

The Right Environment for Growth – reforming capitalism for the 21st century

1/ A TRADITION OF MODERNISATION

It's a pleasure to be here at Policy Exchange – Britain's leading think tank – which has done so much to anticipate and to meet the challenges of our times.

Since its launch Policy Exchange has identified the essential challenges modern Governments have to face. And in particular the specific challenges Britain's leaders have had to face to modernise government.

The issues Policy Exchange has focused on from the start - how to close the gap and raise the bar in state education, how to make administrative power accountable, how to unite the communities of these islands with a shared civic identity - are as relevant today as ever. Your recent work on housing in London points the way to solving one of our most pressing political issue. As ever, the practical solutions Policy Exchange has developed have been implemented in Government and have made a profound difference for the better.

Take just one area - close to my heart - education. It was here at Policy Exchange that the principle of greater choice, innovation and diversity in English education as a route to higher standards was developed. And it was here at Policy Exchange - true to your modernising mission - that the aim of those policies was helping the poorest students most.

Policy Exchange championed the spread of academy freedoms across all schools, developed the idea of the free school as a challenger and innovator in state education and designed the pupil premium - the delivery of enhanced funding for the poorest students in state education.

Thanks to those reforms we now have 1.9 million more children in schools ranked good or outstanding by Ofsted, the attainment gap between rich and poor children has closed - so advancing greater equality of opportunity - and new free schools have been routes to success for children from disadvantaged backgrounds hitherto denied access to educational excellence.

There are now 391 free schools open and a further 300 on the way. When fully up and running, they will provide 400,000 new school places – places which would not have existed without Policy Exchange's pioneering work. Free schools are not only popular with parents – with secondary free schools receiving 4 applications for every place – they are providing some of the best education available in England today. Nearly one in three free schools are rated Outstanding by Ofsted, compared to one in five schools overall.

The undeniable success of the free school programme is a powerful reminder not just of the influence and impact of Policy Exchange's ideas but also of deeper truths.

Competition and innovation drive up standards for all, but they most benefit the outsiders and the excluded, who are discriminated against by those who benefit from maintaining the status quo.

The inheritance we enjoy as a result of past human endeavour – the knowledge gained and the investments made – are there to benefit all. We must ensure that whether it is the best that has been thought and written, the moral principles of the good life, or an appreciation of beauty and balance in our created and natural environment, that we pass on to the next generation their inheritance not just protected but enhanced.

It is with those principles in mind that I want to turn to one of the greatest challenges of our times – a challenge which Policy Exchange has set itself to meet and master with new programmes of work – a challenge the Prime Minister has so clearly identified and taken on – and that challenge is the failure of our current model of capitalism to deliver the progress we all aspire to.

To deliver a country, an economy and a capitalism that works for everyone.

It is imperative we address that failure honestly and unsparingly, determined to identify where, and how, we have gone wrong, because unless we rescue and re-invigorate capitalism then we will find the engine which has generated so much of mankind's progress either stalls or moves into reverse.

2/ THE ENLIGHTENED ECONOMY

Capitalism, free markets, free enterprise, the freedom to invest, buy, sell, organise, innovate, choose and decide has been the single most liberating force in our history. It has raised billions out of poverty, brought food, water, heat and shelter, entertainment and enlightenment, the space to appreciate beauty and the time to cultivate relationships to peoples and nations which hitherto struggled simply to survive.

Capitalism, or free enterprise, is not a simple matter of economics, though the wrong economic ideas can be very harmful. Nor is it a specific set of institutions, though the right institutions help societies to flourish. It is not a product of banks, whom we have had for centuries, or markets which are embedded in human nature and arise spontaneously whenever humans congregate, nor any specific technological breakthrough, because technology's ability to change society depends on human choice.

No, capitalism, or more specifically the enormous growth in human productivity that it has generated, arose in the very specific circumstances of the sixteenth and seventeenth centuries in Atlantic nations.

