

St Paul's Institute

Regulation, Freedom and Human Welfare

Tuesday 20th October 2009

Panel Discussion, St Paul's Cathedral

Transcript

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PANELLISTS

Vince Cable MP, Liberal Democrat Deputy Leader and Shadow Chancellor

Brian Griffiths, Vice Chairman of Goldman Sachs International

Adair Turner, Chair of the Financial Services Authority

Nicholas Sagovsky, Canon Theologian, Westminster Abbey

Chaired by Claire Foster, Lay Canon, St Paul's Cathedral

Claire Foster: Good evening everybody, and welcome to St Paul's Cathedral on behalf of the Dean and Chapter. I'm delighted to see such a good audience here for our excellent panel and I hope we have a good discussion tonight. I'll introduce our panellists in a moment, but for those of you who have not been to one of our debates before let me explain the format. In a moment, I am going to ask each of our speakers a question to which they will respond and then we will have a short panel discussion. For the last part of the evening, we'll take questions from the floor. So if you have a question please write it on the back of your leaflet and hold it up to be collected. We'll collect questions until about 7.20pm, please do start writing them as soon as you think of them and hold them up. Please keep your questions brief, you can imagine if it's a long question it is going to be difficult to pass it on.

We'll end promptly at 8.00pm, but before you leave please do visit the bookstore at the end, at the back of the cathedral, and also would you give generously to the retiring collection – which will go to the City of London Social Investment Fund. This is a new venture run from St. Mary-le-Bow Church, which is seeking to raise a million pounds for micro-finance projects in Mozambique and Tanzania. There are more details about this in your programme. You will have been given a Gift Aid envelope on the way in, so if you are a UK taxpayer please fill it in and put your donation in it.

There's more information about this evening and further events in this series in your programme. If you would like to find out more about this series and future events of the Institute, please fill in the form in the leaflet and hand it in at the retiring collection or when you submit a question. If you could fill in the feedback form too, we would be most grateful because we do read them and take notice of what you say.

The acoustic isn't brilliant in here, this is a very big dome. So do please feel free to move if you can't hear perfectly. Sometimes the knave is the better option if you put yourself close to a speaker. Could I also remind you to switch off your mobile phones.

I'd like to take this opportunity to thank our sponsors, the HSBC bank, for their generous sponsorship of this programme.

Now it gives me great pleasure to introduce our panel. Starting on my far right is Vince Cable MP, a Deputy Leader of the Liberal Democrats and their Shadow Chancellor. Having previously been, among other things, Treasury Finance Officer for the Kenya government, Chief Economist for the oil company Shell, and a lecturer in Economics at Glasgow University. His books published this year include, *The Storm: The world economic crisis and what it means* and *Tackling the Fiscal Crisis: A recovery plan for the UK*.

Adair Turner has been Chair of the Financial Services Authority since September 2008, and is also a visiting professor at the London School of Economics and at CASS Business School. Chair of the Climate Change Committee, and Chair of the Overseas Development Institute. He previously combined international careers in business, public policy, and academia.

Nicholas Sagovsky is Canon Theologian at Westminster Abbey and visiting professor of Theology and Public Life at Liverpool Hope University, having previously taught Theology at Edinburgh Theological College and Cambridge University. Nicholas is the author of many books and articles on theology and social justice, and has contributed vigorously to debates on key human-rights issues such as income inequality, debt, immigration and asylum.

On my far left, Brian Griffiths is Vice Chairman of Goldman Sachs International – having previously served as Head of the Prime Minister's Policy Unit at Number 10 Downing Street. During his time as Special Advisor to Margaret Thatcher, he was one of the chief architects of government deregulation and privatisation programmes. Brian's books include *The Creation of Wealth* and *Morality and the Marketplace*.

Would you please welcome our panel.

[Applause]

So, Adair, what good does the City do?

Adair Turner: What good does the City do? I think it's useful to start with Adam Smith's proposition that good results can derive from self-interested actions, or indeed what one might call selfish actions. That, of course, is a proposition applicable not just in relation to the City – by which we mean the financial services industry – but more generally in a capitalist economy. But I don't think it's a proposition which fully resolves the ethical dilemmas involved in deciding whether economic activities are good activities. It's clear that financial services perform many valuable functions which are economically useful. The market economy is, I think, the best mechanism we know for delivering prosperity to billions of people across the world, and a market economy does require a fairly complex financial system at its heart.

Many of the ways that financial services delivery good value are actually quite intuitively easy to understand. So, you have a banker who assesses the credit worthiness of a business. She agrees to provide appropriate credit to that business, and investment, trade, and prosperity can result. Now this activity is not a directly good action, in the way that a doctor providing services is self-evidently and directly doing something which is good. But at least here the link between this banker, who is in some sense simply self-interestedly competing with other bankers, and good results is in this case relatively easy to grasp and equivalent to how we think about economic activities in many other competitive areas of the economy.

But I think the specific complexity that we have with financial services, is that the City sometimes performs many activities where the link between these selfish actions and good results is present but is much less easy to understand. Economic theory tells us that providing what is called 'market liquidity' – meaning the ability to buy and sell equities, bonds, or foreign exchange in large amount and with only a small difference between the bid and the offer price – economic theory illustrates that that liquidity can increase economic efficiency. But the way you get that liquidity actually requires that there are some people engaged in trading activities. Simply, buying and selling equities or bonds or foreign exchange to make a profit. Those people, those traders or speculators if you like, will look to you and indeed it may be the case that their motivation is essentially about making money. It's not about customers being satisfied, or the trade and investment that indirectly results. So what we have here, and I think it is the complication that we face in relation to the City, is a more extreme case of Adam Smith's good results resulting from selfish actions where the link is much more difficult for the ordinary citizen to understand. But it is an example of that Smith proposition

nevertheless. Some of those traders making money through speculative trading *are* indirectly providing an economically and socially useful function, even though that's probably not what makes them do it.

