all the successful candidates not only supported the strategy of the Society but brought new ambition to our mission.

And yet, I still feel frustrated that somehow the whole doesn't match up to the sum of the parts. In Britain and around the world I believe the RSA can be the kind of organisation that the 21st century needs. It's a belief shared by many who are close to us, but we face a struggle to develop more ambitious partnerships and to communicate our unique offer more widely. This is not about organisational self-aggrandisement, but about putting ourselves in the service of those who share our values and our commitment to change that lasts.

This *Journal* touches on many of these themes. Stephanie Flanders and Charlotte Alldritt explore how we develop models of local economic growth that are also socially inclusive. David Goldblatt and Tim Jackson urge us to question the tired assumptions that underpin failing policy. Nathalie Spencer and Yves Citton explore the new capabilities that the modern world demands of its citizens. In different ways, Nick Jankel, Uffe Elbaek and Stewart Lansley echo our exploration at the RSA of the new institutional forms needed to meet 21st century challenges. Finally, and I think critically, Adrian Chiles urges us simply to find ways of talking to people whose lives are different from our own.

Perhaps I demand too much of the RSA. For a medium sized organisation there is lots of which to be proud and good things happening every day. Yet, as the world's challenges and dangers grow, so surely must our ambition.

PHOTOGRAPHY: JOHANNA WARD

FINANCE

THE FINTECH REVOLUTION

The RSA has teamed up with professional services firm Grant Thornton to investigate how the 'fintech' revolution can help to restore trust in the financial services industry. The Big Bang 2 inquiry will consider how fintech can help the industry to refocus on its core purpose of serving customers and the real economy.

The fintech, or financial technology, revolution is considered to be the biggest disruption to financial services since the computerisation and deregulation of the mid-1980s. This so-called 'Big Bang' led to a rapid global expansion of the industry, with mixed results. A greater variety of lower cost financial products appeared on the market, but so too did widespread mis-selling, credit bubbles and the 2008 global financial crisis.

A vibrant new fintech industry has emerged from the resulting climate of mistrust, driven by entrepreneurs who want to do things differently. Taking advantage of advances in digital technology, including the spread of smartphones, big data analytics, artificial intelligence and mutual distributed ledger, or 'blockchain', technology (which allows record-keeping to be dispersed across multiple actors without reliance on a central intermediary), fintech entrepreneurs are launching innovations spanning insurance, institutional investment, regulation and compliance, payments, and consumer and business finance.

How will these changes affect households, businesses and communities? Will peer-to-peer lenders boost access to finance for businesses turned away by banks? Could artificial intelligence-powered robo-advisers open up financial advice to the masses? And might mutual distributed ledgers usher in a new era of radically efficient and transparent banking? The inquiry will seek answers to these questions and consider whether social and business institutions can keep up with the fintech revolution. The RSA will work closely with Grant Thornton to engage with industry experts and conduct a public survey on these issues.

To find out more about Big Bang 2, visit www.thersa.org/bigbang2

INTERNATIONAL

REFUGEE EDUCATION

The RSA is undertaking research on how the skills and expertise of different players within a city can best support the educational and psychosocial needs of young refugees. In collaboration with ECIS (Educational Collaborative for International Schools) and with support from international school ACS Athens and WISE (World Innovation Summit for Education), it will use Athens, which has seen over a million refugees arrive since the start of 2015, as a case study. The project will explore how the city can pragmatically and innovatively support refugee education in the context of uncertainty, budget cuts and limited resources.

The work will build on a summit being held in Athens in November, which brings together education practitioners, community leaders, social entrepreneurs and policymakers to discuss city-wide approaches to refugee education, initiate action, and build a stronger network of advocates for innovative refugee education.

SCHOOLS

TEACHING TALENT

The first cohort of 20 trainee teachers began working with the RSA Academies' Teaching School Alliance in September. They will undertake two placements across the Alliance partnership schools, which include RSA Academies' network of seven schools in the West Midlands.

Working closely with partners, including local universities, the schools have developed bespoke programmes for the trainees, designed to build confidence, subject knowledge and the necessary skills to become an effective and creative classroom teacher. "Our vision is to recruit, develop and retain exceptional teachers, which will in turn transform life chances for our young people, particularly those from disadvantaged backgrounds," said Danielle Owen, director of the RSA Academies' Teaching School Alliance.

The Alliance aims to provide high-quality training all the way from trainee teachers to headship. There is a focus on research-rich teacher development through the RSA Academies' Enquiry Fellowship, which applies academic theory to teaching practices in participating schools.

JUSTICE

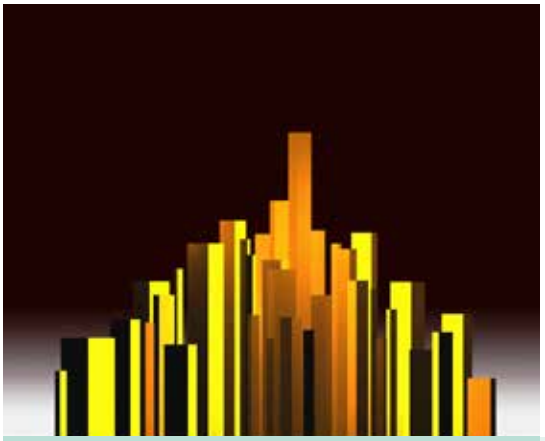
PRISON BLUEPRINT

An overhaul of the prison service is required to promote rehabilitation and protect the public, according to a report published in October by the RSA. The report, *A Matter of Conviction: A Blueprint for Community-Based Prisons,* is the final output of the Future Prison project, which worked with a wide range of individuals and organisations over the past year, including prison governors, staff, former prisoners and representatives of the National Offender Management Service and the Ministry of Justice.

Its content has had some influence on the government's recent *Prison Safety and Reform* white paper, which includes a new duty on the Secretary of State for Justice to support prisoners' progress while in custody and a strengthening of the inspection regime. It also picks up on recommendations on leadership and workforce development and includes funding for a further 2,100 frontline staff. However, a central conclusion of the Future Prison project – the need for phased devolution, including local prison boards, to create integrated and community-based prison and resettlement services – was not included.

Rachel O'Brien, who led the project, said: "While some of our proposals for reform have influenced thinking within the Ministry of Justice, there is much work to be done on the details. For example, how workforce development will be funded and delivered, the nature of the new duty and what this means in practice. Most notably, the proposals do not seem to strike the right balance between tackling over-centralisation, governor freedoms and autonomy or respond to the challenges facing the wider criminal justice system and the opportunities that a more community-based approach would present. We will do further work on these issues and more in the coming weeks and months."

The report, by Jack Robson and Rachel O'Brien, is available from www.thersa.org/matter-of-conviction. To take part in a related event that is being planned for Fellows, contact jack.robson@rsa.org.uk



WORK

TAYLOR LEADS EMPLOYMENT REVIEW

Matthew Taylor, the RSA's chief executive, has been asked by Prime Minister Theresa May to lead an independent review into modern employment practices.

The wide-ranging review will look at how new forms of work are having an impact on employee rights and responsibilities, as well as on employer freedoms and obligations. It will consider ways to ensure that the regulatory framework surrounding employment, and the support provided to businesses and workers, is keeping pace with changes in the labour market and the economy.

Other areas under examination include how flexibility can be maintained while job security and workplace rights are also supported, and whether new employment practices can be better used as an opportunity for under-represented groups.

The RSA has previously examined the rapidly changing labour market in projects such as Fair Share and The Power of Small. In light of our recent work on the sharing economy, self-employment and basic income, the RSA believes that the review has the potential to be a positive, timely step by the current government.

Taylor will chair the modern employment practices review with secretariat support provided directly from the government's Cabinet Office.

For more information, visit www.thersa.org/matthew-taylor-independent-review

INSPIRATION

CARNEY'S ACADEMY VISIT

Mark Carney, governor of the Bank of England, visited one of the RSA's academies as part of the BBC School Report initiative in September. Coventry's Whitley Academy, one of the Society's Family of Academies, hosted the visit as part of the live television event, where students worked alongside BBC reporters and presenters, and quizzed the governor on issues affecting their families locally.

Carney faced probing questions from the students on everything from his likes – Dairy Milk, dogs and *The Great British Bake Off* – to how we are living in an age of globalised mass creativity. The governor revealed that the EU referendum and the wait for the result proved to be the toughest night of his career.

Connecting students with inspiring people and ideas clearly has an impact. Carney told the children that he had gone to a state school and that it was "a total accident of history that I became governor of the Bank of England". Whitley Academy student Joe, from Year 9, noted: "You need to be passionate in what you are doing in order to succeed." Divya, aged 14, reflected personally that: "Despite being from a low-income family, it's up to me to decide how my future will go and I need to take every opportunity that comes my way because I never know where that could take me to."

The governor's visit, which brought economic policy to life and allowed the students to make a connection to their personal lives, paves the way for Citizens' Economic Council workshops that will take place at RSA academies. The workshops will explore economic values, priorities and policies from young people's perspective.

For more information on the Citizens' Economic Council, visit www.thersa.org/citizenseconomy

DATA

NETWORKED HERITAGE

Heritage organisations should go beyond yesterday's battles and ensure that they become relevant to today's challenges, according to new research being launched to coincide with the second annual RSA Heritage Index.

The series of 30 articles, launching in November alongside the Index, highlights practical ways in which civic leaders and communities can use heritage assets to facilitate regeneration and community cohesion.

The collection, compiled by Jonathan Schifferes, RSA associate director, public services and communities, includes exploration of the opportunities presented by greater devolution in cities and regions. It concludes that by embracing open data tools, the heritage sector can use a 500,000-strong volunteer workforce to help bolster public engagement with heritage assets at a local level.

'The Five Principles of Networked Heritage' paper argues that the greatest opportunities lie with heritage organisations that can address the persistent participation gap between different communities. Schifferes highlights a number of examples of 'networked heritage', including Manchester's Volunteering for Wellbeing initiative, which has seen the city's museums become embedded in the culture and health strategies of the north-west.

The compilation builds on the RSA's inaugural 2015 Heritage Index, compiled in partnership with the Heritage Lottery Fund. The online index, which has been updated for 2016, reveals which areas in Great Britain could be making better use of heritage assets to build local identity, improve residents' wellbeing and increase tourism.

"If heritage provides the unique selling point of a place and strengthens local identity, we should see the participation, volunteering and heritage activities – measured in the Heritage Index – translate into influence over place strategy and public sector commissioning," Schifferes said.

In 2017, the RSA plans to continue to support networked heritage initiatives driven by RSA Fellows who have volunteered as local heritage ambassadors.

For further information, visit www.thersa.org/heritage

GREEN PAGES

In a commitment to sustainability, the RSA is now printing the *Journal* on 100% recycled paper that is both FSC certified and Carbon Balanced.

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PARTNERSHIP, PURPOSE AND PRODUCTIVITY

Sacha Romanovitch, CEO of professional services firm Grant Thornton UK, joins an expert panel including Stephen Bampfylde, owner of recruitment company Saxton Bampfylde, and Sir Charlie Mayfield, chairman of the John Lewis Partnership, to explore the relationship between employee share ownership, business ethics and effectiveness.

Where: RSA
When: Wednesday 23 November at 6pm

INSIDE THE WORLD'S BEST CLASSROOMS

What is the best way to teach our children? **Lucy Crehan**, teacher and education consultant, reveals the results of her investigation into the top-performing education systems around the world.

Where: RSA
When: Thursday 1 December at 1pm

THE MERITOCRACY MYTH

New York Times bestselling author and economics columnist **Robert Frank** explains why the rich underestimate the importance of luck in their success, why that hurts everyone, and what we can do about it.

Where: RSA
When: Thursday 8 December at 1pm

2016 IN REVIEW

Historian and author of *The Silk Roads: A New History of the World* **Peter Frankopan** joins a group of expert reviewers to reflect on what has been a turbulent year in national and international events, including conflict, refugee and migration crises, an extraordinary US election race, and Brexit vote tumult for the EU and for the UK.

Where: RSA
When: Thursday 15 December at 1pm

Events and RSA Animate producer Abi Stephenson has selected the highlights above from a large number of public events in the RSA's programme. For full event listings and free audio and video downloads, please visit www.thersa.org/events

FOR HIGHLIGHTS OF RECENT EVENTS, SEE PAGE 49

GROWING TOGETHER

To build an economy that works for everyone, the UK government needs a concrete inclusive growth strategy

by Stephanie Flanders
@MyStephanomics

For many people in the advanced economies, capitalism is not delivering what it was supposed to deliver, and neither are mainstream politicians. Even before the global financial crisis, countries were struggling to stay on the path to decent economic growth and rising prosperity that voters had become accustomed to; a path that relied on rising rates of productivity, or output per head. On top of that, the growth that did take place in those economies was not translating reliably enough into higher wages for the average worker.

Now we are seeing some unpleasant political consequences of this longstanding economic failure. It may or may not amount to a 'crisis of capitalism', as some suggest. But we can say for sure that the economic and social developments of the past decade or two have strained the popular legitimacy of the status quo in nearly every developed nation. These developments might even show that capitalism and liberal democracy are not as compatible as we thought, as journalist Martin Wolf discussed in his *Financial Times* column (30 August 2016).

What is to be done? At the recent G20 summit of world leaders in China in September, Australian Prime Minister Malcolm Turnbull said that policymakers needed to "civilise capitalism". In the official communiqué from the meeting, leaders agreed on the need for more "inclusive growth". Everyone from the IMF to the OECD to the US president has been calling for the same thing.

This call for a more inclusive form of capitalism could mark the beginnings of a response to the voter disaffection and discontent that was most recently displayed in European and US elections. But it is only going to change the world if the lofty language of international communiqués comes with serious grassroots thinking about what inclusive growth might look like in real-life towns and communities, and how real-life policymakers at the local and national level could go about delivering it.

STEPHANIE FLANDERS IS CHIEF MARKET STRATEGIST FOR J.P. MORGAN ASSET MANAGEMENT IN EUROPE AND CHAIR OF THE RSA'S INCLUSIVE GROWTH COMMISSION

This is exactly the focus of the RSA's Inclusive Growth Commission, which delivered its first Interim Report in late September. There is plenty more work to do, but one early and resounding conclusion is the need for economic and social policy to move more closely together, at all levels of government.

For most of the second half of the 20th century, the UK ran social and economic policy as a kind of tandem. We had a productive economy in the front, and behind that a "social security state", as Beveridge called it. In theory, the two sides of policy supported one another: the productive economy created the wealth to keep the country moving forward, while the social security state kept things balanced and invested for the long term. In practice, social and economic policies moved further and further apart – the strict separation between skills and welfare policies, for example. This policy division was sustainable as long as there was something close to full employment. But in an era of slower growth and rising concern about the way the fruits of growth are distributed, it does not work well.