In the Dutch Republic, the British Isles and then the United States, a set of ideas captured society, a mind-set developed, a world outlook took hold, which was uniquely equipped to accelerate mankind's progress as never before.

If we look at human productivity over history then for millennia it appears - more or less - to flat line. Through empires and barbarian uprisings, whether Caesar rules or Charlemagne, the productivity of our societies remains remarkably static. Then - whoosh - it rockets skywards. First in that corner of north-western Europe, then across the Atlantic, as a result of an intellectual revolution the shape of human growth becomes like a hockey stick.

And the nature of that human revolution? Well, it has been best described and defined by the historians of ideas Deirdre McCloskey and Joel Mokyr who have explained how a set of ideas and principles came together in a new creative ferment.

The Dutch Republic finally extricated itself from the continental Habsburg Empire in the early seventeenth century and established an alternative to the hierarchical, authoritarian and restrictive

Imperial regime under which its people had been held back. Free inquiry and free speech were celebrated rather than subject to the constraints of the Inquisition, respect was accorded to merchants and maritime entrepreneurs on the basis of merit earned rather than being demanded by aristocrats on the basis of rank inherited, the awkward, dissident and heretical who stood against Habsburg power and had faced persecution were welcomed and brought challenge, innovation and progress.

Britain, first under the Tudor modernisation of medieval institutions and then, with gathering pace in the seventeenth century, especially after 1688, followed an allied trajectory. Renaissance and Enlightenment thinkers such as Mandeville, Locke and then Adam Smith actively celebrated free exchange and free thinking and challenged protectionism, mercantilism and hierarchy. The innovator, whether in commerce, science or politics was celebrated, and entrenched authority questioned. If the spirit of the Age had an essence it was in the motto of the Royal Society, created in 1663. The world's premier scientific association took as its watchword "Nullius in verba" – loosely translated as "take nobody's word for it". In other words, challenge authority, question the incumbents, test and experiment, disrupt and innovate.

It was that spirit – restless, questioning, creative and committed to extending both the sum of human knowledge and the scope for humanity to flourish – which generated the amazing economic growth for which the capitalist system is, rightly, lauded.

And in thinking of that spirit and of science, its important to remember that capitalism also generated the wealth which allowed a flourishing of interest and discovery in the natural sciences. Without the economic growth capitalism secured we would not have benefitted from the work of Darwin or Audobon, Attenborough or Wilson and we would not now have that deeper understanding of the world around us and our place within it which is the foundation of environmental activism.

3/ CONTEMPORARY CAPITALISM AND ITS DISCONTENTS

But while capitalism has brought both growth and progress in the past, it is not delivering now.

As the Prime Minister put it, "Our economy should work for everyone, but if your pay has stagnated for several years in a row and fixed items of spending keep going up, it doesn't feel like it's working for you."

The problems we face are not unprecedented. There have, of course, been moments in our past when capitalism foundered, when free markets appeared to fail. In the 1890s, the 1930s and the 1970s there were similar, although not identical, moments, when we needed to reform capitalism to save it. On each of those occasions, either the tendency of markets towards monopoly, or an over-reliance on debt, or a failure to celebrate the innovator and the disruptor, or a moral failure to insist on proper respect for those excluded, exploited and marginalised by the prevailing social and economic order, contributed to stagnation and political crisis.

What makes our time at least as challenging as any one of those individual periods is that all those forces and phenomena are present now. Economic power has been concentrated in the hands of a few and crony capitalists have rigged the system in their favour and against the rest of us. Over recent decades, debt has fuelled growth in an unsustainable fashion – indeed growth has been built not just on irresponsible levels of borrowing but an unsustainable approach towards natural resources. Our politics, culture and regulatory models have worked against innovation, indeed have been pushed in that direction by powerful incumbents. Many of our fellow citizens, especially those without the qualifications and connections to work the existing system, have seen less and less value placed on their work and themselves. And at the same time communities and individuals have seen so much of

what they value which is beyond economics - whether that is their love of place and landscape or the integrity of their close relationships and cultural attachments overlooked or ignored.