But the question is whether we can then simply say: okay we know that competitive markets tend to produce good results, so whatever this competitive City does must be indirectly good – however difficult we find that to understand – and bankers pay is just the price for them to provide these services, so that pay must be fine too. I think there are two problems with that, as it were, extreme free market proposition. First, I think there is a good economic theory which also tells us that there is a particular feature of financial services, and trading activity in particular, that it can grow beyond its economically useful size. The way that it does that is because liquid traded markets are subject to momentum and herd effects, they move beyond their rational price level. The more trading and activity there is, the more capital devoted to trading activity, the more that those overshoots may occur, but when those overshoots occur the non-financial sector then has to come to the financial industry and buy products to protect itself against the overshoots which that excessive trading has produced. So what you have here, and I think it is almost unique – not totally unique, but almost unique – to financial services within our economy, is a mechanism where the sector has an ability to attract to itself revenue and profit which is not really required in order to provide economically useful functions but is essentially a transfer of income from the rest of the economy to the financial services sector. I think that the implication of that is that there is a major role for regulation, and perhaps taxation, to play in countering that income transfer effect and bringing the scale of activity closer to what is likely to be the economically useful level, even if we should never kid ourselves that we can define precisely what the economically useful level is.

So that's problem one with that proposition, of a completely free market approach. Second problem is that I think people who earn very well from these activities which are indirectly beneficial but in ways which ordinary people find difficult to comprehend, people who do very well out of this wholesale trading activity either as traders themselves or as the senior executives of trading firms, have to understand that if their activities grow to an economically useless – or indeed, in some cases a positively harmful scale – lack of comprehension will turn to fury and that they must, and should, therefore recognise an ethical responsibility with two dimensions. First, that they should not oppose through lobbying the regulations which seek to limit their trading activity to the economically socially useful level, and sometimes they should go beyond that, being willing to step away from activities even if regulation specifically allows it.

So my conclusion is that the City does many useful, and because useful therefore indirectly good, things; but that completely free markets do not ensure that it *only* does good things. I think that both regulators and the senior executives of firms have important roles to play in making sure that the useful activities predominate over the useless.

Claire Foster: Thank you very much indeed. So, Brian, what is your response to that?

Brian Griffiths: Well that's a very erudite introduction to what the City does, and I'd like to be just a little less academic if I may. Adair said that selfish actions produce good results. I think my reading of Adam Smith is that self-interested actions, they may sometimes be selfish, produce good results but I don't think of self-interest as something bad. I think that the injunction of Jesus to love our neighbours as ourselves is a recognition of self-interest. Certainly as I look back at the City, I think in view of the financial crisis we should really stand back and ask ourselves: if we look at thirty years of globalisation, what has the City contributed to this? My own judgement is that the successes we have seen in China, in India, in Brazil, the successes we are seeing at present by investments in the City in green technologies, the success of corporations expanding, the growth of world trade and so on, all of these I feel I've lived through, as well as in the UK between the early 90s and 2008, sixty four consecutive quarters of economic growth. I'd very much agree with Adair that I think these, to me, are evidence of the good things that the City does.

When Adair says that completely free markets may produce a degree of instability, and that markets may overshoot and undershoot, I wouldn't dissent from that. It takes me back a long time, but I once used to teach this and teach research on it at the London School of Economics. My reading of it, and I'd like to put this to Adair later, my sense is that intense speculation of this kind first of all it's very difficult to say, at a point in time, is this speculation too much or is it simply the market response to the information that we have? I think that if you regulate and try to make a decision and say we as regulators know better than the markets, I think it's much easier to do it with hindsight but I'm not so sure it's easy to do it at the time.

My feeling is that the crisis was produced by some bad decisions, on bad loans, and frankly there was an incompetence and a recklessness in the banking sector which, I think, is indefensible and for those who are a part of it we just have to put up our hands and say – as a sector – we got it wrong. To the extent that there were problems of undercapitalisation, inadequate understanding of some of the complexities of financial markets, we clearly need improved regulation. In terms of capital requirements, liquidity requirements, principles for compensation, I would be supportive of what is generally happening at present because I think that our objective should be never again should we

see a crisis like this. But I think that my major point would be to say that what the City is doing today is laying the foundations for medium term growth. Unemployment is rising, what we in the City should be about is how can we ensure that in one, two, three, four, five years we return to full employment, we return once again to a more rapid rate of economic growth – certainly than we are seeing at present, but even then we have seen in the last ten years or so – and what can the City contribute to that?

I think that regulation has a part to play, but it seems to me that regulation is like the anatomy of the problem. There is also the physiology of the problem, and to me the physiology of the problem is the culture of banks and of financial institutions. I think it's the failed moral compass of bankers which was primarily responsible for why we have this crisis, and therefore the question is: what can we do in the culture of institutions to make them behave in a more socially responsible way? I think there are things you can do. I think for the way in which you recruit people, and the way you promote people, instead of hiring people and promoting people based simply – for example – on commercial productivity there are many other criteria that should be used. The way you compensate people should not simply be about how much money they make for the institution. Having leaders who - as the Americans say - walk the talk; having zero tolerance of people who want to really sail close to the wind that they may go over. I think that that is where I would really want to put the emphasis, rather than on the details of whether or not a certain complex market has overshot in this direction or undershot in that direction.

Claire Foster: Thank you very much indeed. Adair, we may come back to these points in a moment. Vince Cable, what is your response to that?

Vince Cable: Well, first I'm grateful that we are having a proper discussion about the morality of these issues. It is very easy to get sucked into a kind of technocratic debate, and we've got to remember the underlying principles of what we are doing. I think it was useful that both Adair and Brian started with Adam Smith, probably the first of the great classical economists who didn't just write about economics but wrote a great book about moral philosophy and saw the problem in the round. I generally endorse both speakers' conclusions that we shouldn't use this crisis to throw out the baby of the market economy with the bathwater of the crisis, because the open market economy has indeed transformed the lives of billions of people in the post-war era – particularly in poor countries – and we shouldn't reject the contribution that a market system can provide.

I think when I look back on the crisis of the last year, the blame if you like, the causes, are quite widely distributed. There was a terrible failure in financial markets. The assumption that these

would self-correct proved to be completely wrong. It was partly, as Brian has just explained, because of recklessness and often immoral behaviour by the bankers themselves; excessive leverage; taking excessive risks; putting their own banks, and indeed the whole system, at risk. I think there was another factor which worries me more, which was the complete and total collapse of trust. When the crisis happened, bankers would no longer deal with each other. The whole complex, interconnected system just collapsed like a pack of cards and it was a reminder that beneath all of these very complex financial transactions markets cannot work – they cannot work – unless there are basic rules of conduct that everybody respects and operates by.