Five days after Sheffield voted overwhelmingly in favour of Britain leaving the EU, the Inclusive Growth Commission's first evidence session was held in the city. It brought home very clearly that this abstract disconnect between social and economic policy was part of a wider failure to connect people, government and place in the UK, to connect not »

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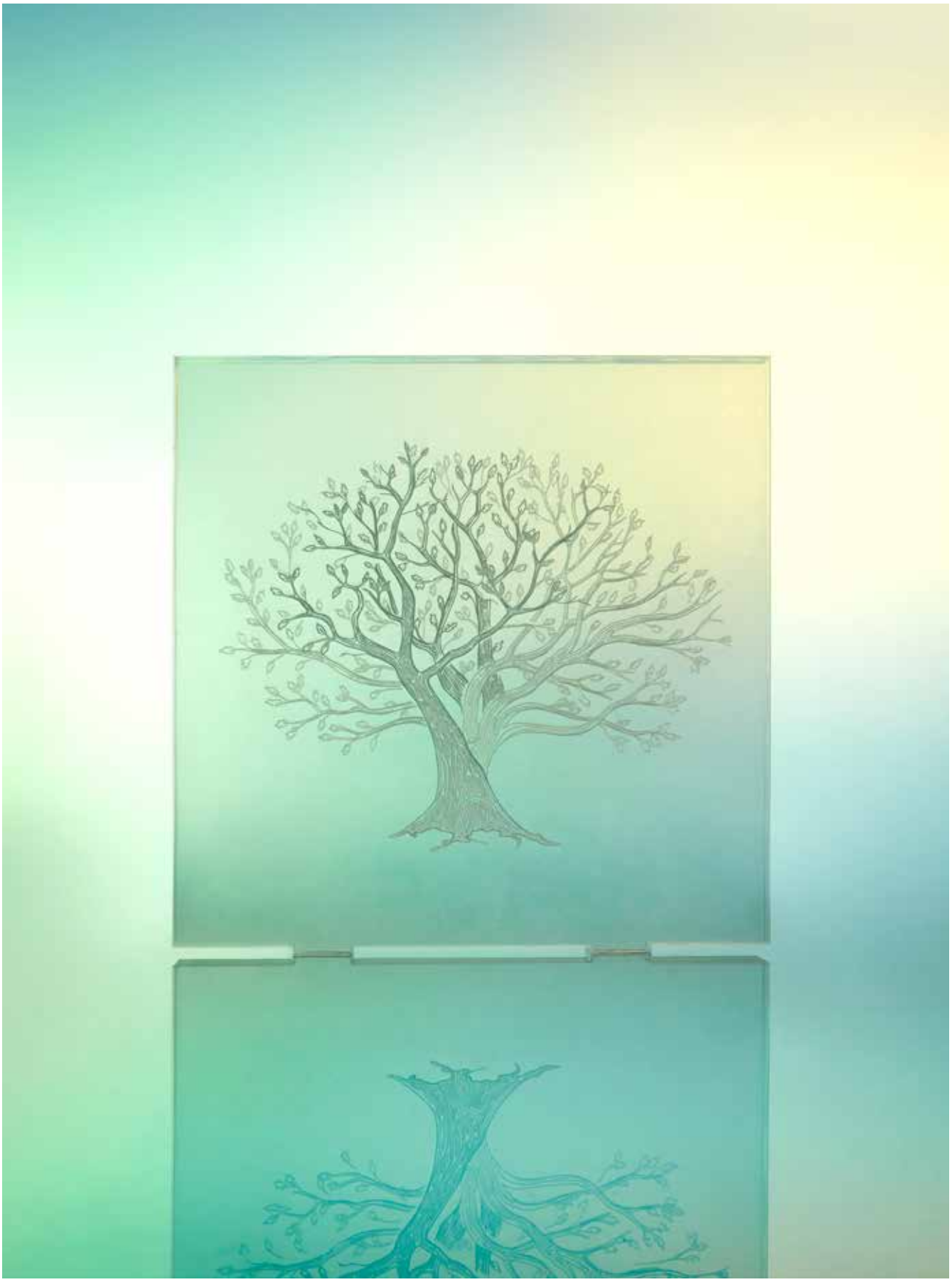
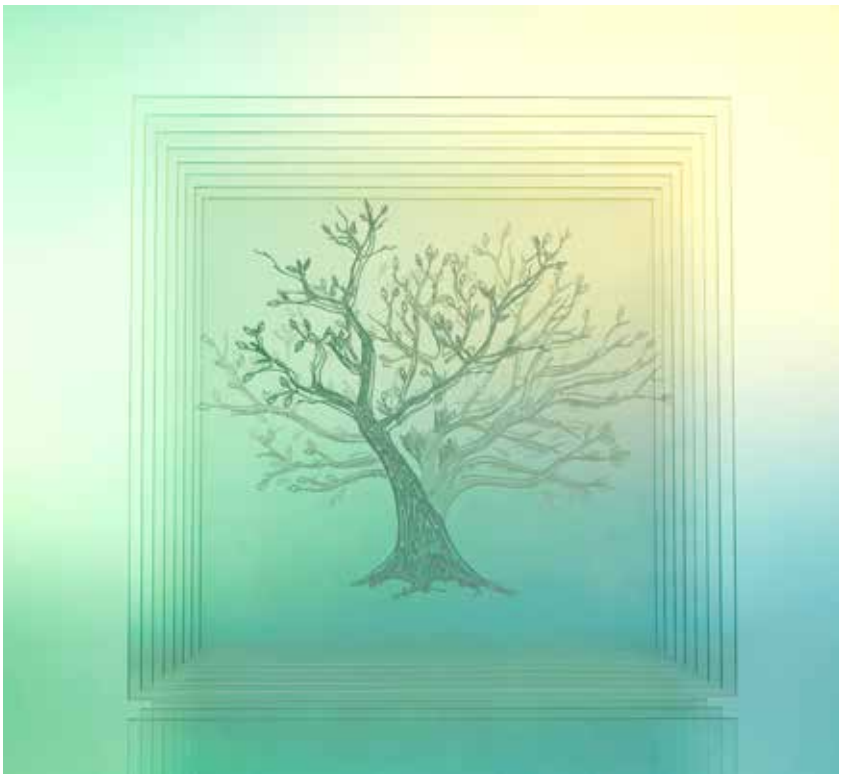




just economic and social policy but inner and outer cities, cities and the surrounding countryside, south and north. This failure is not abstract and it is having serious consequences, as the Brexit vote showed. A model of inclusive growth that will work will be one that starts to bridge those divides in order to build not just a more connected economy but a more connected country.

POLICY SHORTFALL

When Theresa May spoke in front of Downing Street as prime minister for the first time in July, she talked about the need for success along these lines. Her promise to develop UK economic policy based on the interests of all is a worthy ambition, but it is scarcely new. For decades, even centuries, public policy has tried to tackle the gap between rich and poor, between the haves and the have-nots.

Most recently, we have seen a mixed bag of policy attempts to solve the same set of underlying, persistent issues. Whether it is the focus on regional inequality and child poverty that we saw under the most recent Labour government or the nascent life chances strategy launched in the final months of David Cameron's Conservative majority administration.

Yet, despite a plethora of policy interventions over the years, we have built up surprisingly little evidence of concrete interventions that can produce sustained, significant change at a scale that will make a difference.

There is no single explanation for this failure. Sometimes it was a shortage of resources, particularly in more recent times. But more important, even, than a lack of money was a lack of political leadership and basic staying power. The huge, multifaceted nature of the challenge has simply proved too much for our country's systems of making and delivering policy at all levels of government, national and local alike.

Efforts to revive cities are a good example of how these various shortcomings have played out. Because dilapidation was the most visible, and seemed perhaps the most tractable, sign of the problem, successive governments emphasised the physical regeneration of city centres and transport connectivity. Huge centrally driven programmes, such as the Single Regeneration Budget and New Deal for Communities, channelled much-needed investment into the poorest neighbourhoods. On the surface, the programmes have delivered dramatic change. City centres that had long been in economic decline, such as Liverpool, Manchester and Birmingham, have been transformed, raising property values and attracting new people into the smart-looking redevelopments. However, in general, there has been no such transformation in the lives and opportunities of the people who lived in these inner city areas originally.

One could make a similar observation about the labour market and how it has developed. When mass unemployment was the public face of poverty, policymakers inevitably saw jobs as the solution, especially in areas of high unemployment and deprivation blighted by the decline of traditional manufacturing. Though unemployment remains a serious problem in some areas, we now have record numbers in work and the unemployment rate has fallen sharply, even in some of Britain's poorest regions. Yet the social and economic problems

"FOR THE FIRST TIME MORE THAN 50% OF PEOPLE LIVING IN POVERTY ARE IN WORK"

of those areas have not fallen in line with the jobless total. Indeed, the problems have often become more entrenched.

Like those shiny new town centres, the jobs have arrived, but not the broader turnaround in these communities that was supposed to come with them. At the national level, for the first time more than 50% of people categorised as living in poverty are in work, according to research by the New Policy Institute. Increasingly, policymakers are being urged to focus not just on the quantity of jobs, but the quality.

If we are going to achieve inclusive growth, a new model is needed. This is the unfinished agenda for Whitehall that Theresa May has inherited. It is also the unfinished business of the devolution agenda, which the RSA's first City Growth Commission did so much to take forward. The Inclusive Growth Commission aims to provide a glimpse of what that inclusive growth model might look like in the UK today, and some of the practical steps that need to be taken at all levels of government.

HARD WORK

One of the most obvious conclusions the Commission has reached on why it is so hard for policymakers to achieve inclusive growth is that, locally and nationally, they rarely measure it. More controversially, we are suggesting an approach that asserts that not all growth is equally valuable. Local growth needs to be based on a long-term approach to investment and asset-building, rather than just minimising obstacles to business and pushing down the cost of labour.

This is an area that needs careful judgement. As one senior city leader said to us at an evidence session: "there's no point having inclusion without growth…and not all growth has to be inclusive". Inevitably, local economies will end up relying on a range of businesses and sectors. Not every job will be a 'quality' job and the quality jobs that are present will not be within reach for everyone. The important point for policymakers is to be conscious of the big picture and focused on providing pathways of opportunity for individuals in all corners of the community. To do this, they need a yardstick for evaluating the merits of different types of economic development that is capable of measuring quality growth, rather than being entirely blind to the way the benefits of growth are spread.

One indication of inclusive growth is when economies are able to provide those taking part with long-term assets, such as sustainable, locally rooted businesses with a strong attachment to their place, creating local jobs, promoting local supply chains and retaining more wealth and opportunity locally. This allows for a virtuous cycle between growth and inclusion. Inclusive growth also happens when prosperity promotes greater quality and inclusiveness in the distribution of skills and employment, standards of living and entrepreneurship and autonomy. If a local economy does these things, then it is an indication of inclusion. The implication is that this inclusive economy is underpinned by values, which include citizenship, the importance of contribution, participation and fairness.

We also believe it may be time to switch the balance of spending back in favour of social as well as economic infrastructure. Because investment in early years, skills training and other human investment in education and enterprise underpin long-term economic success.

The immediate difficulty is that the Treasury tends to be sceptical about the value of human infrastructure, and also about the effectiveness of available methods of transforming it. We understand and sympathise with this scepticism. Innovation in this area is difficult and has a patchy success rate. But that suggests a need for new models and approaches. It should not be an excuse for complete stasis, as it has been in recent years. Any government that wants to make a permanent difference, along the lines that Theresa May suggested, will have to do so at the same time as managing the uncertainty of Brexit negotiations.

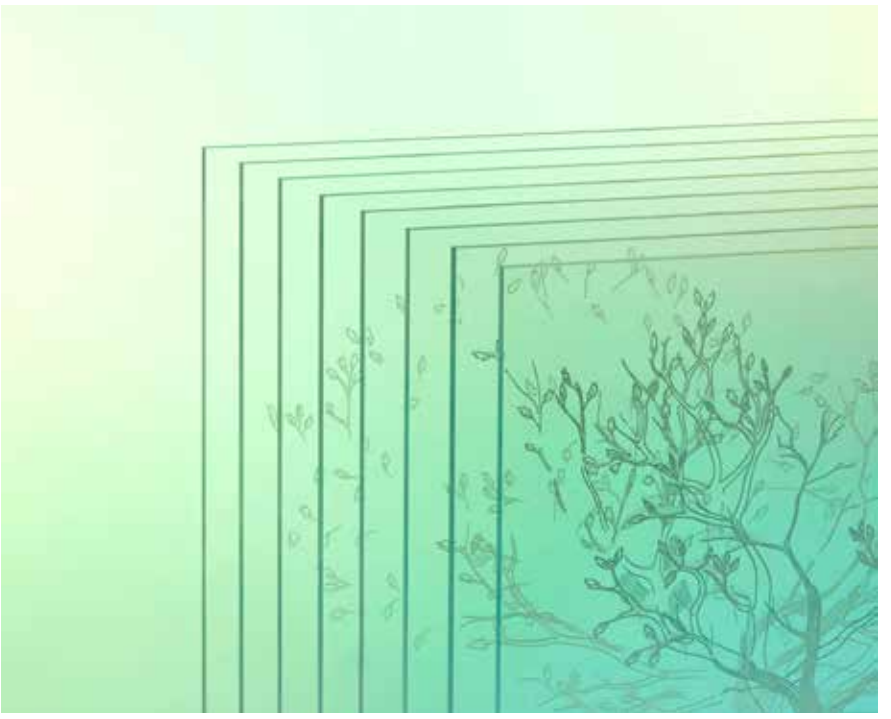
But, equally, the new government will be held to Theresa May's original pledge, and they will find – as the Commission has found – that inequalities are driven partly by distance from public services and government decision-making, partly by failing social infrastructure, and partly by the lack of economic, geographical, social and political connectivity that we set out in the report.

EMERGING RECOMMENDATIONS

We want the freedom to do things differently in Britain. There were plenty of mixed messages in the result of Britain's EU referendum, but that one came through loud and clear.

We do not know yet how Theresa May will translate this vote against the status quo into sensible policy, although she has stated that she wants to "make Britain a country that works for everyone". Taken seriously, this could be a powerful uniting theme for policymakers in this parliament and beyond, and a great way to use this moment of radical uncertainty to start to do things differently. But if we are to take these words seriously, they must be backed by a concrete strategy for delivering inclusive growth.

When we report early next year, we plan to put forward a comprehensive set of proposals for national and local government. However, one of the themes that is already emerging is the importance of investment that builds social infrastructure on the same scale as physical infrastructure. If the government is serious about inclusive growth, »



"THE ECONOMIC AND SOCIAL ELEMENTS OF POLICY ONLY COME TOGETHER LOCALLY"

it needs to invest (rather than simply accrue cost) in social infrastructure in the same way that it does now in physical infrastructure, assuming similar long-term multiplier effects from that investment in both the nature and amount of economic growth. The government should also think about redefining as investment the work we need to do to bring people and places up to the level where they can take part equally in the economy.

Our hope is that more ambitious devolution deals based on this approach, tailored to the needs and assets of their places, designed with communities, and backed by mutually reinforcing central governance and accountability structures, can create transformational change. Why? Because the economic and social elements of policy only come together locally and we need to integrate them. The divide between economic and social starts in Whitehall and runs throughout government, down to the local level, so that it is hard even locally to integrate investment in both. We need to aim to integrate investment in public services so that, as John Mothersole, chief executive of Sheffield City Council said, we can "see economic and social policy as indivisible".

There may well be areas where devolution has to go further to create the right incentives for place-based, inclusive growth. But another early conclusion of this Commission is that there are limits to devolution and it cannot be our only response to the calls for more inclusive growth. Some powers and policy levers will have to stay in Whitehall; not least defence, foreign policy, monetary policy and aspects of fiscal policy (for example, VAT, corporation tax and national income tax). And, as the RSA City Growth Commission argued, different arrangements should be made with places according to their level of economic and political maturity, including with respect to the devolution arrangements between constituent nations of the UK.

Local government is not always better government, and geography is not the only source of distance between government and citizens. Local government needs to prove its ability to respond to the diversity of its residents' needs, particularly at a sub-regional level, where the impact of policy needs to be considered across different groups and communities. For example, will investment in a new business park or commercial redevelopment improve the employment prospects and quality of life for the poorest residents? For more inclusive devolution and prosperity, it is now up to local authorities to prove they can make a difference for the most disadvantaged, as well as attract new high-skilled workers and investment.

Even in areas such as health and social care, and skills, where local decision-making should play a larger role, the centre cannot and should not fall out of the equation entirely. Nor can devolution simply transfer power and resources to a handful of big city regions, leaving smaller towns and cities to fall through cracks. The point is that all tiers of government need to work together to shape a vision for long-term inclusive growth.

THREE PROPOSALS FOR INCLUSIVE GROWTH

To summarise, there are three initial proposals emerging from the Commission's research. They are not final, nor do they represent the full spread of the Commission's work, but they are based on the breadth of needs and on the imaginative work that is being undertaken so far in cities around the world.