What is the evidence for the problem we face, not just in the UK but in advanced economies across the globe?

Well, overall, growth and its principal driver, human productivity, have been and are on declining trends across the developed world.

True, there are cyclical upticks and downturns in specific regions and economies at specific times but the overall direction is downwards. Between 1950 and 1973, average growth of real GDP per capita in Western economies was around 4 per cent. Between 1973 and 2007, however, this fell to less than 2 per cent. And of course, in most advanced economies, GDP shrank in the aftermath of the 2008 crash. Few now predict a return to anything like the growth rates of the fifties and sixties or even the eighties.

Productivity figures are similarly sobering. Total factor productivity growth has been declining across developed nations. The growth in productivity of labour in the most advanced economies - those of the G7 - was 1.2 per cent lower between 1995 and 2012 than that between 1970 and 1980. Between 1995 and 2009, labour productivity in European nations rose by just one per cent annually.

And since 2008, the outlook has grown darker for most. With productivity stalling, so unemployment has increased in many advanced economies, particularly among the young and those with fewer skills. Wage growth has stagnated and expectations of future security have eroded as occupational pension schemes have been plundered or dissipated in value.

These unfortunate trends have gone hand in hand with an increased concentration of wealth, and power, in the hands of the already wealthy and powerful. It's not just that members of the cognitive elite, the well-educated and well-connected, have the networks and mobility to insulate themselves from economic shocks, it's also the case that deliberate policy decisions have rewarded those who're already asset rich. Loose money policies, from the European Central Bank to the US Federal Reserve, have increased the prices of assets, from real estate to equities, strengthening the economic position of the already wealthy.

That is why I firmly believe the Prime Minister was so right to call out what she described as the "bad side effects" of these practices: "People with assets have got richer. People without them have suffered.."

4/ A WORLD IN MOTION

So, with growth overall slower and productivity sluggish, there is less new wealth to go around every year, and with the poor more and more shut out from what growth there may be while the rich grow richer then it is unsurprising that there should be political consequences.

Which is why - across the developed world - since 2008 we have seen such remarkable political upheaval. It's understandable why commentators should focus on the election of President Trump or the Brexit vote in Britain as significant political moments. But it's impossible to understand either, I would argue, without situating them in the broader wave of political change which has swept across the West.

Political parties on the social democratic left, who have seen it as their job to manage economies so as to generate, and then redistribute, the fruits of economic growth, have suffered reverse after reverse. Whether PASOK in Greece or the SPD in Germany, the Socialists in France or Labour in the

Netherlands, these parties have been in decline. In their place have grown radical movements of the left, whether it's Syriza in Greece and Podemos in Spain or Die Linke in Germany and Jean-Luc Melenchon's La France Insoumise.

And this malaise has not only affected the social democratic left. There has been a reckoning for the established parties of the centre right which were in power during or immediately after the events leading up to or around 2008. Whether Civic Platform in Poland or the Republicans in France, Berlusconi's conservatives in Italy or New Democracy in Greece, establishment right parties have seen their support fracture. Increasingly, votes have gone to identitarian or anti-liberal parties of the right whether the Front National, the Alternative für Deutschland or others.

Of course, there have been exceptions. In France Emanuel Macron's phenomenally successful campaign proved that even under intense attack the centre can hold. And in Britain a moderate centre-right Government significantly increased its share of the vote at the expense of the narrow, identity politics of UKIP.

But it's important to see those results in context. In the first round of the Presidential election, Emanuel Macron secured just 24%, albeit of course from a standing start, and parties of the established left, right and centre won only around 50% of the votes cast. Fully half of France voting for radical or extreme left and right movements.

And in Britain, while the Conservatives secured the highest share of the vote since Margaret Thatcher's vote of 1987, that was against a Labour Party which while nominally still the movement of Attlee, Wilson, Callaghan and Brown, is in fact now a movement of the radical left, more in tune with Syriza, Podemos and La France Insoumise than any traditional centre left social democratic party.