But it wasn't just a failure of markets, there was a failure by regulators – here [in the UK], in the United States which is arguably more regulated but made enormous errors - state supported institutions as well as private banks had extreme problems. There were failures by central banks, that didn't see inflation bubbling up in housing. There were failures by governments, including our own, that assumed that somehow they had abolished boom and bust. That they could sail along on a tide of prosperity which was fundamentally insecure, based on property prices and very high levels of personal debt. So, there were many causes of this failure and not all of them down to the bankers.

The second general point I would make, and it hasn't been made yet, is that we are not in the same desperate position as we were a year ago. The reason we're not in the same desperate position is that governments, for all their failings, acting correctly, promptly, in a dramatic way to save the system. In this country we had the economic equivalent of a massive heart attack, and the patient is still alive because governments and their central banks intervened with cheap money, big budget deficits, bailing out and nationalising banks, and this has kept the patient alive. It was a government reaction, and it had to happen. It wasn't going to happen automatically. Moreover, we saw – and this is a real sign of hope I think – governments working together rather than fighting each other. We didn't have, at least so far, a repetition of the 1930s.

I just want to make two final comments looking forward about the moral dilemmas that we are grappling with at the moment over these extraordinary payments that are still being made in the City, and about this basic question of do we want the City of London to do more or less. On the issue of rewards, realism – I'm a politician – tells me that people are very angry. Of course, they are also angry with politicians but I think particularly angry at the gross inequity of rewards in society and we have to break this down. There have been rewards for failure; the RBS management is completely inexcusable. There have been rewards for excessive risk taking, and I think Adair's organisation are beginning to address how we deal with that. But there is an additional problem

we're now seeing, of banks, which are basically dependant on tax-payers support, paying out very large rewards to their executives and others. I think this is something that the public find impossible to understand. If this was a purely competitive market, people were operating as entrepreneurs who are likely to fail and go down with their ship as necessary, that's one thing. But when you have banks that are underwritten by the state it is not acceptable to have the kind of reward structures that operate at present.

I think the second big question, which is about the future of the City, I have no problem with saying that the City of London provides many valuable financial services and that it is an important part of the UK economy. The problem relates to the banking system, and the fact that we have some of the largest banks in the world, and in the words of the Governor of the Bank of England several of these are 'too big to fail'. I don't think we can continue to tolerate a system where the British government, the tax-payer, acts as guarantor of last resort to banks that are trying to operate on a global scale; often in very risky operations. I think that we have not yet bitten the bullet of deciding that some of these institutions are going to have to be broken up.

[Applause]

Claire Foster: Thank you very much. You can save your applause for a moment. I want to start asking questions from the floor quite soon, so please can you write some down and send them in because we want to hear from you. Otherwise we are going to have to make up the questions ourselves, and that is not in the spirit of the event. Do hand them up and we will collect them as quickly as possible.

Nick, it's slightly unfair to say this actually but you are the man in the dog-collar. What can the Christian tradition contribute to this discussion?

Nicholas Sagovsky: The Christian tradition is well used to using the word 'economy'. But not quite in the way that it gets used when you are in the company of such as I am tonight. The root is the same, the Greek word for 'house' – oikos (οικος) - and the Greek word for 'law' – nomos (νομος) – *oikonomia*, from which *economics* is derived is the term used in discussion about management of the household - the norms for management of the household; for good management or management of the household for the good of everybody in it. It's from this fundamental idea of *oikonomia* that philosophers came to talk about moral economy, the branch of knowledge that asks about good management of the resources we share together, the branch of knowledge in which Adam Smith operated, and then sometime in the 19th century the moral of moral economy got

replaced by political to create political economy. Or it got dropped altogether, leaving us with economics – the science of the management of wealth.

What the Christian tradition can contribute to this discussion is an approach that sees economics as a branch of moral philosophy, and I've been really encouraged by all three contributions so far that none has been leery of getting into moral philosophy. Economics is not merely about the management of wealth, but the management of wealth in the service of human flourishing; and this within the context of a whole society. Economics in general, and the use of money in particular, must not be isolated from wider issues of human welfare. Tonight, we're looking at topical questions about the handling of money, particularly the handling of money in the City, what went wrong in the credit crunch; and what needs to be done, and is being done, to ensure that things go better in the future. All of which raises acute questions of regulation and freedom on which other members of the panel are acknowledged experts.

I'd like to make sure that we keep in this discussion three words, actually one of them a phrase, deeply, but not exclusively, rooted in Christian tradition which we shall need if we are to do justice to our subject. The first is *responsibility*, Adair used the term once and it was lurking behind both what Brian said and what Vince said – *responsibility*. This discussion is taking place after a catastrophic failure of responsibility on the part of banks in their lending, of regulators in their regulating, of governments in their governing, and individuals in their selling and buying. We have to ask what will bring about more responsible behaviour in the future, and we've begun to get into that already.

The phrase is 'the common good', the backdrop to this discussion is a series of actions which showed absolutely no regard to the common good, and I think Adair has described further actions which seem to go on showing no regard for the common good. Then, of actions reluctantly taken of governments for the common good – Vince has spoken about that – which bailed out the banks and, by the law of unintended consequences, rewarded them for the cynical disregard they showed, and seem to go on showing, towards the tax-payers who saved their bacon. We have to ask what actions must now be taken to ensure that the financial sector, on which we all in so many ways depend, operates in the service of the common good and not merely for its own enrichment.

The third word I want to bring into the discussion is *uncertainty*. By uncertainty, I do not mean risk - important though risk is to our discussion, it's central; but rather that ultimate uncertainty in the way the world is ordered - which lies at the heart of Chaos Theory or Heisenberg's Uncertainty Principle. That uncertainty principle, which means we can never completely iron out the risks

involved in buying and selling, that our economic models are always fallible, that however fantastic our computer modelling we are not, and never will be, masters of the universe.

Claire Foster: Thank you very much Nick. Can we thank all of our panellists.

[Applause]

Very good. I've got some great questions here, but I ought in all fairness give our panellists an opportunity to respond a bit to each other. Perhaps, Adair, you could start – keeping in mind some of the moral challenges in what has been said so far. How much can the regulator make the City be moral? I'm thinking in particular of Brian's point about the ethos in a bank.