The first is a roadmap for inclusive devolution. Grown-up devolution is now in the air. There is a political head of steam behind it, but there is a danger that this will only be offered to – and will only benefit – those places that have the narrow characteristics of places that are already succeeding. We need to make sure that these new model devolution deals have inclusive growth at their core. That means the government needs to: set out its devolution framework to give clarity to how devolution can underpin inclusive growth; provide sufficient financial resources to make it successful; include all parts of government in a more growth-oriented fiscal stance; and increase investment in social as well as physical infrastructure.

The second proposal is inclusive, place-based industrial strategies. The change of UK government in the summer of 2016 has led to a rediscovery of the importance of industrial strategies as a way of shoring up the business and economic base of the country, a policy approach about which the previous chancellor of the exchequer was sceptical. Combined with a continued commitment to place and the process of devolution to city regions by the new prime minister, there is potential for the government to drive place-sensitive growth across sectors and their supply chains, especially if it involves strategies that invest in both physical and human infrastructure and build on the successful experiment to develop in grassroots business movement for productivity. This new approach to industrial strategy will learn from the successful Team GB strategy for the Olympics, which not only picked winners but also invested in success across a pre-agreed set of markets. It worked in Rio, and we cannot ignore those lessons when it comes to business competitiveness.

The third proposal is to develop more accurate data and measurement of 'quality gross value added' (GVA) in economies. One of the most obvious reasons why the inclusive growth problem remains unsolved is that the ubiquitous GVA measures, before and after investment decisions, do not measure it. This is not a criticism of GVA, but it is a criticism of using this alone as a basis for decisions and investment. The government urgently needs to develop a basket of accurate and effective measures that can be used much more widely to assess, not just GVA, but quality GVA that can pick up changes in wealth inequality and in the spread of economic prosperity. It also needs to help cities, and other places, to develop new frameworks for deciding on investments in inclusive growth.

STARTING AGAIN

The UK is far from the only country grappling with the challenge of creating a more inclusive economy. But it is the only nation in 2016 with a golden opportunity – in the wake of the Brexit vote – to question old assumptions and recast old relationships in order to put that challenge centre stage. The chancellor has promised to reset fiscal policy. That would be welcome but it needs to be part of a wider reorientation of government to achieve not just more balanced growth, but a more inclusive kind of prosperity.

Not everything needs to be reset. Both the City Growth Commission and the decentralising policies associated with George Osborne's Northern Powerhouse initiative have offered encouraging, and sometimes inspiring, examples of devolved policymaking that really does work better for everyone, including Whitehall mandarins. But we need to make sure that all parts of the country are included in this agenda for growth, and we need policymakers at all levels of government to do a better job of bringing the economic and social dimensions of policy together.

We do not have all the answers at this interim stage, but I think we do offer some powerful signposts to that more inclusive nation that so many would like to see, and that Britain's bruised and disrespected establishment needs to start now to deliver.

THE CASE FOR INCLUSIVE GROWTH

We know that economic failures have a social cost, but policymakers have been much less clear about the economic costs of social failures.

They know that there are moral reasons why social failures might concern them, but they should also know that there are very practical economic and security imperatives (disaffection and radicalism) why we need answers to the inclusive growth conundrum.

It does not matter if we are on the right or the left of the political spectrum, there are reasons why we need a resilient, innovative economy in which everyone has the opportunity to prosper. One big reason is that if opportunities to be enterprising are driven by where people are born and their wealth, race or gender – as they tend to be now – then the economy will not be making the most of its potential and neither will cities. Growth will be slower, public services will be stretched and budget gaps will fall on national taxpayers.

Nearly every developed economy is struggling to increase productivity – output per head – as fast as they did before. We do not know all the reasons why productivity is being held back, but we can say that tapping all our human capital is even more important than it was before. There are costs to public services, which, in a more devolved context, fall on the new city administrations. There are also costs to the nation as a whole, to economic output, productivity and growth, when not all citizens have ready access to start-up finance, skills training or employment.

DEVOLUTION RESET

As the new government develops its economic strategy, greater localism in governance is a big opportunity

by Charlotte Alldritt
@calldritt

Since the 1980s, places have been subject to a 'confetti of initiatives' to tackle regional inequality and poor economic growth, including, most recently, devolution deals. As the devolution agenda has progressed, some people have remained sceptical about the claim that greater localism in governance can achieve better outcomes.

Many argue that devolution has been – and will continue to be – a top-down project to make public-sector cuts and shift the blame to local leaders. To others, it is a city centre stitch-up, driven by the vision of the few in our major metros outside London, who are wedded to the regeneration models of old. These models rely on high-tech industries attracting middle-class talent and gentrifying local neighbourhoods, and they risk creating the perception that better connectivity to jobs and markets alone will solve the problems facing areas on the outskirts, whether urban or rural.

UNCERTAINTY AHEAD

Of course, each of these viewpoints is a caricature, and in reality the devolution agenda is more complex and has finally started to shift the dial in the UK; and not before time. Over the past 30 years, the UK has become one of the most centralised political economies in the world. Whether and how local devolution will continue to evolve is a significant point of policy uncertainty. In England, it found some surety in the Cities and Local Government Devolution Act, which became statute in 2016. But a legislative framework, while welcome, only goes so far. Looking ahead, we do not know what existing devolution deals will look like as they start to be implemented and, from May 2017, fall under the leadership of new metro mayors.

CHARLOTTE ALLDRITT IS DIRECTOR OF PUBLIC SERVICES AND COMMUNITIES AT THE RSA AND DIRECTOR OF ITS INCLUSIVE GROWTH COMMISSION

It is also far from clear how Theresa May's suggested relaxing of the mayoral prerequisite – so crucial under former Chancellor George Osborne's regime – will affect accountability and the scale of ambition for devolution. Will devolution be downgraded in the policy pecking order, or will the new government recognise the opportunity it presents to achieve its vision of 'a country that works for everyone'?

URGENCY OF OLD

During the Cameron years, two key themes dominated the devolution agenda. First was the 'Northern Powerhouse' and Osborne's commitment to investing in the connectivity between the cities of the north, particularly between Leeds and Manchester – so-called 'HS3'. Investment in high-tech industry, culture and our trade relationships between northern cities and the global markets were major features of this strategy, designed to counterbalance runaway productivity in London and the south-east.

The second theme was dealmaking. City deals, growth deals and devolution deals allow, in theory, for bespoke place-based deals that move 'at the pace of the fastest'. This would form a 'variable geometry' of arrangements for English city-regions, spurring local authorities to form strategic alliances across their functional economic boundaries and convince central government that they were worthy of particular

PHOTOGRAPHY: ESA/NASA

"THE CITIES OF THE NORTH WILL CONTINUE TO WORK CLOSELY TOGETHER"

freedoms, flexibilities and (recycled) investment. There was an urgency within central and local government to do deals, and this had a positive impact on encouraging local authorities to work together for mutual gain.

MAINTAINING MOMENTUM

The Northern Powerhouse 'brand' has taken a political back seat as the new prime minister looks to go beyond the focus on Greater Manchester and ensure that "all our great regional cities" are able to thrive. Yet there is no doubt that the cities of the north will continue to work more closely together, informally and formally, in order to continue to realise their collective potential.

Some of the most innovative devolution deals are also in the northern metros. Hopes of integrating a wider public service reform agenda hinge on the success of the Greater Manchester health and social care deal and other pilot schemes, such as the Sheffield City Region Skills Bank. The geography of the north also lends itself to thinking beyond the big city regions, connecting the smaller cities, towns and more rural areas of Lancashire, Cumbria and Northumberland, for example, into an economic strategy for the Northern Powerhouse.

As she launched her candidacy for the Conservative Party leadership, May noted the influence of Joseph Chamberlain, who pioneered radical municipal reform in education, housing and social services when he was mayor of Birmingham in the early 1870s. The Northern Powerhouse ministerial post was retained when May formed her government in July, but the Midlands Engine now seems to be at the forefront of her attention.

It is possible that deals with individual combined authorities stop being the primary means of achieving devolution. Bogged down by Brexit, civil servants might look for an alternative forum to monitor accountability for existing deals and develop new proposals for existing and emerging combined authorities. Previously, the RSA has argued for a cross-party parliamentary committee to advance the government's devolution agenda. This could be a positive step forward for inclusivity and transparency, allowing more places to benefit from devolution and moving the development of the agenda out of murky backrooms in the Treasury and the Department for Communities and Local Government.

The risk is that the pace and ambition of the agenda begin to slow, also undermining the opportunity for devolution to be a driver of inclusive local growth. However, there are some mitigating factors.

REASONS TO BE CHEERFUL

Speaking to the UN General Assembly for the first time in mid-September, Theresa May called for international institutions to do what they can to protect people from the downsides of global capitalism. "For too many... men and women, the increasing pace of globalisation has left them feeling left behind," she told the assembly. Tackling the scale of the inclusive growth challenge will need international, national and local-level intervention.

In the UK, after years of public-sector cuts that even the IMF has warned might have gone too far, the promise of devolution

will need to be backed up by sufficient resources. In Sheffield City Region, for example, we know that the devolution deal has secured £900m in funding over the next 30 years. But this does nothing to replace the £1.1bn the city region has lost over the last four to five years under austerity. The Autumn Statement is an opportunity for government to demonstrate its commitment to inclusive, place-based growth and prosperity, potentially through further fiscal devolution so that places are better able to reinvest the proceeds of growth locally.

If the devolution agenda is to avoid getting stuck in the weeds of Brexit-induced uncertainty and deliver on its promise to support inclusive growth, three things will be critical. First, it needs to make sure that the merits of geographic inclusivity do not undermine the pace and direction of change for places that are already geared up to deliver a basis for inclusive growth. Second, it needs to maintain a commitment to local innovation, moving beyond Whitehall's cookie-cutter approach to making deals, which has, to date, effectively started with what works for Greater Manchester and worked backwards. The 'Manchester Minus Model' diminishes our vision, both at a central and local level. Third, place-based growth needs be based on a model of economic development with more people-shaped parameters. This means going beyond the current narrow economic narrative and integrating social investment and public service reform into new and existing deals.

The vote for Brexit revealed what many have known for a long time. Over the past three decades, many people have come to feel disempowered, disenfranchised and disconnected. We need a new model for policymaking that allows as many people as possible to contribute to, and benefit from, growth. As Stephanie Flanders explains in this journal, we call that model 'inclusive growth'. A more ambitious, inclusive vision for devolution will help us achieve it.

FELLOWSHIP IN ACTION

INCLUDING SCOTLAND

With the work of the RSA's Inclusive Growth Commission well under way, the Scotland-based Building Inclusive Growth Network could not have been set up at a more opportune time.

Founded by RSA Fellows Brian Mcleish, Edward Harkins and Duncan Booker, the network aims to bring together the best minds from different disciplines across Scotland to debate what inclusive growth means and how it can be encouraged at a local level. The ultimate aim is to influence government policy.

Inclusive growth forms one of four pillars of the Scottish government's economic strategy, so the network has approached members of the Scottish parliament with the idea of establishing a cross-party group on inclusive growth in Holyrood.

The RSA's Commission has also expressed an interest in hearing from the network. "This a big achievement given how soon after the creation of the network it is," says Mcleish, who hopes to ensure that Scotland's challenges and needs are reflected in the Commission's findings.

MAKLab, a social enterprise in Glasgow run by RSA Fellow Richard Clifford, hosted its inaugural event for free in June, and Mcleish is hoping to win RSA funding for the network's second event, which will debate the findings of the RSA Commission's interim report.

For more, visit www.thersa.org/inclusive-growth-scotland

A FRIENDLY REVOLUTION

As we face multiple crises, it is incumbent on all of us to imagine a better future and challenge the status quo through positive action

by Uffe Elbæk
@uffeelbaek

We live in challenging times. Our settled ways of life are deteriorating; the systems we have built and the ecosystems we rely on are collapsing. The very limits of the planet we inhabit are being tested in front of our eyes; not just by corporations but by how we ourselves care for our environment. Those are the facts. How we react individually, and formulate our responses collectively, will determine how history sees us; how we manage to change will determine history itself.

As I see it, and as more and more people are seeing it, staying with the status quo is not an option. A few facts to illustrate my point: 62 individuals own half of the planet's wealth; 65 million people – roughly 1% of humanity – are refugees and estimates show these numbers could at least double in the near future; and we are on a path towards catastrophic climate change expected to displace hundreds of millions, and cause rapid desertification on land, acidification in our seas, erosion of our shorelines and more frequent extreme and dangerous weather events across the globe. It is too late to outsource responsibility for these problems; we have to start with ourselves.

That's what we did when we founded The Alternative (Alternativet in Danish) in 2013. We had the audacity to imagine a radically different future: greener and more sustainable; full of hope and equal opportunities; a future that lives up to the full potential of humanity coming together. Three years later, after the Brexit referendum, with the popularity of Trump in the US, and the continuing collapse of European leadership, the need for radical solutions is even greater. Our sense of an alternative way of responding to breakdown is growing. And, as history tells us, there is always an alternative.

UFFE ELBÆK IS THE LEADER OF DANISH POLITICAL PARTY THE ALTERNATIVE AND A MEMBER OF THE DANISH PARLIAMENT. HE IS THE FORMER MINISTER OF CULTURE

LESSONS FROM THE PAST

Denmark went bankrupt in 1813. After wars we did not win, and after the nation's capital was bombarded and left in rubble by the British and there was no money left, we did something courageous and perhaps unexpected. We invested. Massively. And we put education at the core. In doing so, we laid the foundation for a golden age of art, ideas, democratic values and an unprecedented bloom of social innovation.

Attending school was made mandatory and free for all children across the land. Inspired by thinkers and social movements from across the world, adults educated themselves – and each other – in the folk high schools that offered non-formal education, while farmers united in cooperatives and workers formed unions. We created communities and ways of organising ourselves that in turn inspired others around the globe. As we built the welfare state, as we continued to invest heavily in education, healthcare and equality, and as we furthered our civil rights, riding high on a continuous wave of innovation, we secured better lives for most, if not all. Danes benefited. They lived well. Better than before the crisis.

But with the rise of neoliberalism in the 1970s, with the dominance in recent years of austerity, we started becoming enslaved by the economy rather than using the economy as a means to achieve greater things. Parallel to this, it seemed, societies stagnated. As a whole, we got richer (mainly the rich got richer), but we did not get happier, we did not show more empathy and we certainly did not get wiser. »


DREAM
BIG
CHANGE
RENEW
IMPROVE
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THE
STATUS
QUO
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THIS IS A
CREATIVE
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"THE STATUS QUO IS NOT WORKING FOR MOST PEOPLE"

Somehow we became disconnected from the meaning and purpose of our work and entered into a trance of achievement and procurement. We got stressed out, and those who could not keep up had to work more jobs to make ends meet. We did not have the time to care for our parents or our children. In an effort to create economic growth, to buy the next iPhone, to get a bigger house, we lost track of what should be most important to us.

It is not that neoliberalism or even austerity killed off our ability to generate better ideas – because there are still so many good initiatives out there and so many new solutions that show us a different path on offer – but that we became too passive. Or numb, maybe. Even lost, perhaps. In our approach to society-building, we became conservative. In our approach to politics, we – for the most part – got satisfied with preserving the status quo. We were so happy about what we achieved (and yes, we achieved great things) that we stopped dreaming big, stopped rethinking. Instead of changing, renewing and improving, we focused on safeguarding. What a waste of potential and ambition. We set aside the greater vision.

A WAVE OF INNOVATION

That is why we founded The Alternative; to start a wave of innovation like the one that kick-started our progress in the past; to create an arena where dreaming comes naturally; an arena where new ideas are encouraged and where dreaming out loud, with your eyes and ears open, is appreciated.

Today, as it was when it was founded, The Alternative is a value-based movement; a platform for progressives of all sorts and starting points, one that is not blinded by ideologies of the past. On this platform, we plan to build great things: sustainable communities; solar energy projects; urban gardens; publishing companies. We started by building a political party. This might sound like an oddly familiar place to start, but The Alternative is not your regular political party. Our political programme is 100% crowdsourced through 'political laboratories', open to all and held throughout Denmark after our launch in 2013.