These political currents pose a particular danger for the free market system which has generated so much wealth and opportunity in the past, and which I believe has the potential to do so again.

The current failure of capitalism to deliver prosperity and opportunity – as it has, can and should – has fed the revival of ideological movements which threatened, indeed harmed, free markets and human flourishing in the past.

In 1890s America, the concentration of economic power in the hands of a few led to a growth in Populism, championed with beguiling eloquence by the Democrat William Jennings Bryan, who spoke up for those excluded from the benefits of growth. "You shall not crucify mankind upon a cross of gold, you shall not press down a crown of thorns on the brow of labour", he demanded.

In similar vein, across Europe socialist and Marxist movements grew in power in the face of inequality and injustice, while demands for tariff walls and protectionist movements also grew in force. Joseph Chamberlain was the most eloquent advocate of protection in the UK, arguing for tariffs both as a means of raising revenue for the poor and as a shield against the wrenching change imposed by competition.

Again, in the 1930s, amid the pain of the Great Depression, protectionism enjoyed a new lease of life with the Smoot-Hawley Tariff Bill enacted by the US congress. Populist economic solutions attracted millions while the open-ness to experimentation, change and progress which characterised capitalism in its infancy and at its best were in retreat.

5/ CAPITALISM REFORMED CAN BE RENEWED

But in both periods, capitalism, when it was reformed, recovered. In America at the beginning of the twentieth century, Theodore Roosevelt attacked monopoly power and re-invigorated the free

enterprise system by re-distributing opportunity. His political movement, Progressivism, saw off the Populist challenge. Just as the Liberal Government of 1906, the Government of Churchill and Lloyd George, held back both protectionist and socialist forces with a programme of free trade, domestic reform and social justice.

And again, in the 1930s, another Roosevelt, Franklin, reformed capitalism to save it, with the New Deal. And the National government here, with moderate Labour and free trade Liberal elements in its leadership, learned from the Tory mistakes of the twenties. The Conservative flirtation with protectionism and the embrace of the gold standard had aligned the party with the interests of the established rather than the aspirations of the whole nation, but liberal economic policies and investment in social reform helped insulate thirties Britain from forces that capsized free markets and free societies elsewhere.

Because as the Prime Minister has said, "supporting free markets [also means] stepping in to repair them when they aren't working as they should... Conservatives have always understood that if you want to preserve something important, you need to be prepared to reform it. We must apply that same approach today."

So, if capitalism is failing to deliver now, as it has failed for periods in the past, but free markets have been rescued from protectionism and populism in the past by reform, then what reform is needed, or even possible, now?

Well reform must begin with an acknowledgment of the scale and nature of our problem.

At the heart of our challenge is the failure to generate truly sustainable levels of growth.

And behind that failure lies our inability, over many years, to increase productivity.

One of the most important ways in which we can address our productivity problem, improve growth and ensure that growth is truly sustainable is by thinking more deeply, and holistically, about productivity. And in the process re-defining how we approach capitalism.

The traditional facts of productivity as defined by economists have been land, labour and capital.

Or, as you and I might think of them - nature, humanity and money.

Increased productivity in the past has been defined as the more successful exploitation of land, the more imaginative deployment of labour and the more prudent allocation of capital so as to generate growth.

But if we are both to improve productivity in the future and secure enduring support for capitalism we should think of land not as a factor to be exploited but instead think of nature as a resource to be nurtured and renewed, we should think of labour not as a commodity to be directed and deployed but humanity as a resource we should invest in and cherish, and we should think of capital not in terms of the return it immediately earns but the innovation and progress it generates.

6/ A CAPITALISM THAT WORKS FOR EVERYONE

A capitalism based on investment in our natural capital and our human capital, and on using financial capital to invest in innovation, not secure rewards for rentiers, can both generate increased productivity in our economy and greater justice in our society.

How should it work?

We'll look first of all at our current problems with the allocation of financial capital.