Adair Turner: I did want to pick up that point, and perhaps slightly to disagree with what our real point of effective intervention here. What I mean by this is that I think however hard you try, it is going to be difficult to make people in trading rooms really care about the overall consequences of their actions rather than whether they are simply profitable. I think we can improve things in relation to this individual moral compass in many ways, I think there were some products sold in the past, by investment bankers and the investment bank arms of commercial banks, which they ought to have known were inherently toxic and which didn't meet the requirements of their customers. I think we can improve the internal processes and the ethos to say even if that is profitable I don't do it. But I think, at the end of the day, you will still have the predominant activity of people involved in the trading activities of banks will be simply motivated by how much money did I make. In the same way that the predominant motivation of a salesman selling a product is not to sit there saying 'I know that the net product of my competitive activity versus this other salesman's competitive activity tends to produce an economic optimality which is good'. It's simply, 'I want to win that sale against that person'. What that means is that there is, I think, in society an enormously important role for regulation to bring the overall effect of what our self-interested actions – in a sense amoral, not immoral but amoral actions – interline with good economic results.

For instance, I think it is possible – and I've said this before but I will say it, controversially, again – that in order to arrive at a economically optimal way of running trading activities, we should not exclude the possibility of taxes on financial transactions. I think it is possible that without them you will have trading activity beyond the economic useful level, and at the level that creates instability. But that is never going to derive from the self-interest of the individual firm or institution involved. That will have to come from a process of social debate, whether it be in parliament, in government, or in a regulator, looking at a collective good which is not the purpose of any one individual to pursue. That is why I said very clearly that I think one of the most important ethical responsibilities,

which all of business faces, is not to misuse its lobbying power to oppose those necessary collective social actions that bring a concordance between private self-interested actions and what is collectively good. So I think we can make some progress in making sure that individuals do not do things that they really ought, in their heart of hearts, know are completely useless and immoral. But at the end of the day they will still do a lot of amoral self-interested actions, and the reason why we need government is precisely to achieve a collective good above and beyond that that those amoral actions will produce.

Claire Foster: Thank you. You are either consciously or unconsciously echoing a famous Archbishop, Temple, who said that the art of governance is the art of so ordering people that self-interest should serve what justice demands. But Brian, if regulation can only do so much towards that, can I really press you on this. At Goldman Sachs, how are you making your bankers good people? Practical examples.

Brian Griffiths: Right, I'll give you some practical examples. Let me preface it by saying that nobody, I think, on this panel believes in completely free markets. In fact, I don't think I know anyone even in Goldman who believes in completely free markets. When Adair talks about this tax, I think the difference between Adair and myself here is that Adair seems to be very concerned about what's happening on the trading floors – that that's where the problem is – I think the problem is more in the boardrooms and with senior management. That's why I said that the emphasis should be on culture.

I can give you many examples. I hate to be doing this as if I'm a spokesman for Goldman Sachs, I use Goldman as an example and I'm not setting Goldman up as an ideal investment bank. For example, when I was hired by Goldman in an advisory position, I had something like twenty interviews. They were not formal interviews, but from two senior partners, chief operating officers, they just took enormous care in trying to figure out was I the sort of person they wanted to join this team. I would say whenever we hire someone, we take probably twelve to fifteen interviews for everyone we do. When it comes to promotion, it is an extremely complex business – there's what is called 'cross roughing' – so that people from a totally different department, say from trading, evaluate banking and once again you would involve a huge number of people.

Every year when it comes to saying 'how much should somebody be compensated', there is a 360 degree review of that person and there are endless people who are asked about the performance of that individual. So that's just one example-

Claire Foster: Sorry, just to press you. Against what criteria though?

Brian Griffiths: A very important point. I think, for example, for an evaluation of a managing director we have about eight criteria – I can't tell you them in detail, but I can tell you that commercial productivity is just one of them – one of them would be does the person live the values which in our business principles we lay out. The second would be, does the person practice diversity in the way we really want to see diversity practiced. In terms of integrity, and the values which that person holds, how does that person do? Which is a question which effectively comes to, is that person just a pri-madonna, or is that person a team player. These things are taken really very seriously.

I chair the committee in Goldman Sachs International for ordered compliance and business practice, and we are looking all the time at whether our Chinese walls are robust; how do we deal with conflicts of interest; how do we put the customer first; how do we deal with treating customers fairly; and I deal all the time with Adair's organisation, which I find extremely helpful in the dialogue that we have. We think our relationship with the FSA is one of partnership. So, to me, this is something real, tangible and I'm into it every day.

Claire Foster: Thank you. I know Adair wants to say something, but I just wonder, Vince, does that satisfy you? Because you've criticised Goldman Sachs in the past for the size, for example, of its bonuses.

Vince Cable: Well yes, let's just focus on that. I know very little about Goldman Sachs internally, I get the sense that it is probably one of the more responsible investment bankers; and certainly very jealous of its reputation. I gave a few off-the-cuff comments about these proposed 500,000 bonuses at the end of last week, and I had several Goldman Sachs executives on the phone telling me I didn't understand them; and they were really quite nice people, really. I was forced to reflect on what it was that I found problematic about the enormous bonus payments they were proposing to make, and I think it boiled down to two things.

First of all, the industry, as it now is, is much depleted. Two of the big players have been gobbled up, there are a few less, and what you now have is – and I put it in colourful language – a magic circle of a handful now of world-class investment banks, and comparable institutions in accounting and law, which are mopping up almost all of the work that is now passing through the markets. Much of which, incidentally, is generated by governments; bond issues. I think there is a serious issue about competition. Is this a competitive market? Are their fees too big? I think that is an issue we need to address.

I think the second point is that Goldman, of course, were temporarily helped by the American government; otherwise they wouldn't exist. They've repaid their loans, but they were rescued and like the other major banking institutions they survive on the basis that there is an implicit understanding – it is implicit rather than explicit – that if they were to explode again governments would feel it necessary to intervene and save, not necessarily all shareholders, but would probably save the institution after what happened after Lehman's. So they're trading on that implicit guarantee, for which they don't pay.

Those are the two reasons why I regard those bonus payments as excessive.

[Applause]

Claire Foster: Thank you. There are a couple of questions here relating to that bit. Sorry, Adair do you wish to respond very briefly?

Adair Turner: I just wanted very quickly to respond to what Brian said, because I think there is a very fundamental philosophical issue here about where we think the problem is. I think the fundamental failures of the last fifteen to twenty-five years were not made in boardrooms, but were made in the public authorities – the central banks, the finance ministries, and the regulators – and were made in the academy in the economics profession. I think we got regulation of banks completely and utterly wrong in its capital and liquidity levels. In particular, the capital levels that related to trading books – but also to ordinary lending – and in particular the regulation of liquidity.