Our politics and policies are not formed by special interest groups; they are measured against how well they perform on three bottom lines: the economic bottom line, the social bottom line and the environmental bottom line. A good proposal will create surpluses on all three. A proposal that creates a surplus on the economic bottom line alone is not something we would endorse. On top of that, everything we do is guided by our six core values: transparency, generosity, humility, courage, empathy and humour. That means that we do not practise politics in the way that it is usually done. Since we were elected to the Danish Parliament last year, we have insisted on doing things differently: reading poems as part of our policy proposal in our equivalent to the House of Commons; throwing Alternative Parliaments that involve inviting citizens affected by the laws being debated in chambers to have a synchronised debate in a room next door; and inviting artists to work by our side, acting as creative disturbances.

We are deeply serious about what we do, about the radically different future we want, and about the real and sustainable transition that we want to drive forward as fast as possible. And we insist on doing it differently because the way we have been doing things up till now is what has got us into this mess.

A NEW POLITICAL CULTURE

Most revolutionary of all, at least to the system, has been our insistence on a new political culture. Media, fellow politicians and the public in general have been stunned by our refusal to participate in the blame-game of politics, our commitment to stopping the name-calling and our readiness to be curious and non-judgemental about the position of a political opponent. When we are proposing new initiatives, we lay out the pros and cons, we acknowledge the grey areas and admit when we were wrong or have changed our minds. In most walks of life that would be totally normal. In politics, not so much.

When we spin, we are open about it. We publish media declarations on our website, chronicling how we talk to journalists on specific stories that we place in the media, what our considerations are and what we aim to achieve.

These approaches are certainly new, at least by Danish standards. And against all odds, or more precisely against the odds of media pundits and their low expectations, we have been successful. We got elected to parliament in our first try last year, have experienced rising polls ever since and our membership base is now fourth among the nine political parties in the Danish Parliament.

I believe this success (and the success of other new parties like ours) has many causes. First of all, many people are tired of the old version of politics (a large percentage of our membership base has never been politically active before). Second, we address other problems and have radically different solutions than most other parties. Third, we have proven that politics can be fun, inclusive, thought-provoking and action-orientated for all. Fourth, and most important to us at least, we want change. We are not satisfied with the status quo. Why should we be when the status quo is not working for most people?

Instead of focusing on austerity alone, we see the real challenge as the empathy crisis, the systems crisis and the climate crisis. And our responses are action-orientated. So, for example, we want our agricultural industry to go 100% organic; we want

experiments with basic income for all; we want a 30-hour work week to give people more time for themselves and each other; we want all our energy to come from renewable sources by 2040 or before; we want to phase out fossil fuel cars by 2025; and we want to stop using GDP as the most prominent indicator of the progress we make. Most of all, we want to establish new economic thinking that makes sense on an international scale and can replace the blind trust that most politicians have in economic growth as the only solution.

Each of the three crises indicates the potential for change; the potential to renew our society as we did in 1813. We welcome the chance to build new, sustainable systems that respect the planet's limits, that prioritise wellbeing over wealth, and that further civil participation – by and for the people. If we fail to do so, we don't deserve any better.

THE RISE OF PROGRESSIVENESS

As discouraging as it is to see some leadership hopefuls trying to make us smaller than we are; trying and succeeding in instilling fear over hope; and trying to make countries isolate and work less together, we are nevertheless encouraged to witness the rise of progressiveness around the world: Bernie Sanders in the US; Podemos in Spain; Syriza in Greece; the Five Star Movement in Italy; the Pirate Party in Iceland; sister parties of The Alternative in Norway and Nepal. All of these movements are different, but all have a progressive vision of a future that matches the 21st century and beyond.

Even in the UK, progressives are re-emerging and forming new alliances. I was happy to contribute a chapter to a book co-edited by Lisa Nandy (Labour), Caroline Lucas (Green Party of England and Wales) and Chris Bowers (Liberal Democrats) called *The Alternative*. The campaigning group Compass, led by Neal Lawson, has taken on the ambitious and overdue task of facilitating a Progressive Alliance – including the three just mentioned, but also the Scottish National Party, Plaid Cymru and others – to stand together against the Conservative Party in 2020.

In addition, in a radical bid to change the context of British politics altogether, a group of creative political actors – artists, technologists, globalists – are setting up a platform in the UK that will be similar to The Alternative. Working alongside the Progressive Alliance, they will focus their appeal on the 98% of people who are not members of a political party, hoping to identify entirely new starting points for politics in the UK.

Rather than set up a political party, they will begin with political laboratories and offer play spaces of all kinds for incubating social change that will be showcased in a Carnival of the New Politics in 2017. Like The Alternative in Denmark, the framework will be six values – courage, empathy, transparency, humour, humility and generosity – and the experience will be unlike any political event you've been to before.

Some say we are overdue a revolution, others that we are already in the midst of one. What we want is a friendly revolution, in Denmark and throughout the rest of the world.

GROWING PAINS

The pursuit of productivity is punishing and growth is not delivering prosperity. We need to reimagine the structures behind our economies

by Tim Jackson
@ProfTimJackson

A little after 5.30pm on the afternoon of 13 July 2016, two women shook hands on a new era. A press photographer captured the moment. One of the women, at 90, is very familiar to us. The other, three decades younger, a little less so. On bended knee, the eyes of the younger woman are almost on a level with those of the older. Both women seem slightly uncomfortable. But there is one enduring feature to this photograph: the genuine warmth that seems to shine in their smiles. I want to come back to that.

An hour or so later, the taller woman (the new prime minister, Theresa May) gave one of the most striking inaugural speeches in UK parliamentary history. In it, she briefly praised her predecessor's One Nation conservatism. And then proceeded to savage the "burning injustice" over which it had presided. "If you're black, you're treated more harshly by the criminal justice system than if you're white," she said. "If you're a woman, you will earn less than a man. If you suffer from mental health problems, there's not enough help to hand." It was a speech in the spirit of a JFK or a Michelle Obama. It signalled a departure not just from the toxic rhetoric of austerity, but from decades of conservative insistence that there is "no such thing as society".

It is easy enough to attribute cynical motives to this moment. May's party had spent the past six months tearing itself apart over Europe. The Brexit vote had cast deep divisions between ordinary people across the country and exposed the architects of the tragedy as duplicitous leaders and treacherous friends. May arrived at her newly won station by stepping carefully through the mire of backstabbing incompetence that swallowed the hopes of several more obvious pretenders to the throne. A speech on the subject of unity might seem like an obvious and relatively safe play.

TIM JACKSON IS PROFESSOR OF SUSTAINABLE DEVELOPMENT AT THE UNIVERSITY OF SURREY

Reaching for inspiration not into her own party's manifesto, but into the core territory of the opposition was a stroke of genius. The near disintegration of the Tory party in the preceding months was overshadowed only by the inexplicable appetite of the Labour Party for self-immolation. What better time for a Tory prime minister to play the social justice card? "Under my leadership, the Conservative Party will put itself – completely, absolutely, unequivocally – at the service of ordinary, working people," May promised. "We will make Britain a country that works for everyone. An economy that works for everyone… A society that works for everyone."

A close observer might notice that May did not just borrow the idea but actually lifted the language – lock, stock and barrel – from the arsenal of her opponents. Barely two months previously, Jeremy Corbyn had launched Labour's inaugural State of the Economy conference with a robust challenge to the prevailing paradigm. "We want to see a break with the failed economic orthodoxy that has gripped policymakers for a generation," he proclaimed. Labour will "create an economy that works for all, not just the few", he »

STYLING: KERRY HUGHES, PHOTOGRAPHY: EMMA TODD

"TOO MANY PEOPLE ARE TRAPPED IN LOW-QUALITY JOBS WITH INSECURE WAGES"

promised. Perhaps banking on the astonishing lack of sympathy afforded to the leader of the opposition by the press and their tendency to forget instantly anything he actually says, May's speechwriter did not miss a beat, unashamedly snaffling the words and cleverly amplifying them for her own purposes.

We do not yet know what those purposes are, to be totally honest. But if they are anything close to the semantic meaning of the words themselves, I suspect we should at least give them a chance. An economy that works has to be a good thing, right? Meaningful work, decent wages, good life chances, reliable access to healthcare and education, affordable housing, resilient communities, inclusive societies, living in a world that does not trash the climate or the rivers or the soils. What is not to like about this vision: a tantalising promise to create a 'good society'?

PROGRESSIVE TALK

Of course, it rather depends who you are, and what your life chances happen to be at the time of asking. There is a minority who have done rather well from an economy that does not work at all. The much reviled 1%. A financial (and political) elite who have managed to benefit massively from the machinery of growth: globalisation, financial deregulation, asset price speculation, collateralised debt obligations, credit default swaps. An impenetrable language hiding a tale of human misery. Not just to benefit, indeed, but to use their considerable power in persuading a captive state to stack the odds in their favour and sweep the risks under the public carpet. Privatised gain and socialised loss is the defining story of capitalism over the last decades. A story that bears no small part in bringing Theresa May to the steps of 10 Downing Street.

Is she really calling time on the unassailable privilege of her predecessors? Is that what this shared smile signified? It is still too early to say. But a careful archivist would certainly note that her progressive language has an even longer and broader pedigree. "An economy that works for everyone" appeared in the Green Party manifesto long before it was borrowed by Corbyn. Prior to that it was a campaign launched by the Aldersgate Group – an alliance of leaders driving action for a sustainable economy – with more than a passing nod to the worldwide chorus of disapproval against conventional economics raised in the aftermath of the financial crisis.

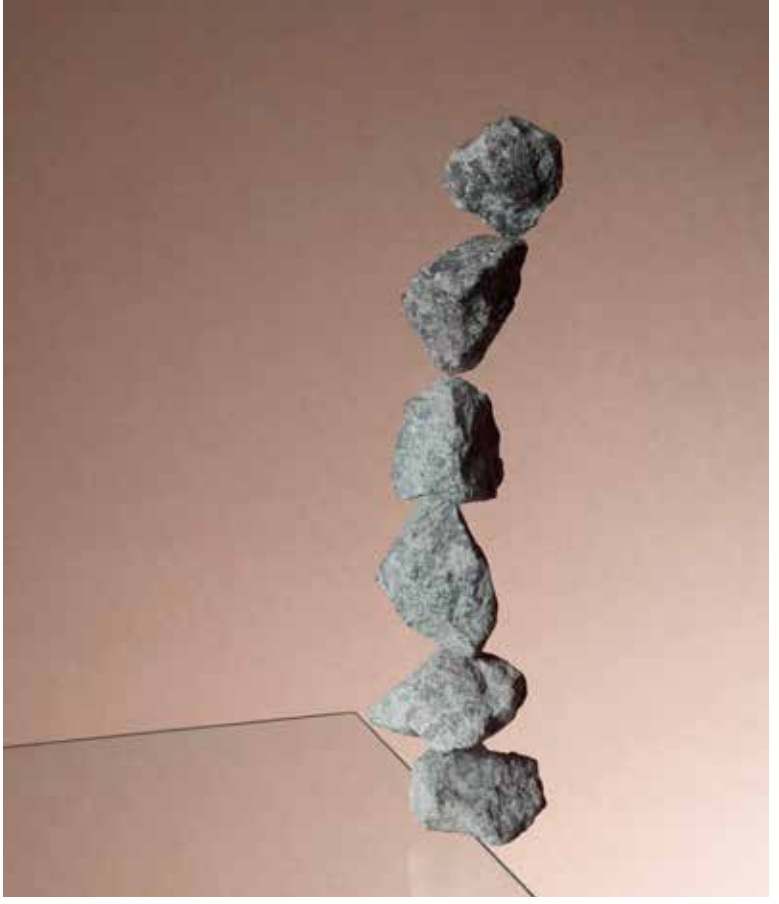
The protests of Occupy internationally and Los Indignados in Spain. Bernie Sanders' unlikely campaign for the Democratic nomination in the US. Pablo Iglesias' eloquent reign at the head of Spain's Podemos ('we can') Party. Yanis Varoufakis' brief, quixotic stand against the power of the troika in Greece. The huge popularity of the 'rock-star' economist Thomas Piketty, whose claim to fame was to highlight the deepening inequality inherent in capitalism. The rise of pro-Corbyn Momentum in post-crisis Britain. All of these bear witness to the discontent now levelled at an economy that failed, almost catastrophically.

In an iconic moment, shortly after the crisis, the older woman in the photograph visited the London School of Economics and asked the assembled economists why no one had seen the crisis coming. Taken somewhat by surprise, the economists solemnly went away and considered the matter. Some months later they put their names to a carefully written three-page letter to her. "In summary, Your Majesty," they concluded solemnly, "the failure to foresee the timing, extent and severity of the crisis and to head it off, while it had many causes, was principally a failure of the collective imagination of many bright people, both in this country and internationally, to understand the risks to the system as a whole."

It was a parsimonious, almost humble letter, but it was also misleading. Of course, there was (and is) a collective failure of the economic imagination. But that does not really answer the question. How did this oversight happen? Why did economists not understand system risk? And why on earth would we leave it to "collective imagination" to protect ourselves from financial disaster? Could it be, perhaps, that we had nothing left to imagine with once we had sacrificed everything to the god of economic growth?

An economy reliant for its stability on the endless stimulation of consumer demand resorts inevitably to monetary expansion to keep growth going. The burgeoning of credit creates fragile balance sheets. Complex financial instruments are used to disguise unsavoury debts. All of this is sanctioned at the highest level by governments and their regulators in the name of growth. But when the debts become toxic, the system crashes. The truth, Your Majesty, the economists should have said, is that growth was undone by growth itself.

One of the most striking aspects of the Brexit vote was the profound disregard for growth displayed by the Brexiteers. People



did not much care about the economic risk – even when Barack Obama or Christine Lagarde or Mark Carney warned us of it. This tainted economy and its fickle ambassadors clearly were not to be trusted. But there was also something more at stake. Economic growth is not synonymous with rising prosperity.

Prosperity itself transcends material concerns. It is not just about earning more and having more. It has vital social and psychological dimensions. To do well is in part about our ability to give and receive love, to enjoy the respect of our peers, to contribute useful work, to feel secure, to have a sense of belonging and trust in our community. Prosperity consists in our ability to participate meaningfully in the life of society. All the things, in short, that had gone missing for ordinary people over recent decades.

Let us just take one of those factors. Work is more than just the means to a livelihood. It is a vital ingredient in our connection to each other – part of the 'glue' of society. Good work offers respect, motivation, fulfilment, involvement in community and in the best cases a sense of meaning and purpose in life.

The reality, of course, is different. Too many people are trapped in low-quality jobs with insecure wages. If they are lucky. Two thirds of European countries now have youth unemployment rates higher than 20%. In Greece and Spain, youth unemployment in 2015 was close to 50%. This enormous waste of human energy and talent is also a recipe for civil and social unrest. It undermines the creativity of the workforce and threatens social stability. The long-term implications are nothing short of disastrous. One of the problems is that conventional economics sees work as a sacrifice of our time, leisure and comfort; and wages as a compensation for that sacrifice. As *Small is Beautiful* author Fritz Schumacher pointed out, in a fascinating essay on Buddhist economics, "the ideal from the point of view of the employer is to have output without employees, and the ideal from the point of view of the employee is to have income without employment".

RETHINKING PRODUCTIVITY

This perverse dynamic is played out through the relentless pursuit of labour productivity: the desire continually to increase the output delivered by each hour of working time. Rising productivity is viewed as the engine of progress. But the same dynamic is also punishing. If our economies fail to expand, unemployment rises. Higher unemployment reduces spending further and generates rising welfare costs. Higher welfare costs lead to unwieldy levels of government debt. Higher sovereign debt limits public spending, depressing demand yet again. When economic growth is hard to come by, for whatever reason, the dynamic of rising labour productivity is a harsh and unforgiving mistress.