Over recent years innovation has declined, and growth has stalled, because capital has not been allocated to productive investment. In advanced Western economies, business investment as a proportion of GDP has, broadly, been falling since the 1970s. Moreover, according to the Swedish economists Fredrick Erixon and Bjorn Weigel, to whom I am indebted for so much of this analysis, the trend rate of investment growth in research and development in the US is declining and, similarly, R and D intensity (R and D expenditure as a percentage of net sales) has been stagnant as well.

So where is the money going? Well, in crude terms, it has gone to those who have been interested in extracting a rent for now, not re-investing for the future.

It has gone into dividends for those who already have shares, share buyback schemes which allow managers and executives to enrich themselves in the short term at the expense of future investment, mergers and acquisition activity which closes down competition instead of funding innovation which generates competition, into payments for executives who are rewarded for risk-averse bureaucratic managerialism rather than creativity and judicious risk-taking.

Major institutional investors, including sovereign wealth funds, are risk-averse and, indeed, susceptible to political influence in how they allocate funds, influence which rarely encourages support for the innovative or disruptive.

And the structure of many modern companies, with ownership spread across multiple institutions and investors, responsibility for decision-making diffuse and accountability opaque, tends to deter the innovative and creative activity which marks out genuinely wealth creating entrepreneurs.

In my own Department, we have seen this in the water sector – and working with the regulator Ofwat, we have told the water companies they must change or change will come to them.

Across the developed world, this rentier model of capitalism – which gives rewards to incumbents, insulates existing managers from challenge and reinforces the relative wealth of those already wealthy – is bad for economic growth and inimical to social justice.

It also co-exists with a tendency towards crony capitalism in developed nations. Established economic interests have the time, money and personnel to get close to Government which disruptors, innovators and start-ups do not. And they use those connections and that cash to defend their position against competition.

The Prime Minister has identified the main culprits - bosses who earn a fortune but don't look after their staff, international companies that treat tax laws as an optional extra, directors who take out massive dividends while knowing that the company pension is about to go bust.

Regulation, which is of course vital to the safe operation of markets and trust in society overall, is captured by incumbents and fashioned to serve their interests. Instead of strong, transparent and effective regulation which delineates clearly what is permitted and what forbidden, opaque, cumbersome and multi-layered rules are lobbied for and adopted by existing players, the better to deter competition and secure existing market share.

In a low growth world, defending existing market share becomes more important than ever and so control of the rules of the game becomes more lucrative than ever. So established companies with cash in the bank make sure to spend a generous slug on lobbying and securing rules that favour their interests. Which is why the two cities with the fastest income growth per capita in their respective nations, and regions, are Washington DC and Brussels, where so much is being spent on securing the

right lobbying outcomes. In 2016, lobbyists spent a record €1.7 billion persuading officials in Brussels to shape regulation in their favour.

So what can be done? How can we restore incentives to innovation, creativity and growth? How do we create a capitalism that works for everyone?

Well, as the Chancellor has powerfully argued, we need to invest today for the economy of tomorrow.

So we should build on the excellent work on corporate governance reform begun by Greg Clark and look at the incentives which exist to reward rentiers and promote schemes like share buybacks, rather than encourage productive investment.

We need to call out and hold to account those bosses – the "unacceptable faces of capitalism" in the Prime Minister's phrase – who award themselves excessive pay rises.

We can consider how the rules which guide and govern how investors are incentivised to allocate capital could be reformed to promote investment in new ventures and equity stakes in innovation, rather than taking low risk, short term, options such as simply rewarding incumbents and buying sovereign debt.

We can look at how the tax treatment of different types of investment could change, and how we could develop smarter regulation, outside the strictures of EU membership.

We can think about how we structure corporate ownership to encourage entrepreneurialism. Is the traditional European dislike of different classes of share still justified when precisely that model has helped the founders of American tech companies keep control, and maintain an innovative outlook, even as the companies have grown?