Kane once said that any practical men who believe themselves completely free of any theory are driven by some dead economist. I actually think the only thing that was wrong there is that they are often driven by some live economists, rather than dead economists. I think we have been in the grip of an over-simplistic efficient market hypothesis, which has driven us down some catastrophic public policy decisions.

I think if you go back to the 1930s and say why was there a Great Depression, it's not actually terribly insightful to say that there were a lot of greedy people in 1929 and 1930, in the boom, although there were. There was a Great Depression because of avoidable policy mistakes by some relatively not terribly highly paid policy makers. Actually, policy makers are immensely influential people and when they get it wrong they get it wrong. I think we have a collective aggregate results problem, not a quality of individual problem. I think if every bank, every investment bank and every bank, was as professional as Goldman Sachs is in its internal processes, but we had had the regulations and the monetary policies and the academic philosophies that we have had over the last twenty-five years,

we would have still had this crisis. Now, that is a very fundamental issue which we won't be able to resolve tonight; but I would just like to say that is a key issue which we need to debate.

Claire Foster: Thank you very much. Nick?

Nicholas Sagovsky: I toyed with bringing in the word confession from the Christian tradition, that's what I hear coming through now. What I'm struck by is that it seems to be that Adair and Brian are talking about two different dimensions of activity within banks. I was very struck by Brian's use of the word 'team' and the cultivation of a team; whereas Adair seemed to be, in his previous remarks, talking about the trading floor and a highly competitive environment there. I wonder whether the motivation for what goes on, on trading floors, is really financial in quite the way he says. It seems to me that it must be also about macho success and positional goods. Who is doing better than who? My hope would be that the regulator could help to scale down the levels of reward, because they are so out of proportion with those in the rest of society. I would also say the same about what we have just heard about Goldman Sachs in the last week.

The fundamental reason for this is that I am hugely persuaded by the work of Richard Wilkinson and Kate Pickett on the damage done to societies by levels of inequality. They bring a wealth of evidence to show that the more inequality there is in a society, the more social pathology is evident. Whether it be in terms of poor attainment in education; levels of violence; numbers in prison; poor health and early death. This brings me back to the term 'the common good'. We are, inalienably, members of the same household and when we have huge levels of inequality, however they are generated, we all, actually, suffer. Therefore, my hope would be that the regulator can come to terms with inequality; and I think to do that we have to diagnose accurately what is going on in this world.

[Applause]

Claire Foster: Thank you very much. The conversation could carry on up here, but I really must ask some of these excellent questions. I'm going to put three together here, because they all seem to be pointing in the same direction and they are quite hard hitting. If self-interest is the equivalent of loving oneself as much as our neighbour, who are the neighbours being loved with great generosity by the bankers? Should banks and bankers be made to pay for the bailout, rather than keeping their profits and bonuses? Who should pay when the markets get it wrong, and why? Finally, the panel has talked about incompetence and recklessness in the financial services industry, should the directors and managers who have failed in their duties be subject to criminal sanctions?

Do you want to start, Brian?

Brian Griffiths: I thought you'd come to me. The first question was to do with self interest and who, in a way, is my neighbour as a banker. I think that as a Christian, and in terms of trying to live by moral standards, I think we have to ask ourselves: is the way that we behave in a bank, whether on trading floor or in management, is the way that we behave good or bad? In this sense, am I breaking rules? More than that, am I breaking a moral code?

I think in the way that wealth is created by banks, I would say that everyone who we are *dealing* with is my neighbour. But I think, again following scripture, to whom much has been given much is required. I think that those people who have substantial compensation have a tremendous responsibility in terms of personally giving. In the Old Testament it was a tithe, but I think I can honestly say – again without boasting, and maybe it's because we have an American culture, or even a Jewish culture at the heart of Goldman Sachs – that actually there is a sense that if you make money you are *expected* to give. I think in British society, I have to tell you, I find a difference between America here and between Britain.

When it comes to the question of bankers paying for the bailout, I think at a personal level some have already paid very expensively. I think there are various proposals, that for example when it comes to financing insurance and so on the banks should pay, I have no problem with that. Vince Cable's point that maybe one reason why banks are making excess profits is, if they are making excess profits, a lack of competition. Well, we have a competition commission; and if the competition commission was asked to look into banking, to me that is fair game. But I come back to one point I was trying to make earlier, and it particularly applies to compensation and it applies to the common good which Nicholas raised.

I think that it is very easy to construct a short-term perception of what the common good is. Let's assume, for example, we all said we're not going to have big bonuses, they are going to be even the same as – let's say – last year. I believe that you would then find that leading City firms could easily hive off operations to Switzerland, to the Far East. Never forget that the UK economy, that London is a financial centre, is very different from somewhere like New York or Tokyo. In London, we have in the UK a relatively small economy and a large financial sector. In New York, they have a large financial sector but based on a very large economy – in Tokyo, the same. I believe that we should be thinking about the medium term common good, not the short term common good, and in thinking about the medium term common good we should be making sure that, going forward, at least one cluster of industries we have is the financial sector. We should be proud of that in London, and we should not therefore be ashamed of offering compensation in an internationally competitive market which ensures that that business is here and employs British people.

Claire Foster: So, just going back to Nick's point about helping banks to reduce this machismo. Adair, do you want to say anything about how...I suppose in a way what is being said is that we can't help our machismo, can you help us be less competitive? Or these appalling stories of people committing suicide because their bonus was, I don't know, fifteen million instead of twenty million – I don't know what the figures are – but really ridiculous concerns.

Adair Turner: Regulators can't change human nature. We are very powerful people, but there are limits to what we can do. But I think we can make some useful contribution in this area. The question which was put forwards was: should bankers keep profits and bonuses after they have been bailed out? Some of the things we are trying to do now, is to make sure that there is more money truly at risk which, in the event of failure, will be lost. We have two tools to do that. One is to require banks to hold more capital, and in particular to hold more of that capital in the form of equity capital. Because, even in the case of these banks that we call 'too big to fail', the thing which undoubtedly loses when there is failure is the equity capital. Even if you bailout the bank, even if you nationalise it, even if you put in a capital subscription, the existing shareholders lose a very large amount of money. When RBS was supported, it was not true that the existing shareholders got to keep the previous profits, they pretty much lost all of their previous shareholding. So the more that we require equity capital in there, the more we are getting around what people call this moral hazard problem.