The default wisdom is to get growth back as fast as possible. But there are two more interesting ways out of this 'productivity trap'. One is to accept productivity growth in the economy and reap the rewards in terms of reduced hours worked per employee. To share a better work-life balance for everyone. The second is to ease up on the gas pedal of ever-increasing productivity growth. Or in other words, to shift economic activity to more labour-intensive sectors. If this latter option sounds perverse at first, it is probably because

we have become so conditioned by the language of efficiency. Output is everything. Time is money. The drive for increased labour productivity occupies reams of academic literature and haunts the waking hours of CEOs and finance ministers across the world. Besides, our ability to generate more output with fewer people has lifted our lives out of drudgery. Who nowadays would prefer to keep their accounts in longhand, wash hotel sheets by hand, or mix concrete with a spade?

But there are places where chasing labour productivity growth makes much less sense. Certain kinds of tasks rely inherently on the allocation of people's time and attention. The care and concern of one human being for another, for instance, is a peculiar 'commodity'. It cannot be stockpiled. It does not degrade. Its quality rests primarily on the attention paid by one person to another. And yet compassion fatigue is a rising scourge in a health sector hounded by meaningless productivity targets.

HUMAN SERVICE SECTORS

Craft is another example. It is the accuracy and detail inherent in crafted goods that endows them with lasting value. It is the attention paid by the carpenter, the tailor and the designer that makes this detail possible. Likewise it is the time spent practising, rehearsing and performing that gives creative art its enduring appeal. What, aside from meaningless noise, is to be gained by asking the London Philharmonic to reduce their rehearsal time and play Beethoven's *9th Symphony* faster and faster each year? These 'human service' sectors of the economy – care, craft, culture – are characterised by the fact that the time spent by people in the service of each other is the core value proposition. I (and others) have argued extensively that this concept of service provides for a new vision of enterprise: not as a speculative, profit-maximising, resource-intensive division of labour, but as a form of social organisation embedded in the community, working in harmony with nature to deliver the capabilities that allow us to prosper.

Social investment is vital to this vision. Investment is vital for any economy. It embodies the deepest relationship in economics: the relationship between the present and the future. The fact that people set aside a proportion of their income at all reflects a fundamentally prudential aspect of human nature. Engaging in projects that last over time embodies our commitment to the future and is the basis for prosperity of any kind.

But the success of investment depends inherently on the destination of our savings. When large proportions of investment are dedicated towards nothing more than asset price speculation, the productive relationship between the present and the future is fundamentally distorted, destabilising the economy and undermining prosperity.

This too can be transformed. The rising influence of the international divest-invest movement bears witness to the profound possibilities for change. So far, the movement has focused on fossil fuel investments. But there are other areas where we should routinely be challenging the portfolios of our pensions and insurance companies. Why do we continue to invest in destructive supply chains populated with underpaid labour working in dangerous conditions, when there are decent alternatives and promising technologies available?

Freeing up these opportunities depends on having a financial system which is fit for purpose. Improving the ability of ordinary people to invest their savings responsibly in ways that benefit both their own community and a wider environment is paramount. Crowdfunding, peer-to-peer lending, local community bonds, all of these are helpful, but deeper and more decisive changes are also needed.

"WHAT IS AT STAKE HERE IS THE NATURE OF MONEY ITSELF AS A SOCIAL GOOD"

Some surprisingly conventional voices now call for an end to banks' power to create debt-based money through a fractional reserve system, in line with the so-called Chicago Plan, which was devised by economists at the University of Chicago in the wake of the Great Depression. In *The Chicago Plan Revisited*, published in 2012, the IMF identified multiple advantages of a 100% reserve scheme: better control of credit cycles, the potential to eliminate bank runs, and dramatic reductions in both government and private debt. The result of such a scheme would be to return control of the money supply to the state. 'Sovereign money' systems eliminate the dependency of the state on commercial money markets and reduce the cost of public borrowing, allowing governments to spend (and invest) directly into the economy in support of social needs. Proposals for such systems are currently under consideration in Iceland, the Netherlands and Switzerland.

What is at stake here is the nature of money itself as a vital social good. Money facilitates commercial exchange; it provides the basis for social investment; it has the power to stabilise or destabilise society. Handing the power of money creation over to commercial interests is a recipe for financial instability, social inequality and political impotence. Reclaiming that right in the national interest is a powerful tool in the struggle for a lasting and inclusive prosperity.

It is tempting, of course, to dismiss all this as the musings of an affluent minority – #FirstWorldProblems – but I am not convinced of this. I was asked to talk about some of these ideas at a recent UN meeting on the Sustainable Development Goals. Following my talk, the session moderator turned directly to a young government minister from Ecuador. "Is the post-growth debate just a luxury of countries that have already grown?" he wanted to know. The response was an emphatic no. "If growth means to reach a state in society in which selfishness and consumption are the basis for the economy, then we don't want to grow," answered my fellow panellist. "The model of *buen vivir* [living well] that we are proposing in Ecuador is not based on consumption but on solidarity, on sustainable development, on a change in the growth paradigm," she told us.

There is one fascinating aspect of these emerging visions. They strike a subtly different balance on the question of gender. The economy of care and craft and creativity is a place rich in the participation of women. Often underpaid and chronically under valued, these sectors are nonetheless vital to our health, security and wellbeing. They bring a set of social norms that embody decency, tradition, longevity and concern for others. They provide a genuine antidote to the hyper-materialism of the consumer society. And to the locker-room banter and frat-house machismo of a male-dominated political elite.

Which brings me full circle, back to that smile. Its warmth suggests a genuine bond, a sense of solidarity. Was it the solidarity of privilege, intent on shoring up the establishment at the cost of creeping nationalism and rising intolerance? Or was it a genuine recognition, between two experienced women, of the potential for a new beginning? The question matters. Because there is absolutely no doubt at all that stealing a revolutionary rhetoric is the beginning, not the end of things. To take up the language of protest, Mrs May, is to take on the responsibility for change.

I have come to believe that building an economy that works is a precise, definable, pragmatic and meaningful task. Enterprise as service, work as participation, investment as a commitment to the future and money as a social good: these four principles provide the foundations for a profound and much-needed transformation of society. One perhaps even the Queen might approve of.

FELLOWSHIP IN ACTION

SOMETHING BORROWED

Library of Things is a London-based community initiative that allows local residents to borrow everything from power drills and tea urns to kitchenware and camping kit.

The project started in West Norwood in 2014, when three friends ran a pilot scheme in the public library, inspired by a borrowing shop they had seen in Berlin. One of those friends is Rebecca Trevalyan, chief lending officer at Library of Things. "It has captured everyone's imagination and attracted all sorts of residents," she says. "It enables people to access items they might not be able to afford to buy or don't have the space to store."

The library also gives members the opportunity to learn how to use items in one-to-one sessions. "Lots of people from the area have lent their skills, which has really grounded the project from the outset," adds Trevalyan.

A £10,000 RSA Catalyst grant helped launch the project, while the team has since raised almost £15,000 through Kickstarter. The funds are helping to pay for a bootcamp that will teach others in the UK how to set up similar libraries.

Find out more at www.libraryofthings.co.uk

STARTING LINE

The Olympics have not inspired us to be more active. We need to loosen the formal boundaries of sport and rethink how we spend public money

by David Goldblatt
@Davidsgoldblatt

DAVID GOLDBLATT IS A SPORTS WRITER, SOCIOLOGIST AND AUTHOR

There were many extraordinary performances at the Rio Games. Usain Bolt, Mo Farah and Simone Biles of course, but really nothing quite topped Thomas Bach's sensational debut as International Olympic Committee (IOC) president at his first Summer Olympics. At a breakfast meeting the day after the closing ceremony he took the gold medal for the disingenuous, saying: "These were marvellous Olympic Games in the *cidade maravilhosa*. The Olympic Games Rio 2016 have shown the best of the Cariocas and Brazilians to the world."

Really? Let's put aside for the moment the idea that the Games were already a disaster before they began. Let us ignore

ILLUSTRATION: DANIEL FROST

the notion that preparations for the Games exemplified the very worst of Brazilian clientelistic politics, its widespread corruption and its voracious property developers. Let us pass over the fact that most of the infrastructure that has been built will benefit the already wealthy at the cost of tens of thousands of forced relocations. Let us pretend that the bankruptcy of Rio state on the eve of the Games had nothing to do with the show.

If we are to just take the Games as we saw them, then my most abiding memory of the Rio Olympics is the acres of empty seats. While a few sports and a few sessions approached full houses, many – for example, much of the handball and weightlifting – were desperate and forlorn. The last-minute giveaway of tickets, notionally to schools, failed entirely to plug the holes left by entry prices that excluded the majority of the city. Poor transport and slow security procedures made a small contribution, but I read the empty stands as the indifference of the wealthy minority to much of the programme, and the shameful waste of the sponsors' and Olympic family's generous allocations; a tableau made all the more unpleasant by the arrest of the Irish IOC member Pat Hickey on charges of shameless ticket touting.

A large crowd was no guarantee of an Olympian atmosphere. The booing of then-interim President Michel Temer at the opening ceremony was crude. But that was preferable to the treatment meted out to French pole vaulter Renaud Lavillenie, who was viciously booed by the crowd during the competition he lost to the Brazilian Thiago Braz da Silva, and then again during the medal ceremony.

Successful as the Olympics were in confining our attention to the main show, the backstage stories that did emerge were illuminating. It is a shame that the Olympic broadcast consortium did not train its cameras on the IOC's buffets and its counting room, where a $450 daily expenses allowance was handed out to every IOC member. It would have made a great double bill alongside the volunteers working without being adequately fed and the cleaners doing 15-hour shifts but banned from the public areas of the Olympic village.

Much the same could be said for much of the rest of the city. Beyond the Olympic bubbles, there was a pervasive sense – even in mainstream sports coverage – that Rio was hosting a party to which the vast majority were not invited. This point was made with stark clarity through the photographs of residents of the city's favelas watching the fireworks of an opening ceremony for which tickets would cost many weeks' wages. Needless to say, and contrary to official predictions, the Games saw violence increase and tourist numbers disappoint. That Bach could offer such oleaginous praise to his hosts in the face of all this was a triumph indeed.

However, Bach had stiff competition from UK Undersecretary of State for Sport Tracey Crouch, who put in a commendable performance in her post-Games blog. With the cheery hyperbole of a head teacher's report she observed: "Team GB's performance has exceeded expectations and been absolutely sensational." And so it had been. Team GB won 67 medals in all, 27 of them gold; a record haul away from home and worthy of second place in the table. In explication, Crouch

offered a sermon from the church of marginal gains. Lottery funding has been ruthlessly directed towards elite sport and, within that, equally ruthlessly directed to sports and athletes that promise Olympic medals. Using management, medical and psychological techniques exemplified, if not invented, by British Cycling, success has been built on a combination of full-time talented athletes, core funding, large multidisciplinary back-up teams of coaches, scientists and technologists and multiple micro-improvements in sports technology, clothing, training, diet, hygiene and tactics. Commentators on both left and right, the minister included, have suggested that here is a model for the much-fabled, but rarely sighted, British industrial policy. I remain sceptical as to quite what UK rowing will be able to teach Nissan about continuous improvement.

More boldly, Crouch claimed that: "Team GB symbolises what is fantastic about the Union." An observation that conveniently forgot that the four football associations of this united kingdom refused to cooperate in fielding a British Olympic team; that the teams that were fielded in 2012 were overwhelmingly English operations, actively disdained by the Scots; and that the absence of NI from Team GB – given that the country really is called the United Kingdom of Great Britain and Northern Ireland – remains infuriating to Unionists and a matter of indifference to the rest of the country. The sporting loyalties of nationalists, for the most part, have long shifted to the Republic. This is not to say that the Olympics is not a rare, in sporting terms, opportunity to celebrate the British nation, but we do ourselves no favours by telling such a glib, sanitised version of ourselves.

Crouch's real ace in the hole, though, was her blithe expectation of the benefits of this gold rush. First, "I am sure savvy local councils will take advantage of the feel-good factor and offer something different that will help improve the physical activity of their communities." Like Tory Barnet Council, perhaps, which has built on our diving success and saved money by removing the boards from its new swimming pool. With local government spending cut more sharply than almost any other budget, and with recreation a non-statutory service, we can no doubt expect a lot more of this kind of innovation.

And, of course, second, "The likes of Max Whitlock, Adam Peaty, Laura Trott, Nicola Adams and the whole hockey team will have inspired many young people at home to get involved in sport with their incredible performances and subsequent humble and gracious interviews." Well perhaps they did, but if the impact of London 2012 is anything to go by, then we can expect the latest gold medal haul to deliver a further deterioration in the public's levels of physical activity and sporting participation.

HUMAN NATURE

Given the rising tide of nationalisms in post-referendum Britain, I have no doubt that elite Olympic sport will continue to be funded and thus we can expect another minister of sport (they don't last long) to have another run at the prize. Or we could look this thing in the eye. The Olympics, as currently constituted, do not leave a positive urban, sporting or environmental legacy. Gold medal success does not translate into higher activity rates or produce a healthy nation. Worse, the obsession with elite sport and the metric of medals makes an entirely unsuitable policy model for doing so, one underwritten by a bracingly narrow and naive model of human behaviour.

"WE NEED TO BE THINKING ABOUT HOW ELDERLY PEOPLE CAN BE MOTIVATED"

Instead, it would be helpful to think of sport as just the formalised, rule-bound and competitive end of a much bigger and diverse set of ways of playing, and physical and body cultures. Many in the sports world already think ice dance a borderline case and fret terribly over its inclusion in the Olympics. Utopian skateboarders and old-school dressage riders fear the sportification of what, for many, is an aesthetic craft and practice. Better, at the level of public policy at any rate, to just lose the boundaries altogether and embrace skipping, dancing, hopscotch, hiking, high-tempo horticulture, hide-and-seek, yoga, immersive urban games and zombie walks as part of the active society one wants to nurture. Sport has a special place within this ecology, but it is not the be-all and end-all of physical culture and play. Given how hollowed-out its moral message has become, and how often elite sport has been deformed by the forces of money and power, it might even have something to learn from other fields.

Inspiration is a wonderful thing, and there is still plenty of mileage in athletes serving as role models, but we simply cannot continue under the illusion that underpins almost all sports public policy: that the narrative of behaviour change is "the child is inspired by Olympian/star/hero, with hard work and dedication becomes Olympian/star/hero, goes on to inspire more children". First, because in an ageing society we need to be thinking just as hard about how middle-aged and elderly people can be motivated, and not just how to get people started, but how to keep them there.

Second, because while the hero-inspiration couplet may work for Olympians, it really doesn't work for most people. Maybe we could try persuading, inviting and cajoling people into a more active lifestyle? Maybe we could play because it's just really good fun? Because it's a social occasion and an increasingly lonely world? Indeed, in an era of sports thinking that privileges marginal gains, psychological profiling and nudges, it is extraordinary to think it relies on a model of human behaviour based on this kind of cliché and magic. In fact, many of our patterns of exercise are more mundanely determined by familial and peer context, access to sporting networks and the cost and geography of facilities and their uses.

With this kind of model in mind, perhaps the singularly most useful thing we can do is invest in the infrastructure of cycling and walking. This would be good for all sorts of reasons, but if the record of Denmark, Norway and the Netherlands is anything to go by, significantly higher rates of walking, cycling, skating and skiing as modes of transport are a central reason that activity rates are high and their populations healthier. This is, of course, beyond the remit and power of the Department for Culture, Media and Sport, but it is hard to imagine any kind of major change in the nation's activity levels without it. Given that the Department for Transport is contemplating HS2 at a price of anywhere between £50bn and £80bn on the grounds that it will save business people time, it would be interesting to do an analysis of the health and social benefits of a comparable investment in walking and skateboarding.

SOCIAL INVESTMENT

A similar approach could be applied to the infrastructure of play. Most obviously, there is a need for new and more facilities to service the most popular forms of exercise – running, swimming, football – but it is equally important that parks, playgrounds and public spaces are designed and renovated to encourage and accommodate physical activity of all kinds. We certainly need more sandpits for long jumpers, but we need a thousand times more of them for creative outdoor play and sandcastle building. One wonders what the social return might have been had we spent the £200m gifted to West Ham United PLC (in the shape of the Olympic Stadium conversion) on Hackney Marshes pitches, walking football projects for the obese, and floodlit girls' leagues in the East End?