We can consider how we could reform Government procurement rules outside the EU to encourage innovation – and indeed reform regulation to make it more effective, transparent and direct, giving new businesses a more predictable background against which to grow.

We can think about how we ensure capital is invested or re-invested in communities denied access to capital in the past.

And we can, in particular, place appropriate restrictions or controls on lobbying and associated expenditure to prevent the powerful rigging markets in their favour.

These suggestions are not meant to be either authoritative or exhaustive but simply potential lines of enquiry for Policy Exchange to develop in its work. I cannot predict how this work of intellectual endeavour will develop but I do know that with our capitalist system in need of significant reform and the rentier approach in need of sustained challenge this work is both urgent and important.

There is another reason why this work is of such importance. Debt.

Growth over recent decades has been fuelled by a level of borrowing which is unsustainable. Nations from the US to Greece, Belgium to Italy, have debt to GDP ratios of more than 100%. Levels of private and corporate debt across the West are similarly high and equally unsustainable in the long term. Given how deeply we have exhausted debt as a fuel for growth, it is clear that growth in the future will have to come from innovation and creativity rather than simply more of the same.

7/ VALUING NATURAL CAPITAL

Which takes me to our relationship with nature.

Just as growth over recent decades has been underpinned by an unsustainable reliance on debt so growth over many decades has been driven by an unsustainable approach towards the natural world.

We know that natural resources are finite. But our approach to them has not always been marked by the prudence and restraint such knowledge should inspire.

We have extracted, exploited and then discarded in a way which implied we thought there was no penalty to pay for living for the day rather than thinking of tomorrow.

Just as executives who benefit from share buybacks are extracting value now at the expense of investment for the future and economies boosted by debt are enjoying a temporary boost which future generations will have to pay for, so a reckless approach towards natural capital privileges immediate gratification over handing on our world in a healthier state to the next generation.

The capitalism we should champion for the future should place the importance of protecting, enhancing and growing natural capital at its heart.

Instead of treating rivers and oceans as dumping grounds for chemicals and plastics, forest cover as an impediment to bringing land under cultivation, soil as a resource to be sweated and chemically engineered and the natural world as one vast coal scuttle and larder to be raided at will, we should be investing in cleaner drinking water for a growing population, oceans free of plastic in which fish can flourish, increased tree cover so carbon dioxide can be absorbed from the atmosphere and wildlife can flourish and soil which has the enriched organic content that will sustain life and growth for generations to come.

Instead of a linear model for the economy in which we extract resources carelessly, use them extravagantly and then generate waste which further harms our planet and fouls our own nest we should move increasingly to a circular economy where we reduce our reliance on virgin materials, reuse and recycle wherever possible and recognise that there is no “elsewhere” where we can deposit waste material, only one world which we have a duty to hand on to our children in a better state than we found it.

That also means safeguarding biodiversity, not just because of the intrinsic worth and beauty of the natural world, but also because our resilience to future shocks and challenges depends on the wealth and breadth of microbial, plant and animal life around us.

In order to ensure we properly value, and benefit from, the growth of natural capital we need to develop our economic models to marry the innovation that only the market can provide to the moral purpose of environmental enhancement.

The work on natural capital accounting pioneered by Professor Dieter Helm, and increasingly adopted by more and more businesses, helps us all to better price in the value of the environment to all economic activity.

And it is critical to understand that there is no conflict between properly valuing the environment and ensuring we have sustainable economic growth over the long term, indeed unless we safeguard the natural world and have fresher water, more abundant marine life in our oceans, cleaner air, more carbon sinks and resilient and diverse sources of food production then our prospects for growth don't just grow dimmer, human progress itself risks going backwards.

And that is why fostering innovation and facilitating creativity in our economy matter so much. Whether it's more sophisticated waste treatment, more thoughtful cultivation and breeding of crops, improved animal husbandry facilitated by digital technology and machine learning, precision

application of chemical inputs, vertical agriculture increasing yields and sparing land for wildlife or new precision controls on fish catches, innovation can ensure we grow our natural capital and our wider economy at the same time.