Then, in the area of remuneration, what we can do – and are doing – is to insist that a greater proportion of bonuses is paid in a set of deferred fashions, and paid in the form of, for instance, equity rather than immediate cash, and that it is subject to the potential for clawback. So that if you paid someone a large bonuses, because at the end of 2007 it looked as if they had made a large amount of money but two years later it was obvious that actually they had left a hell of a toxic mess, you can take the bonus back. Now, this will make some difference. But I don't think we should imagine this is a magic panacea, a silver bullet. The fact is that when you have irrational exuberance, even people who are paid in a deferred fashion with clawback believe their own propaganda.

Dick Fuld, the head of Lehman Brothers, had lots and lots of equity in Lehman Brothers. Lots of it deferred, lots of it to future performance conditions, and he lost it all. That didn't stop him doing some crazily risky things. What we've realised is that, when there is irrational exuberance in markets and markets *are* subject to irrational exuberance, we as regulators can do something about it by making sure that people are paid in sensible ways; but if people believe their own propaganda, they will believe that that future deferred equity is there, even if it isn't at the moment. So, yes we can make some difference but we have no panacea in this regulation of bonuses.

Claire Foster: Nick?

Nicholas Sagovsky: If I've heard the question correctly, all of these questions seem to be about responsibility and Brian has identified this as a question about responsibility of who is my neighbour. It seems to me that, in many of the City offices, my neighbour is the person who cleans my office before I come into work, and many of them will be on the minimum wage which is I think something £5.35 an hour. At least to get them up to a London living wage of something like £7.32 an hour would be a start to address those levels of inequality which mean that people just cannot understand or grasp, cope with, the stratospheric levels of pay for the people whose offices they clean.

[Applause]

But I want, in a way, to raise a question myself. Because the question that comes into my mind when Adair speaks is the question I know that Vince has been thinking about recently, and I hope that we will come to tonight, and that is about the splitting of high street banks, retail banks, utility banks, and investment – or casino – banks. It seems to me that these questions that we have been asked are all about responsibility, making the bankers responsible for their actions. Well, that is a really good thing. The trouble is that the people who are actually going to pay for the actions are the people who pick up the tab for the cuts in social spending there will be over the coming years. My own view is that if we are able to find a way to do that which Adair says is not feasible, which is to split again, practically speaking, retail banking from investment banking, we could keep the potential levels of toxicity in investment banking, as it were, ring-fenced. It's over simple, but that I think is a central question at the moment in response to what has been put to us.

Claire Foster: Thank you. I sense that is quite a technical discussion, and I've got some more moral and ethical questions here which I really would quite like to ask. But, Vince, would you like to add anything to this last discussion?

Vince Cable: I just wanted to focus on this question about who pays, because this is becoming a very big, public, concern. A lot of people are paying a heavy price for this crisis, and it's people who are completely unconnected with it. The government's paying, and eventually you will all have to pay in reduced services or higher taxes. A lot of young graduates are leaving universities without jobs. The pain is being felt by people who didn't cause the crisis in any meaningful sense.

So, we are then faced with the question of how do you make the people pay who caused the problem? That's, I think, what people are groping for. How do you do it in a rational way? We have now got this big cry going out for a windfall tax as a way of getting the guilty people to pay. I think

that's what it is about. Emotionally I am naturally drawn to it, and politically I wonder why on Earth I am not out there campaigning for it because it is so obviously an attractive thing to say. I think the reason I don't is that it probably isn't, actually, terribly sensible. We're not dealing with a one-off problem, we're dealing with the fact that banks are continually underwritten, and if they have got to pay more they should more continually not just a one-off, kind of buying people off as it were, windfall tax. Also, half the banking system is now state owned. So why would the state want to tax the state? We also have the problem that it isn't just the government that wants money from the banks profits, it's consumers, depositors who think they aren't getting a decent return on their savings and businesses who think they are paying too much in interest. They want some of that money as well, why should it all go to the government in a windfall tax. So, although it is an emotionally attractive response, I don't actually think it is the right one.

What I think would be more sensible, and we've had several attempts to steer us in this direction, is to move away from the responsibility of institutions to the responsibility of individuals. It is the individuals within the institutions who matter. I go back to the very helpful comment, which I agreed with, about the impact on society of extreme inequality; whether it is of income or wealth. If we are trying to get a just settlement, some kind of reparations for this crisis, it has got to be resolved through some form of progressive taxation and that indeed is beginning to happen. Very high earners will pay more. The problem is, under our existing system, there are so many loop-holes through lower rates of capital gains tax, and in other ways, that very often they don't and it is the responsibility of government to make sure that happens. But even as I advocate this, I am conscious of the political difficulties. A few weeks ago, I advocated a tax on mansions – knowing that mansions can't run away to the Far East – and that's one way of making sure that you do tax very wealthy people. But I might as well have advocated assassinating the Queen with the response I got. I still think it is fundamentally right, but these things are a good deal more controversial than they appear at the time.

Claire Foster: Thank you, Vince. Okay, now I'm going to make it a bit more ethical and closer to home. I want you to consider your answers to these questions not as institutions, but as human beings. They are quite theological.

Is the love of money the root of all evil? You cannot serve God and money, what relevance does this have to the situation that we are in? And, has the Church failed in its obligation to speak out for spiritual and ethical values, does it have this role?

Nick, I'm going to come to you first on that one. Can you speak as a human being Christian, not as an institution?

Nicholas Sagovsky: Which one?

Claire Foster: All three.

Nicholas Sagovsky: All of the above. The love of money is the root of all evil? No. It's an overstatement. The love of money has a great deal to do with a great deal of evil, but there are other things that are going on in many forms of evil. Such as, for instance, an over concern with position in society.

Secondly, you cannot serve God and Mammon. Yes, because the word there is *servicing* God and Mammon. It is making one or the other your deity, and where you make Mammon your deity – broadly speaking, wealth your deity – you are not serving the living God. But, on the other hand, I do believe that you can serve the living God and make intelligent and grateful use of wealth, as we are struggling with tonight.