In Finland they are having a very different Olympic post-mortem. For the first time in decades, the nation failed to win a medal of any kind in the javelin – its most bankable summer sport – leaving it with just a single bronze in the women's boxing. Is this, they wonder, the cost of being the industrialised world's most active public? It is probably not a zero-sum game. Given, in the end, how little has been spent on winning Olympic golds – annually less than the turnover of a single small Premier League club – it is not really a matter of diverting funds. Rather, it is, in the first instance, a matter of priorities and perspectives.

Elite sport and the commercial spectacular provide fabulous entertainment, and on occasion, transcendent moments of imagined community, but no matter how much we watch, on how many screens, and how often we win, they are not going to reverse the consequences of our post-industrial inactivity and our Faustian embrace of the food industry. Leaving them and their myths in charge of policymaking makes the task even harder.

SOCIAL WEALTH

A national financial fund could create a more productive and inclusive economy in the UK

by Stewart Lansley FRSA

Two of the most significant features of the UK's economic model are the dominance of private capital and the growing concentration of business ownership. Both trends have been driven by a mix of rolling privatisation, antipathy to collective and public ownership, freer markets and a business culture that favours mergers and acquisition activity.

With the exception of the US, few other rich countries operate a model of such intense corporate capitalism, one dominated by the power of the giant private corporation. From energy supply to accountancy, key sectors are dominated by a handful of companies. Cooperatives account for only 2% of the British economy, a much lower portion than in many other rich countries. Individuals today own 12% of traded shares, down from 54% in the 1960s. Shares are held more transiently than in the past, increasingly by global asset management companies and high-frequency traders.

CONCENTRATION PROBLEM

A key consequence of this model is a growing wealth divide. Since the early 1980s, when a market-dominated model of capitalism displaced the post-war emphasis on managed capitalism, the gains from growth have become increasingly colonised by a powerful commercial and financial elite. As the World Bank economist Branko Milanovic has argued: "If one of the drivers of inequality is capital incomes… this is because they are heavily concentrated. 'Deconcentration' of capital incomes, that is, much wider ownership, is then a solution. But it is seldom mentioned."

Without such deconcentration, private capital will become more entrenched and inequality will continue to grow. Reducing the income and wealth gaps – a declared goal across most of the political spectrum – depends on achieving a more even spread of capital ownership. One route to this end would be to encourage the growth of alternative business models, from mutuals to partnerships.

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But one of the most effective policy instruments would be the creation of one or more social wealth funds. These collectively held, publicly owned financial funds are created from the pooling of existing or new resources and are used for the benefit of wider society. Embracing a philosophy of the common good, they ensure that at least part of the gains from economic activity are pooled and shared among all citizens and, crucially, across generations.

Variants of such funds are widely used elsewhere. Sovereign wealth funds have been established in a diversity of nations, from Norway to New Zealand, and in a number of US states, mostly funded from natural resource exploitation. Although these operate with differing degrees of transparency, democratic oversight and effectiveness, a number have been used for progressive goals, such as boosting investment or helping finance social spending. A model fund could have been created in the UK in the 1980s. Yet, in one of the great post-war policy blunders, British governments have chosen to spend the proceeds from the bonanza of North Sea oil in tax cuts and current consumption – 'jam today' politics – rather than preserving part of the gain for future generations.

Although the UK has already spent most of its oil revenue, one or more social wealth funds could be established using other sources of income. For example, they could be financed from part of the returns on communal assets, such as natural resources, minerals, urban land and the electromagnetic spectrum. Another source could be occasional one-off taxes on windfall profits, such as those levied in the past on banks, energy companies and oil producers, paid possibly in the form of shares.

Another route would be to pool all commercial public assets, from property and land to public companies, into a public ownership fund, thus mobilising assets that already exist.

PHOTOGRAPHY: GETTY

Managed independently, such a fund could generate returns to be used for wider public benefit, prevent the shrinking of the asset base and ensure that a higher proportion of the gains from economic activity are reinvested for productive use. A number of countries have already gone down this road. Singapore established the public holding company Temasek in 1974. Managing all state-owned commercial assets apart from property, it is worth more than half the country's GDP, and has achieved a higher annual return than the private sector.

RESPONSIBLE MANAGEMENT

Imagine the shape of the British economy today if, instead of rolling privatisation, with well over £200bn worth of sales to date, such a public ownership fund had been established in the mid-1980s and managed to secure long-term returns rather than serve short-term political interests. The state is, or should be, the custodian of such assets and has a responsibility to manage them for the interest of all. Establishing a public ownership fund would have preserved the family silver and, by boosting the value of public assets in an era of growing liabilities, greatly strengthened the public finances. With part of the returns reinvested and part used to boost social spending, the fund would have grown to represent a very sizeable chunk of the economy. At least part of the returns could have been used to boost spending on vital infrastructure, thus strengthening the productive base of the economy.

A more radical possibility for financing a social wealth fund, first advocated by the distinguished economist and Nobel Laureate James Meade in the 1960s, would be to dilute existing capital ownership through, for example, an additional, modest levy on share ownership. Meade proposed this levy as a way of raising the level of social ownership of capital. Such an approach would generate a sizeable fund, and returns, over time. Meade also argued that such a fund should be used to finance an annual citizen's dividend through a modest contribution from a very privileged social group. Alaska pays just such a dividend, financed through oil revenues.

"SOCIAL WEALTH FUNDS OFFER A DIRECT WAY OF TACKLING INEQUALITY"

Social wealth funds offer a direct way of tackling two key fault lines of the British economic model: ever-rising inequality and decades of underinvestment. Such funds would provide a powerful balance to private capital and improve the public finances. With growing calls to build a more inclusive and productive economy, it's time Britain borrowed from the best overseas models to establish its own social wealth fund.

For related information about the RSA's work in support of a universal basic income, visit www.thersa.org/introducing-basic-income, or contact Anthony Painter on anthony.painter@rsa.org.uk

CREATIVE RESOURCES

A financial safety net for all can lead to thriving, flourishing lives

by Nathalie Spencer
@economiclogic

Being overstretched is not fun. It can feel as if adding one extra complexity, task or expense to an already long list might just be the straw that breaks your back. Consider the trade-off between putting food on the table or acquiring new shoes for your child's growing feet. How could someone in this situation find the capacity to care about much more than just getting by?

In this light, to have the 'power to create' looks like a luxury. Yet, as the RSA believes, having the power to create – the ability, opportunity and inclination to act on ideas about how to improve our own situation and that of our community – is a vital component of a thriving, flourishing life. So how can we ensure that people are afforded the means to nurture this power in their own lives?

HOW FINANCIAL DURESS HAPPENS

Lacking financial wellness is not a symptom of flawed character. We are all susceptible to financial hardship. Yes, some people make very imprudent spending choices, rack up unnecessary debt, or try to game the system. But many people have good intentions, work hard and have natural talent, yet are still swayed by certain human socio-psychological tendencies to mismanage their money, or fall prey to simple bad luck.

Cornell University professor Robert H Frank elegantly outlines the role of luck in our lives in his 2016 book, *Success and Luck*. Frank argues that we are currently in a 'winner-takes-all economy', where improved communications and transport infrastructure have paved the way for global trade. He describes how today's economic rewards are not distributed as evenly as they were several decades ago, when there were naturally smaller marketplaces. With fewer, bigger winners, the consequences of not being 'the best' globally are higher – for both businesses competing for consumers and individuals competing for careers – and inequality is accentuated.

In this economic environment, while hard work and talent are still determinants of success, Frank argues that we tend to underappreciate the role that luck plays. This may be partially due to various cognitive and psychological biases, where successful people attribute their status to elements that are within their control. Additionally, it seems emotionally easier to believe that the world is a just place. There may be an evolutionary advantage to believing in a just world, in that it provides motivation to work hard and develop skills. Otherwise, why bother? Strong fatalism reduces the incentive to get out of bed in the morning. Nevertheless, the extent to which we recognise the role of luck or chance is important.

When primed to consider the role of luck in their success, people are more generous to others. And when primed to think about how their personal actions, skills and other factors within their control contributed to their success, people are less generous, as compared to a control group. Therefore, Frank suggests that the extent to which one appreciates luck's role influences the types of policies one supports, including the level and structure of taxation.

Additionally, there are a range of socio-psychological tendencies that undermine our ability to manage money »

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ILLUSTRATION: DESIGN_LAD


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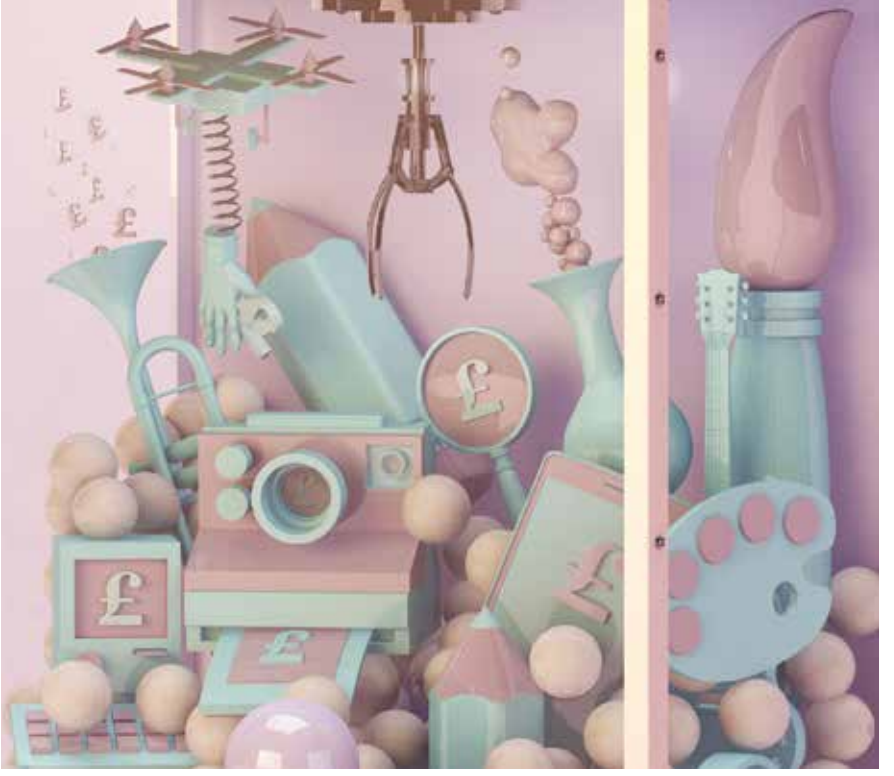

well. At the RSA, we call these 'behavioural hurdles' to financial capability. For example, the tendency to be overconfident and optimistic can make it hard to plan effectively for what is really in store. This might range from having optimism that this season's crop harvest will be sufficient to overextending on a property mortgage because you're just sure that you'll get that promotion next quarter. Optimism and overconfidence on their own, like the other behavioural hurdles, can be positive and adaptive qualities; after all, we need a degree of optimism to go out and meet new people, start new jobs and step outside our comfort zones. However, with respect to financial planning and money management, they can also often be detrimental.

THE CONSEQUENCE OF SCARCE RESOURCES

Financial scarcity can have a dramatic effect on our power to create. Behavioural scientists Sendhil Mullainathan and Eldar Shafir examine this experience in their 2013 book *Scarcity*. Not having 'enough' – whether this is money, time or something else – leaves people feeling mentally depleted because making trade-offs is cognitively demanding. Numerous studies in the lab and in the field show that experiencing scarcity reduces 'cognitive bandwidth'. This means that we tend to tunnel our attention on the most urgent issue at hand and often fall back on choosing the simplest – but not necessarily the best – option. In some cases, the effect has been a reduction of 13 IQ points, an effect equivalent to denying oneself an entire night of sleep. In other words, struggling to juggle expenses within a constrained budget (or struggling to fit too many commitments into a 24-hour day) can actually impair our decision-making capability.

This can lead to a vicious cycle: difficult financial conditions foster sub-optimal decision-making, which in turn worsens the conditions. This means that once one experiences financial duress, it can be especially difficult to pull out of it.

Alongside the decision-making effects of scarce resources, there may also be effects on how readily we engage in play. What does playing have to do with the power to create? According to primatologist Isabel Behncke, play can help us adapt to a fast-changing world through its generation of novelty, creativity, trust and social bonding. Speaking at Ogilvy's Nudgestock conference (a gathering of behavioural science experts) earlier this year, Behncke explained that playing "is a behavioural expression of creativity" and happens in animals with complex social structures and complex cognition, such as humans, dogs, dolphins and crows.

All behaviour has trade-offs, and play is no exception: it is fun, but it is also costly and risky. Play is costly because it uses up precious time and energy that could be used on other pursuits, such as working, acquiring food, tending to the home (or seeking shelter) or protecting kin. The function of playing, beyond hedonic enjoyment, has typically been seen as supporting juvenile development. That humans play as adults is interesting given its costs, but even in adulthood there are benefits: through the act of playing we often innovate, test boundaries and foster trust with others. To me, these qualities epitomise the power to create.

More than being just fun and games, playing is a valuable component of adult development. In her research with bonobo apes, Behncke finds that given its costliness, play happens more in the plentiful months when there is more fruit available. It seems reasonable to propose that this can be generalised to humans as well – we are better able to playfully express our creativity when we aren't struggling to scrape together sufficient money, time or headspace to get by.

It can be argued that constraints actually promote creativity, in that they provide the boundaries within which one must innovate. However, the image of the starving artist is probably more a reflection on how society values art than a comment on

"THROUGH THE ACT OF PLAYING WE OFTEN INNOVATE"

the constraints of hunger spurring art. In other words, the artist is starving precisely because she is an artist, but not all who are starving produce art. And when the RSA talks about the power to create, we aim for this to be a persistent way of being rather than an isolated event. Therefore, if we are to really promote the power to create, we need to create the conditions within which people are not plagued by scarcity, and have at least a minimum level of security so that they can make decisions well and have a playful frame of mind to engage in self-directed creative activities.

SUPPORTING FINANCIAL WELLNESS

So what is the best way to support financial wellness, freeing up enough financial and cognitive resources to have the power to create? To address financial capability, we could improve the provision of financial education and (re)design financial products and services with our behavioural hurdles in mind.

More specifically, we need new forms of financial education that go beyond simply delivering technical information. The next generation of financial education should consider the role of behavioural hurdles, personal values and life goals, and focus on how to support objectively and subjectively better decision-making around finances. This might include open discussions around the social-psychological aspects of money management, with techniques or strategies for dealing with particular circumstances. This type of education, supporting the navigation of daily and long-term financial decision-making, could result in better objective financial outcomes, such as fewer instances of going overdrawn, and in subjective measures such as improved feelings of control.

Alongside providing the right type of financial education, there is a need to design financial products and services that work with our best interests in mind given all of our human imperfections. If products are designed for people who will always make careful cost-benefit calculations prior to taking a decision, they are not catering to real people. While many of our socio-psychological tendencies are deeply rooted and hard to change, the design of products is something that can be altered relatively quickly. Therefore, financial service providers should take into consideration the behavioural hurdles to financial capability and products should be designed with a cognitively overloaded person in mind as a typical service user.

While these approaches may help support financial capability, they still leave people susceptible to misfortune through bad luck. To this end, there may also be structural changes that could help alleviate pressure, such as adopting a universal basic income or progressive consumption tax. Universal basic income, as outlined in a recent RSA report, is a regular, unconditional payment made to each citizen. Everyone gets something. This may be particularly useful given the changing nature of work and careers, reflecting disruptive technological innovation and the trend for many to live longer. The pairing of uncertainty and longer working lives gives rise to the potential for more instances of changing jobs, and therefore discontinuity of a pay cheque. An open question is at what level should the payment be set, to alleviate stress and financial pressure while ensuring a socially and economically productive society?