But even as we take the opportunity which Brexit provides to reshape support for agriculture to make it more productive and innovative we must also remember that economic growth is always means to an end - human flourishing - and our policies should also recognise values which can never be captured on any balance sheet. We need to keep rural communities healthy and resilient, we need to respect the value people place on belonging alongside earning, we need to recognise the right to beauty in all our lives.

I know Policy Exchange will be developing new ideas in these areas, and others, including looking at the critical question of how we can satisfy the need for additional housing in a way which not only contributes to improving natural capital but also enhances the aesthetic quality of our towns and cities.

But that innovation, that improved productivity, depends, as the government has set out, on reforming capitalism anew to incentivise entrepreneurialism rather than rewarding rent-seeking.

8/ UNLEASHING OUR POTENTIAL

Which takes me to the other area where we need to invest more wisely to boost creativity. Human capital.

I began today by talking about education and I want to conclude by saying just a little more about how we enhance human potential.

We have made significant strides in recent years in improving education, extending opportunity for all and narrowing the gap between rich and poor.

But there is still so much more to do. Beginning in the very first months and years of life, we need to improve pre-school learning and intervene when children are not being given the love, stability and nurture they need to develop cognitive ability and emotional resilience.

There is still far more to do to close the divide between the opportunities available to the most fortunate in society and the less favoured. While a more stretching national curriculum and more ambitious examinations have helped considerably, we still need ensure children from poor backgrounds have improved access to cultural capital, have more opportunities to learn the skills of oral argument and debate, have more opportunities to excel in musical, sporting or artistic competition and more opportunities to take risks, push boundaries, challenge orthodoxies, speak freely and dare intellectually.

These are areas my colleague Damian Hinds is exploring and I know he will be supported by Policy Exchange in looking at how education and social reform can go further. From the curriculum studied and its appropriateness for our times to the institutional framework required to provide the very highest quality technical and vocational education, I know Policy Exchange will continue itself to push boundaries.

And I also know that Policy Exchange will, critically, be involved in one of the most important areas of debate for our society overall when it comes to maximising human potential - making sure we live in healthy communities where the quality of human relationships, the attachments we have to place and family, the pride we take in the local and specific, are cherished and sustained. The politics of belonging and the nature of a modern, inclusive, patriotism, will I know be one of your major areas of study.

But let me enter one specific additional request.

As we know, and as I touched on earlier, the great flowering of human creativity, economic growth, knowledge and innovation which occurred in the sixteenth and seventeenth centuries, when modern capitalism was born and mankind was liberated from a bare subsistence existence was the consequence of a revolution in ideas.

In place of conformity, hierarchy and censorship came challenge, subversion and free thinking. Where before the Holy Inquisition had imposed strict obedience to dogma and quiescence before established opinion, now a new spirit of questioning and daring took over - from Spinoza to Locke, Mandeville to Newton, the Levellers to the Royal Society, new thinking sought to challenge the comfortable assumptions of received wisdom.

If we are to meet the challenges of our time then we need to revive and support a culture of dissent and daring, questioning and experimentation, innovation and challenge.

But, I fear, the culture of our times does not welcome dissent and challenge as it should. Speakers are denied platforms at our universities, texts and thoughts which might trigger or unsettle are deprecated or denied a hearing, social media squadrons police and punish unconventional thinking, original thinking is scrutinised for political acceptability and if it is deemed to fall outside prescribed boundaries the author is attacked, often with efforts to deny the individual professional standing.

The human spirit cannot soar when these traps and shackles are deployed so energetically to limit freedom of thought and speech.

Capitalism, the means by which we generate not just economic growth but the prosperity which allows us all the chance to live in abundance depends on, historically and now, the freedom to dare and differ. Ultimately, that freedom is the good which needs the most careful thought, support and investment in to secure our future - to deliver this Government's mission of a capitalism which works for everyone. Which is why I wish Policy Exchange, which is dedicated to free thinking, every success in the future.