Has the Church failed on moral and ethical issues? Well, the Church is fragile and there are many things that we do fail on. You can see the Church struggling, at the moment, with the ethical realities of hedge funds. The right hand doesn't quite know what the left hand is doing, and each is trying to communicate with the other. So, yes there are elements of failure. I also think that the Church contributes very strongly to the creation of the culture that Brian has been talking about, and I hope that the very fact we are having this session tonight in St. Paul's is a sign of the Church's determination to create a space in which we can look at these things seriously. The Church doesn't have all the answers, but it does have some of the resources for facing these issues as truly flourishing human beings.

Claire Foster: Thank you. That was quite an institutional answer though. [Laughter] But a very good one. Adair?

Adair Turner: I'm not quite sure how to distinguish – I'll try and give a human answer, but if I fail you'll have to criticise me as you have just criticised Nick. He's already said it. Obviously, love of money cannot be the root of *all* evil; simply because we can think of a set of other things which also take us down evil directions. But I've always thought that this phrase is actually a very insightful phrase, because it doesn't say *money* is the root of all evil – it says *the love of money* is the root of all evil. I think that takes us to a quite subtle distinction. I don't think there is a problem of people wanting to be successful, wanting to have a high income, wanting to enjoy the things that you can

provide for family and friends out of a high income. But I think what happens when it ends up as a love of money for its own sake, I do think it is deeply corrosive of moral values.

Now, earlier Nick said that what is really going on in the more excess areas of investment banking is a love of relative status. But it takes the form of a love of money. Basically, and it is one of the more bizarre things that I have observed in my life over the last ten years, there are people who go in for interviews at the end of the year and their manager says 'I'm giving you a bonus of three million pounds' and they get furious because it isn't four million pounds. Because they know that they guy next door, or the guy at the other firm, is four million. That is deeply worrying. That has gone beyond a desire to have money because of the good things it can bring you, to a love of money as a mechanism of your status and I think that is deeply corrosive and I think it is a problem.

But I wanted to relate that to this issue of inequality. I do actually believe that we should be worried about the scale to which inequality has gone in our society. I say that as somebody who has never been an egalitarian or a socialist, but I think you can say that but still believe there is a level of inequality beyond that to a stage that is corrosive of the social compact. It is particularly corrosive when that high inequality is deriving from activities that people cannot intuitively understand what is the skill, or what is the benefit to them, of the activity. But, I think that in some of what we are now saying we are still failing to realise what a deep issue we have with the financial system. Earlier, Vince said that we don't like rewards for failure; we don't like rewards for excessive risk taking; and we don't like rewards for banks which are underwritten by the state. But suppose in two years time we've managed to get around the 'too big to fail' problem and we no longer have, through living wills and adequate capital, an implicit guarantee from the state. Suppose we have got institutions, in our judgement, not taking excessive risks, and suppose they are very successful and are paying very large bonuses for things which ordinary people find intuitively difficult to understand why it is beneficial to them; and some of which, if my economic theory is right, take the form of a transfer of income from the rest of the economy to the financial system rather than a true value added. I think we will still have a problem.

So, I think in a sense Vince is, in the definition of the three things he is worried about, not actually defining the problem that we face in radical enough terms.

Vince Cable: Well, that's why I said you have to go beyond institutions to looking at the taxation of individuals. That is the point at which you deal with the residual problem. I took this cluster of questions to be about the Christian message, and how can it guide us in dealing with these problems. I'm not a clergyman, I don't want to compete in that territory. But I was brought up as a

teenager with the Society of Friends – the Quakers – that was where I had my spiritual upbringing. They constantly reflected on this problem, and they expressed it by investing in business. They were the Quaker families like Roundtrees in York, where I was. Serious entrepreneurs, but they also had a very strong sense of responsibility towards employees and towards the wider society. I think that is the way in which Christianity, in its best manifestations, does reconcile the pursuit of money with this wider responsibility issue. There are good models, there are good examples. The sadness, in a way, is that those Quaker families no longer function as major capitalist institutions. They have been gobbled up in most cases. What they established as a model, which was social responsibility, has become terribly institutionalised; box-ticking, lacking real ethical depth. But, somehow, I think we need to breathe life into that original set of values.

Claire Foster: Brian, just briefly?

Brian Griffiths: I think the questions to do with God and money are actually extremely challenging. Because when Jesus said you can't serve God and Mammon, using the word *Mammon*, he was personifying and deifying money. I've often asked myself in the City here, and I've been in the City a long time in various capacities, what exactly does it mean to worship money? I have to tell you, I see young people – younger even than my children – working all day and every day, the work/life balance being under threat. Very decent, moral people, highly principled, wanting to succeed, ambitious – in a good sense – and I just wonder sometimes if the competitive climate which we've created, especially in the City of London with, in a sense, the best and the brightest, whether the pendulum hasn't gone too far. To me, when I read the New Testament and I have that challenge that is really where it really hits me. When Vince talks about the Quakers, and so on, I remember that I used to be on the Court of the Bank of England and Adrian Cadbury was a member of the Court. I wrote something on morality and inflation and the governor asked me if I would send it to other members. Adrian said, 'you should read the biography of my grandfather, Sir George Cadbury, who built up Bournville'.

To me as a Christian, I think that we should be committed not only to, as I said, laying the basis for prosperity; but also being seen to serve our society in all sorts of ways, and I think the hallmark of the Christian lifestyle is generosity. You see it very clearly later in the New Testament and so on, and to me – as I said earlier – to whom much has been given, much is expected. I would like to see the Church, in a way, making more explicit the teaching of the Gospels and being prepared to sort of – with due respect, it's very hard for me to speak with a Canon on my right here – in a way standing up. Because Jesus was very radical, and rich people had a very hard time with him, and I think for very good reason. I would like to see Church leaders standing up more for that.

Something that has impressed me enormously is Pope Benedict's encyclical *Caritas in Veritate*, which Nicholas told me he preached five sermons on in the month of August and I'm sure it is on your website. But I would like to see that, because I think this is to me the Christian faith in action.

[Applause]

Claire Foster: Thank you, very much. In a moment, I am going to ask each of our speakers to give us one final thought. So this is fair warning for that, gentlemen. Just one final question, which is about whether it is possible to find, introduce, locate a moral compass? The question is really assuming that there is little ethical consensus in society. The question says: in a society where there is little consensus on ethical principles, it is a forlorn hope to introduce a moral compass.