Another structural change would be to institute a progressive consumption tax, as advocated by Frank. This would help stem high-end spending on luxury goods, changing social norms for the ultra-wealthy and those who are slightly less wealthy but travel in the same social circles. The result is foreseen to be a cascade effect, whereby the stemmed spending and resultant change in norms trickles down. If implemented effectively, Frank suggests that the result would be a reduction in the overall spending on consumption goods, while generating public income, and therefore more opportunity for investment in infrastructure goods and public services.

PILOTING FOR ASSURANCE

But how will we know which approach to use? If there are two messages that behavioural scientists love to drum home they are that context matters, and interventions can have surprising, unintended consequences. Would a new financial education curriculum improve the lives of people taking that class? Maybe. Could universal basic income be one way to alleviate some of the pressures on time and headspace without jeopardising financial security? Perhaps. Could a progressive consumption tax bring the collective bar down in terms of unnecessary conspicuous consumption, thereby helping people who feel that they don't have enough to keep up with their friends and neighbours? Possibly. But it would be unwise to hastily roll out any of these approaches across the board.

Instead, these approaches should be piloted first so that we can learn what works and what doesn't, for whom, and in which context. This reflects a welcome trend in policymaking in the UK and elsewhere to, in the words of the Behavioural Insights Team, "test, learn and adapt". Indeed, universal basic income is being trialled in Finland now, and it will be interesting to learn what comes from that.

For any of the proposed approaches, let's build up the evidence base for what works to help people maintain financial wellness, even in the face of bad luck, so that we can all have the opportunity to play, make good decisions and unleash our own power to create.

BREAKTHROUGH POLITICS

Only by transcending polarised political ideologies within a creative and connected harmony will we solve today's problems

by Nick Jankel
@nickjankel

We are at a historic point in individual and societal development where the polarity between the left and right in politics is destabilising, casting us into an age of profound political uncertainty just as we enter an anxious era of ever-increasing technological change, conflict over resources and global interconnectivity.

During the US election, Hillary Clinton courted middle-class Republicans who might prefer sense and sensibility to coarse demagoguery. Donald Trump successfully fired up the fears of working-class white people, many of whom were Democrats who resented the perceived economic and psychological losses of globalisation and immigration. In the UK, right-wing politicians have won support for their Brexit beliefs in Labour heartlands, and left-leaning liberals in the cities have wept as Britain begins to leave the EU, a project that old Labour loathed as a capitalist dream. Anachronisms abound.

One of the central tenets of the school of human and systemic change that I have spent decades developing, breakthrough biodynamics, is that for any product, policy or party to thrive, it must fit its changing environment. Failures happen because we hold on to old ideas and habits. When this occurs, it shows up in continuous problems and perpetual crises, such as those besetting the advanced capitalist world we find ourselves in. As the world has changed, parties rooted in old ideologies have lost both their relevance and problem-solving efficacy. By looking into the historical origins of modern politics, we find old assumptions hidden within our everyday thinking that are stopping us from evolving. If we liberate ourselves from them, we can lead breakthroughs that forge the future.

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The modern concept of left and right was born at the time of the French Revolution, although the tension between populists and patricians goes back to the ancients. Deputies of France who supported the King and clergy sat on the right. Those who supported social change sat on the left. In the years that followed this foundational split, the 'socialist' project was created to solve the problems found in an era of factories, servitude and poorhouses. The left wanted to fight a world where aristocrats and industrialists owned the means of production and power. The aim was to deliver workers' rights, national ownership of industry, redistribution of wealth and a decent welfare system, with a tendency to subsume the individual's needs under those of the collective. Meanwhile, the reactionary right wing attempted to conserve power and wealth while promising individual freedom and mobility, preferably in the form of profit-making enterprise and a small state.

However, the ideologies of left and right are opposite spins of the same materialist paradigm that sees everything in the world as separate and machine-like. Materialist and mechanistic thinking, with vast predictive power in physical systems, was cemented into the status quo during the Enlightenment. This worldview liberated us from the whims of priests and princes. However, it also disconnected us from each other and our world, disenchanting our imagination and leaving us separated and adrift. We now rely on materialist ideologies of left (revolution, socialism, welfare) or right (free markets, capitalism, entrepreneurialism) for all our hopes and succour. But policies rooted in separation create suffering, whether in the name of Marx or Hayek.

Influenced by the historical materialism of Karl Marx, the left wing tends to seek solutions to the suffering of the masses through a central, and therefore big, state that plans the economy. It prefers to force rights and equality, whether with regulation or re-education, attempting to safeguard

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the collective from selfish individualism. It seems to have little time for encouraging more compassion, connection and love to blossom within and between people, limited as it is by a materialist form of atheism. Meanwhile, the right wing, inspired by the materialist ideas of free-market economists, wants us all to be responsible individuals, self-reliant, resourceful and motivated with the promise of fortune and fame. It believes that wealth from an elite that is rich in material (cash and credit) trickles down, making everyone's lives better, an assumption that has been repeatedly discredited by evidence. It fails to realise that poverty, seeking asylum and criminality are not always character flaws and will not disappear simply by blaming and shaming (or by building walls of any kind).

The traditional left looks at globalisation, and the coming wave of automation, with fear, seeing these phenomena as attacks on the worker. The traditional right looks at these changes as inevitable, suggesting that the only way to survive is to work harder in whatever jobs are available, even if they are devoid of meaning, purpose and impact. Neither of these scenarios has to be the case. Yet the ideological blinkers of our political classes have created a vacuum of breakthrough thinking and conscious leadership. Ruled by dogma, the parties are prevented from sensing fresh ideas that can solve problems right now.

Few people in positions of conventional power are able to shine a light on a positive vision of, and compelling narrative for, our increasingly interconnected and techno-charged world. They do not seem able to connect with people in economic and emotional despair and uncertainty and guide them towards grounded and meaningful lives that do not rely on consumption and acquisition (or building walls). They do not seem to understand how breakthroughs occur; and that people need to be guided through this often terrifying process (where we must let go of the old before we receive the new). Right now we are in a global 'edge of chaos', where old models are breaking down but the new have yet to form. In this vacuum of meaning and certainty, fear drives people, quite logically, into fight or flight. They attempt to return to an idealised 'great' past, clinging on to outdated notions, such as nationalism and xenophobia, to protect themselves from the threats that come with change.

INSECURITY AND INTERCONNECTIVITY

The polarities of right vs left, Republican vs Democrat, capital vs labour, management vs union, individual vs collective are becoming meaningless because we live in increasingly connected realities, joined together in myriad ways, whether economic, digital or social. Most of us are capitalist shareholders now, whether directly or through pension funds. Most are current (or hopeful) workers, whether with zero-hour contracts or ancestral houses rented out on Airbnb. There is no longer a clear body politic of workers and certainly not one that thinks the same about class struggle, asylum seekers and climate change. Issues such as immigration, which has become so divisive in the UK and US, are not split along typical party political lines.

Whether we like it or not, the world is marching inexorably towards a networked, crowded and humid reality. And, as with all changes to the operating system of any domain, this brings with it opportunities and threats to existing power, status and privilege. The connected world we are in offers enormous freedoms. We can film a YouTube hit in hours, accessing the means of production and distribution that were impossible even a decade ago. We can work for Uber while studying for a degree on the side. However, with these opportunities come enormous challenges: virtually no job security of any kind, lower standards of living than our parents and killer stress from working all hours. However, relying on old ideologies to solve these problems constantly leads to failure. Mismatches can be glimpsed in areas such as employment law in the sharing economy and education policy in a digital landscape.

The changes to our global operating system and the uncertainty it brings offer us an opportunity to recast our individual and political narratives in a way that fits the future rather than seeks a return to the past. This requires us to venture out of our ideological comfort zones and engage in the co-creation of a new form of politics that does not rely on tired ideas, no matter how much safety they seem to offer us. As our starting point, we can draw on one of the ancients, Heraclitus, who said: "Men do not know how that which is drawn in different directions harmonises with itself. The harmonious structure of the world depends upon opposite tension." In other words, we can transcend the seeming opposites of left and right to engender a harmonic yet deeply creative tension, which allows us to act with individual genius and collective impact. We can use the term palintonic, derived from the Greek word that Heraclitus uses (*palintonos*), to describe this.

By having a palintonic breakthrough in politics, we can untether ourselves from the poles of left and right and so consciously choose what works to solve the problems we share. We transcend the polarities to find the 'highest common factor' ideas of the innovator, rather than the lowest common denominator dogma of the tabloid. We embody a creative tension between the socialist urge for equality, justice and redistribution and the conservative urge for enterprise, effort and excellence. In our networked world, no central team can ever know enough about a complex, adaptive system to design a perfect plan for all. At the same time, solitary agents working for their own gain rarely tackle the wicked problems that haunt our societies. Lead palintonically and we can harness the vast armoury of 'capitalist' tools, such as innovation, design thinking, strategy, branding and leadership, to crack problems that are important to us as a collective; problems that traditional businesses do not want to deal with.

The only ideology we need subscribe to, which ensures we are tethered to a tangible organising principle rather than the

"WE ARE MORE CONNECTED TO EACH OTHER THAN WE ARE SEPARATE"

chaos of total relativism, is more of an experiential insight than ideology: that we are more connected to each other than we are separate, in both fathomable and ineffable ways. This sense of connectivity, whether we call it spiritual or not, leads us to act with compassion for all life and to be constantly suspicious of ego-driven desire to separate ourselves from others, to seek power and to acquire wealth. We are freed from all previous ideologies except the realisation, at the core of every wisdom tradition, that we are part of one shared universe, interconnected and interdependent. We tend to call this sense of connection 'love'. Expanding love, creativity and thriving, and thereby reducing separation, stress and suffering, becomes our goal. Purpose is this love, in action.

BETTER TOGETHER

This kind of connected politics accepts the reality of capitalism as a source of energy, effort and innovation, while also striving to ensure that the benefits are shared by all. Because we have worked to transcend the ego's craving for fame and fortune, we can usher in innovations without having to own all the shares, be celebrated as a genius or accumulate personal power. We are free to experiment with collaborative and participatory models of ownership and delivery, such as cooperatives, mutuals, crowdfunding, wikis and blockchain, to share the risks and rewards of breakthrough. We encourage entrepreneurship while seeking to inspire leaders to be driven by purpose as much as profit. We believe that everyone is responsible for themselves and that nobody should expect handouts. Yet we know that everyone needs compassion and coaching in order to overcome their problems.

This does not mean we become 'vanilla' centrists in the grey-beige middle, who only seek to build consensus and avoid conflict. We palintonically embody the polarities of humility and hubris, surrender and strength, profit and purpose, vision and action within us. Bringing polar opposites together in palintonic tension gives us the momentum, imagination and wisdom to break through anything. We become driven by love and connection rather than separation and fear. As purpose-driven leaders and active citizens, we land tangible breakthroughs without ideological biases blocking us from sensing and creating what is possible. We hone our compassion and empathy so we can reach everyone, no matter their ideology. We help them to see possibilities within problems and transform emotional despair into collective hope, as Nelson Mandela and Martin Luther King Jr did so powerfully.

This is breakthrough politics. Most of the ideas and innovation tools we need already exist. What we now require is the leadership to make it happen; a form of leadership that is palintonic and so able to break through anything. We have to guide people away from fear and fight or flight and into collaboration and creativity. We can only do this with a deep connection because we must have the power to lead people in, through and out of the 'edge of chaos'. We must help them land personal and collective breakthroughs that work within the constraints of the emerging world. Without this, we face more of our current trajectory: a long, slow descent into breakdown.

If you are interested in Breakthrough Politics, join the conversation at www.breakthroughpolitics.org

FOCAL POINT

By commoditising attention we risk placing 'value' on the insignificant. To enrich society we must learn how to discern what matters from the background noise

by Yves Citton

'Attention economy' became a popular phrase 20 years ago, multiplying in use tenfold between 1990 and 2000. Its meaning is powerful and clear: human attention is becoming our most valuable resource because it is becoming our scarcest resource. This scarcity is due to the increasing gulf between the ever-expanding content provided by our ubiquitous media and our limited capacity to pay attention to any given content. It would take 50 years to watch what is posted every single day on YouTube alone.

From the point of view of the individual consumer, the superabundance of cultural goods increases the 'opportunity cost' of reading an article or watching a video, since it is virtually certain that another one, somewhere online, could be better fitted to our desires or needs, creating an attention crisis. From the point of view of the (capitalist) economy as a whole, the newly emerged giants of the global economy (Google, Facebook, Amazon) all trade profitably in human attention. For better and worse, the internet has become a marketplace where algorithms collecting and selling data about human attention act as the roaring factory of the digital economy.

Attention economics certainly needs to be better studied, analysed, measured and theorised. But even the term attention economics represents a problem: by classifying this as a field of economics, we are failing to address the attention crisis. Our dominant understanding of economics relies on three fundamental biases. First, on the presumption of free choices made by individual consumers, workers and investors. Second, that markets are geared towards private profit-making through exchanges that are conceived within the narrow framework of trading rival goods (goods that are lost

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by the seller after they are acquired by the buyer). Third, it is exclusively concerned with quantifiable data, dealing with numerical figures extracted from the entanglements of our shared lives.

Each of these three biases prevents us from understanding the real stakes of human attention. If we over-commoditise our attention and do not recognise that what we focus on in the short term has long-term consequences, we risk failing to deal with what really matters, such as climate change and our relationships. This is why, along with others, I have highlighted the urgent need to develop an 'attention ecology' that would complement, correct, reframe and reconfigure the dangerously partial and deeply flawed conclusions reached by a narrowly economic approach to attentional issues.

EXTERNAL INFLUENCES

Clearly, all of us experience attention first as an individual problem: how can I best use my time in order to attend to the most important tasks at hand? However, 'my' attention is deeply and sometimes dramatically influenced by others in ways that generally fall through the cracks in the manner in which neuro-economists and marketers address attentional issues. My individual attention is shaped by our 'collective attention', which provides social categories and sensibilities (our culture) and directs our attention towards certain issues (the political agenda of the moment), as framed by the media. 'Organisational attention' is also at play, structured by the institutions in which most of us work and perform our daily duties.

Climbing down one more step on the ladder from common to individual attention, over the past 20 years, psychologists have found 'joint attention' to be crucially important. As soon as I sense the presence of other animated beings in my immediate surroundings, I tend to pay attention to the same things as them. During a face-to-face conversation, my attention is no longer simply 'my' attention: it is a composition of our personal interests and whims that takes on a life of its own. But the individualistic bias of today's hegemonic economics does not account for the many attentional agencies that operate within each of us. Assuming that we are "free to choose", to quote the title of a famous book by neoliberal economist Milton Friedman, obfuscates the fact that a great deal of our attention is mobilised by automatic neural processes of which we are not even aware. In most cases, even when I seem to pay attention to something as an individual, it is our common past and present that constitute the greater part of my agency.

Hence the first lesson to be drawn from thinking of attention as an ecology, rather than an economy, is that attention ought to be seen as a common good more than as an individual asset, as essayist Matthew Crawford has recently stressed. I experience my personal attention as a rival good: whatever I intensely attend to prevents me from attending to something else with equal intensity. Similarly, at the level of collective attention, media comments on royal weddings or sport results prevent us from addressing much more general and urgent issues, such as climate change or social inequalities. Whereas, when artists catalyse new forms of sensibility, when scientists open up new fields of research, or when we acknowledge other people's problems, our common stock of attention is enriched well beyond what isolated transactions may account for. Through its entanglements of poetry and melody, a song by Radiohead draws the attention of millions of people to certain common issues (climate change, media power) and to certain harmonies or dissonances that shape our future political and musical expectations.

Hence two more lessons can be drawn from the ecological approach advocated here. First, the value of human attention always exceeds our accounting of it, because it always has value that is not accounted for in its market price (so-called 'externalities'). Human attention gives much more than it receives, generating new values that exceed the narrow accounting frames of our restricted economy. Our brains are animated by an innate curiosity that drives us constantly to look around for things that could prove »

FELLOWSHIP IN ACTION

COMMUNITY SPIRIT

For eight years, Hamilton House in Bristol has opened its doors to the local community as a collaborative space where people can work, play and innovate to create a better world. The community centre hosts around 500 individual licensees and more than 2,000 events, workshops and talks each year, incubating a wealth of innovation and ideas.

"The most successful initiatives have been partnerships. There are so many connections and connectors in the building," says Jonathan Newey FRSA, Hamilton House's community engagement and fundraising officer.

The space includes hot-desk areas, meeting rooms, exhibition space and studios, which are rented out. With just shy of 200 artists, as well as environmental groups, charities, music agencies, festival organisers, radio stations, social enterprises, architects and writers, this is a vibrant community. "Ambition always exceeds capacity," says Newey.

The support Hamilton House provides to local innovators has been making a real impact. "People come to us with an idea and we encourage or subsidise it," says Newey. "In the past 12 months, we've opened a shop at the front of the building for local makers and producers to sell their work. It's been hugely successful."

Hamilton House has applied for an RSA Catalyst grant in order to run an impact study, and it has benefited from RSA community business leadership training.

"THE VALUE OF HUMAN ATTENTION EXCEEDS OUR ACCOUNTING OF IT"

interesting. As soon as we look beyond our basic bodily needs, the value of the things that provide meaning to our life (a lover, a novel, a film, a song, a garden) are the result of us giving attention to them in the first place. These things end up nurturing our life insofar as we grant them the initial gift of attention. However, we do not calculate beforehand how much return we would obtain from this initial investment. It is our curiosity, not our calculations, that produces the value (and the meaning) of the things and people we appreciate. Attention is appreciation: it simultaneously acknowledges and generates value, and, as a consequence, increases 'prices'.

CREATIVE ATTENTION

Second, as the examples above show, while 'defensive attention' merely helps us to avoid dangers, 'creative attention' multiplies our stock of values (helping us to discover previously ignored pleasures). Even when we are consciously paying attention to what is in front of us, we need somehow to remain attentive to the context, the surroundings or environments. Using creative attention in this way allows us to open up our perception to the presence of as-of-yet uncategorised sensations, rather than perceiving the world through predetermined categories. As philosopher Jean-Marie Schaeffer has recently shown, this is typically the attitude we adopt in a museum of contemporary art: we are presented with things (such as Marcel Duchamp's infamous *Fountain* – a porcelain urinal) that defy our very conception of what art is, and we are challenged to come up with a new category for these things. The museum setting leads us to invest aesthetic attention in the urinal. Such an advance of attention then leads us to discover an uncanny form of beauty in the surprisingly harmonious shapes of the urinal, and to recategorise what art objects can consist of. It creates art (and value) where there was none.

An even more radical definition of creative attention is that it involves interpreting what is important from a background of other things. In its highest (creative) form, attention consists in extracting a 'figure' from a background. This, in turn, demands that we consider the background itself, in order to figure out what is important in it. Hence, the ultimate lesson from the ecological approach is that we should pay attention to the environmental entanglements (natural and social) that support our existence in the background, instead of merely focusing, spellbound, on some figure previously extracted by pre-existing categorisations.

Contrary to what is frequently heard in attention economics, we do not just suffer from a widespread state of distraction. We also focus too much on predetermined figures, remaining mesmerised by our monthly GDP growth numbers, while wasting and destroying our actual environments, to which we have dramatically blinded ourselves. The ecology of attention invites us to evolve from 'paying' attention, to 'sharing' attention, and from a careless obsession with profit figures, to a careful nurturing of environmental entanglements.

CATHY PRESLAND

An economist by training, Cathy Presland has more than two decades of experience working with governments and international organisations.

During her seven years working at a micro credit fund and later at a policy research centre in southern Africa, Cathy focused on tackling poverty. She believes that in order for poverty alleviation schemes to be successful, there must be enthusiasm at a local level. "There needs to be empowerment for communities and individuals," she explains. However, she adds that this should be done in cooperation with global initiatives negotiated at the top level, so long as they are "constructed in such a way that they make for more open opportunities". Cathy returned to the UK in the early 2000s to work with countries about to join the EU.

Using her leadership expertise, she now coaches individuals, thought leaders and heads of organisations, as they work to find solutions to the world's economic and equality issues. "When we think about innovation in any area, whether it's economic intervention or solving social issues, collaboration is essential," she says. "But that must be done in a way that allows innovation to flourish, especially for the most entrenched challenges."

DOREEN TOUTIKIAN

While writing the thesis for her masters in European design, Doreen Toutikian recognised that design could offer solutions to many of the issues facing Lebanese society. "I was making a list of the challenges and opportunities that I could see, and by the end of it I realised that the best way to tackle them would be to have a non-profit organisation that fosters design for social impact." A year later, she established the MENA Design Research Center.

Through the Center, Doreen also hopes to change attitudes towards design collaboration in Lebanon. Speaking about her experience studying in Scotland and Germany, Doreen says: "Most of the work was collaborative. People from different design backgrounds came together." However, in Lebanon, she found students were working as individuals.

The Center's first project saw 30 designers from around the world working together on 10 social and environmental challenges. From this sprung the Beirut Design Week, which, as well as inspiring collaborative social impact projects, encourages inclusivity. "Established designers and studios pay fees, while emerging talents, who might not be able to afford it, are allowed to participate for free. This ensures that the entire community grows."

Doreen says the RSA's focus on social impact aligns with her aims and she admires that design is part of the Society's work.

IN BRIEF

Here are a few more Fellows who are working to drive social progress:

Tom Dallessio is president, CEO and publisher of Philadelphia-based not-for-profit Next City, which inspires social, environmental and economic change in cities through journalism and events globally. Tom has expertise in city planning and promoting affordable housing and public transport in cities.

Helen Middleton runs a venture to minimise waste, reduce poverty and improve civil society growth. The potential for collaboration via RSA membership will help to improve the financial, social and environmental sustainability of charities, social enterprises and cooperatives in the most deprived communities in the UK.

Kenneth McPhail is professor of accounting and vice dean for social responsibility at Manchester Business School. He is interested in the changing role of corporations in society and the resulting systems of accountability. He believes accounting and accountability systems can help advance human rights.

Suzi Pegg is an affiliate of the Allegheny Conference on Community Development, which connects people to opportunity in the Pittsburgh region. She is also vice president of global business development at the Pittsburgh Regional Alliance, which markets the benefits of conducting business in the region.

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3 **Share your skills:** Log in to the website to update your Fellowship profile and let other Fellows know about your skills, interests, expertise and availability.

4 **Grow your idea:** RSA Catalyst offers grants and crowdfunding support for Fellow-led new and early-stage projects that aim to tackle a social challenge. Visit the Project Support page on our website.

Explore these and further ways to get involved at **www.thersa.org**

CITIZENS' WEALTH

15 September 2016

Angela Cummine on how to make wealth funds work as a means of social investment

Imagine the consequences of having a national patrimony of £50bn invested in equities. At a rate of return of 6%, that would allow 3% each year to be devoted to health expenditure while the fund could continue to grow at 3%. We can trace the idea to Adam Smith, the grandfather of classical economics.

As of today, we have seen nearly 80 government-owned investment funds established around the world. The first is considered to be one that was set up in France in 1816. About half a century later, Texas gets into the game and sets up two funds that exist to this day, both actually dedicated to subsidising and funding higher education and secondary education in Texas. We get a new wave of them in the second half of the 20th century, and now they are really taking off in the 21st century. Sovereign funds are here to stay. They have got an international body. They have got regulatory principles. But who ultimately owns the assets in these funds?

A number of communities and regions have experienced some sort of conflict or ambiguity around who has the ultimate trumping claim to the assets in these funds. Prosperous and democratic hosts like Australia, New Zealand, Norway, Alaska and Ireland have all experienced some type of tension between their government and citizens over who owns these assets. And emerging markets and mixed regimes have also suffered from this sort of conflict – Nigeria, Libya, China, Mongolia and Chile, just to name a few.

If we want sovereign wealth funds to operate like community funds, we want them to bestow the benefits on their sponsoring communities that we think they can, then we need to make sure that they do not just resemble sovereign funds and community funds in form, but they actually function as such. There are a lot of different models around this and some are more radically democratic than others. But the core question is how do we ensure citizens themselves, and not just the government agent, actually exert a degree of influence over the funds?

"AS OF TODAY, WE HAVE SEEN NEARLY 80 GOVERNMENT-OWNED INVESTMENT FUNDS ESTABLISHED"

We could also target how sovereign funds actually distribute their returns. Norway has an annual transfer from its sovereign fund back into the budget. More indirect methods for this type of distribution are happening in Mongolia and the UAE.

A lot of people at this point tend to say, "Well, that's great, except in the UK and lots of countries we still don't have a fund. Global commodity prices have crashed; the economy is slowing down; China's cooling off; so we're all doomed. How do we fund this sort of thing if we do want to set it up?" Holtham's quote from 20 years earlier made it all sound so easy. 'All we need to do is have a big pot of equities and so long as profits go on rising as a share of GDP, all the government has to do is clip the coupons.' At this point in history, it is not so obvious that would work as a financing source.

We have several proposals on the table in the UK that have been debated in the last few years. Boris Johnson suggested the creation of a citizens wealth fund for the UK. The Labour Party suggested that we could reform the investment mandate of the £8.6bn Crown Estate. It's a very limited investment mandate and they suggested that it could invest in a whole array of different assets to help generate more returns, then morph it into a sovereign wealth fund. British thinker Stewart Lansley suggested that we could tax the finance industry (see page 34). But a very new idea, and one that is currently under consultation, is the proposal for a share wealth fund.

Finally, we have some international proposals as well. Quite promisingly, I think, for a lot of governments, we could look to 'public commercial assets'. This does not mean financial assets like sovereign wealth funds, but all the other stuff that governments own. If we are happy to sell those off and convert them into a financial asset, we could use that to seed a sovereign fund.

There is a raft of other suggestions here, including new resource discoveries, the possibility of bond issuance, sovereign funds, and privatisation of assets that we sell off. ■

IMAGES: GETTY IMAGES

ARTIFICIAL INTELLIGENCE AND THE FUTURE

29 September 2016

Demis Hassabis on the potential of artificial intelligence to solve our challenges

One of the biggest and most famous watershed moments in artificial intelligence (AI) history was when, in the late 90s, IBM's Deep Blue beat Garry Kasparov at chess. Deep Blue was an example of a narrow AI system that was special-cased and pre-programmed for one particular purpose, but although it was incredible at chess, it was not able to do anything else, like play a much simpler game such as noughts and crosses. None of the knowledge that it had was useful for anything else; it would have to be pre-programmed with a whole new set of rules and heuristics in order to do anything else. So, we wanted to go beyond this narrow AI.

We pioneered a technique called deep reinforcement learning, which has now become all the rage in AI research, and we have been working on this since the beginning. If you interact with any image recognition through photo search on your phone or voice recognition by speaking into your phone, it will most likely be using deep learning systems at the back end.

One important aspect to our research at DeepMind is systems neuroscience and getting inspiration from how the brain works. We would like these machines to have the same capabilities that the brain has.

What we want to do is actually build these general purpose learning algorithms in such a way that they are general enough to be transferred into the real world and applied to all sorts of important problems that have high impact for the good of society. We have already announced a collaboration with the NHS, looking at things like image recognition, to help diagnose head and neck cancers, and retinal scans to look at macular degeneration. We are interested in robotics and we are also interested in slightly more left-field things that you might not expect these sorts of AI algorithms to appear in, including data centres.

In our data centre work, we managed to save 40% of the energy that was used by the cooling systems, which ends up meaning that the whole data centre has 15% less power usage. This saves money and is good for the environment.

If we can fundamentally solve AI and make intelligence abundant in a learning fashion, we think there are all sorts of areas where we can apply this. The two I am most excited about are science and healthcare, and actually having systems that can deal with huge amounts of data that can be used to make quicker breakthroughs.

I see AI as one of the most powerful tools we can create in order to help aid research programmes and the best scientists and clinicians to do their jobs even better. ■

MORE FROM THE EVENTS PROGRAMME

Renowned psychologist **Robert Cialdini** revealed new insights about the 'nudges' that persuade people; bestselling author of *Sapiens* **Yuval Noah Harari** discussed the future of humankind; former schools minister **Lord Jim Knight** explored the impact of new teacher development standards; **Sir Vince Cable** considered innovation and leadership across the further education and skills sector; Obama's National Humanities Medal recipient **Krista Tippett** shared her vision of 21st century humanity; *The Economist*'s **Ryan Avent** detailed the transforming world of work; essayist **Mark Greif** argued for a basic citizen's income; healthcare innovators **Helen Bevan** and **Jos de Blok** explored the potential of social movements to organise and lead service transformation; FutureGov's **Carrie Bishop** explained why design is needed to tackle global problems; Women's Equality Party co-founder **Catherine Mayer** and Compass's **Neal Lawson** explored what the ideal 21st century political party might look like; journalist **Jessica Bennett** discussed gender equality; and bestselling author **Simon Sinek** talked about creativity and collaboration.

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INVISIBLES

It's time people in the UK got to know each other a little better

by Adrian Chiles

I write this on a train to Birmingham because the governor of the Bank of England asked me to meet him there. Not a sentence I ever thought I'd write. I've only just read Mark Carney's letter to me outlining what he wants. And I've punched the air with delight, because it seems the Bank of England is getting something right.

As I rattle north through Watford and Milton Keynes and Rugby and Coventry, I know the governor and his deputies have made the same journey from London, for they're spending the morning visiting all manner of people and places in the West Midlands' business, voluntary and educational sectors. And this afternoon we'll all get together to talk about it. The point is to convince the people that the Bank is interested in them, and keen to learn from them, and tell them what exactly it is the Bank of England does. Cynical, tokenistic, patronising, PR-driven drivel? Believe that if you will, but at least they're out there breathing the same air and breaking bread with the people they serve; the kind of people they, ordinarily, in the normal run of things, probably wouldn't have much to do with.

We need more of that, all of us, on every level, whoever we are, wherever we are.

This became clear to me when I was last working in the West Midlands. It was for a *Panorama* programme just after the referendum, examining why people voted to leave the EU. My job was just to listen, in a non-judgemental way. It was fascinating in more ways than there are canals in Birmingham, and there are many. But my one overwhelming discovery was this: people from different classes do not communicate with each other. "The thing is," I explained to my eye-rolling 13-year-old daughter when I got home, "you could go the rest of your life without having a working-class friend."

We're rightly hung up on issues concerning race, religion, gender, sexual orientation and so on, but it's around different classes that the biggest walls still need to be scaled. Ask yourself this: when's the last time you had a conversation with someone of a different class to yourself? I don't mean a nice chat with someone you've had to deal with, be it a plumber or lawyer or Uber driver or oncologist or whatever. I mean a proper talk with a friend; someone you've chosen to spend time with.

It rarely happens. And in London this is particularly extraordinary because, unlike elsewhere, the different classes tend to live cheek by jowl. The road of terraced three-storey houses in Hammersmith where my children have been raised is typical. There's a £2m house; a house converted into four flats; a crack den; a £3m house with an Olympic swimming pool in the basement; more flats; etc, etc. There are hundreds of people of wildly different incomes and backgrounds breathing the same air and walking the same pavements, yet hardly ever talking. Social connections are rarer than parking places.

A month after my *Panorama* listening week in the Black Country, I was in Rio moderating a trade conference. A speaker from the *FT* made an impassioned speech about the under-celebrated brilliance of the UK's financial services sector. There was laughter when she pointed out that the organisation promoting the sector used to be called British Invisibles. But it remains invisible to the people of Birmingham and the Black Country and just about everywhere else. You can't have inclusive growth if most people a) don't know what's growing and/or b) can't see how the growth benefits them.

I'm not sure how British Invisibles – now rebranded TheCityUK – should go about this. Building schools, hospitals, playgrounds might be a start. Or why not just walk around estates in Tipton, à la Colombian drug lord Pablo Escobar in Medellin, handing out wads of cash? It could be a way for the Bank of England to win a few hearts and minds actually; I'll suggest it to Mr Carney this afternoon.

ADRIAN CHILES IS A BRITISH TELEVISION AND RADIO PRESENTER

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