Just to say, I heard that echoed on a programme today where somebody was saying 'my ethics are my ethics, and your ethics are your ethics'. So people's ethics are very individual. Do we think it is a forlorn hope, or do we think there is a moral compass that could be generally recognised – a sense of what the common good is that is a general sense?

I don't know who wants to start with that...

Nicholas Sagovsky: I'll jump in, if you like. I think it's a fascinating question, and when I try to deal with these sorts of issues I often use the metaphor of playing home and playing away. I'm not sure, I think I'm probably playing home tonight. I'll take the thrust of Brian's remarks just now.

When playing home, I think that the Christian Church can identify a moral compass which can be a guide to all people and related to Jesus. When playing away, we look for something which is much more acceptable and negotiated in the public domain. One of the sources for Christian theology has been the philosophy of Aristotle, and Aristotle asks the teleological question: what makes a good person? What makes a good banker? What makes a good citizen?

So my starting point for finding some sort of moral compass, playing away, would be to ask the question what makes a good banker? I think many of the issues we have discussed tonight would begin to be teased out by that approach.

Claire Foster: Anyone want to add to that? Brian, something?

Brian Griffiths: My starting point would obviously be, I think, scripture and the traditions – the way scripture has been interpreted by the Church, over the centuries and so on. But I have been very impressed by a book, which I read many years ago now, by C.S. Lewis called *The Abolition of Man*, published in 1944, it was actually on the teaching of English. In it, he said that if you look at world

religions – and indeed I find, even if you talk to people that are not religious – when it comes to something like honesty, or treating an individual with dignity, or being part of a community, or opposing theft, murder, incest and so on; he said there are values which are common to humanity. He called them the Tao of values. I must say that in Goldman Sachs I wouldn't go and say this is what the Bible says, but I would certainly say I really believe we should have total integrity in the way we do this. I find that that is a way of bringing people together, actually, because we all also have consciences and I think you can appeal to that.

So, playing away or playing at home I feel I would be playing in the same way.

Claire Foster: That's very optimistic and good to hear, actually. Perhaps, starting with Vince, a final thought for our audience?

Vince Cable: I've just been reflecting, over the last few minutes, about what I've learnt in this discussion. I came here, I have to say, with some apprehension because I think the last occasion I debated these issues in church we got onto a very elaborate and infuriating discussion about the evils of usury and how we should go back to before the Reformation, banking should be abolished and interest should be abolished. There are, unfortunately, some theological detours that we have succeeded in avoiding this evening.

The two words, which I think we owe to the Canon really, which I would take away are the importance of responsibility – in our own lives and towards other people – and the concept of generosity - generosity of spirit as well as generosity with money. I think those are the deep things that we should bear in mind.

I just want to have two parting shots, which are about two subjects which are completely unrelated to what we've been discussing. There is a danger I think in this discussion of the crisis that we are always talking about yesterday's problem, and we now need to be looking at tomorrow's problems. We've got some epic problems coming over the horizon which we are going to have to grapple with in future years. One is how we approach the issue of this yawning government deficit, which whoever is to blame we have it and it has got to be dealt with. It has got to be dealt with humanely, and fairly, and it has got to be dealt with in a way that doesn't aggravate, and hopefully helps resolve, the fact that we have three million of our fellow citizens out of work – probably more – many young people emerging from schools and colleges into complete hopelessness. That is a massive nest of ethical problems that we haven't begun to address.

I think the second, final problem is because we are talking about the City of London we are necessarily acting in a rather parochial way. We're very British centred. But I think Brian reminded

us in his first comments that we are dealing with a global problem. One of the main outcomes of this crisis is that the centre of gravity of the world has shifted dramatically to new countries which we hitherto regarded as rather poor and benighted – like India, China, and Brazil – that are now major economic powers which have a different set of values, in many cases, and which attach enormous importance to material improvement; to enrichment, to development in an economic sense. We have to reconcile our own wish to produce a fairer society with the fact that the global world is changing very rapidly, and we have to recognise that these new players want a share and they want a fairer share.

Claire Foster: Thank you. Adair, briefly if I may...

Adair Turner: I think I'd like to go back to my fundamental thought. I think there is this issue of how we think about moral actions – moral activities – in our day to day life competing within a market economy. I think it is quite a complicated issue. It is not an issue which is just about the City. I don't know whether there are any divorce lawyers here, but divorce lawyers are devoting their capabilities and their skills to trying to make their client better off and another client worse off. They are involved in a competitive, zero-sum game. Just as a trader is trying to make profit to his institution and away from somebody else, and yet we think that divorce lawyers are legitimate people within society – I've got nothing against them, and I'm perfectly happy for them to move into my street etc. Etc.

So, how then do we deal with the fact that many of our actions in our day-to-day life are, in that sense, amoral? I think there are two things we have to do. One, we need in our personal lives to have integrity and generosity of spirit; and maybe that is at this distinction that Brian tried to draw between things which are self-interested versus things that are selfish in a sort of nasty, spiteful fashion. So even if you are involved in a competitive process, you can do it with integrity and generosity of spirit. But secondly, I do think that then we have to realise that there is a very big role for collective rules and regulations to make sure that the consequences of these competitive, amoral actions are okay overall. I think the thing which is special about the financial sector, is that some of what economists call 'externalities' – those complex things which get in the way between individual actions and good results – are just very complicated, very difficult to understand, but ones that we really need to think about a lot and which imply quite a major role for regulation to bring a concordance between private action and beneficial social results.

Claire Foster: Thank you. Nick?

Nicholas Sagovsky: Some people has said this is a time of swing back to the thought of Maynard Keynes. Keynes was an atheist, but through his life he became more conscious that he was also a post-Christian. It seems to me that we are engaging, those of us who are Christians, with a society which is in some ways post-Christian, and that Christians are not very good at thinking about the kind of issues we have been thinking about tonight. Certainly I know I've been made to think very hard in new areas by this exploration.

I hope that we can become more confident in playing our part in the dialogue. It seems to me that those who are speaking for the City, for the world of finance, are saying we really want to look at moral and ethical issues, and we want to engage with those who have roots in our religious and philosophical traditions; and we must play our part.

Claire Foster: Thank you. Brian.

Brian Griffiths: Two points, the first is I think the most serious issue at present is really the issue of social cohesion. I grew up in Wales, in a mining community, and both my grandfathers were injured underground. I think I can honestly understand, I can say I really understand inequality personally.

If I felt that the present situation of rising unemployment, of high youth unemployment, of almost despair in some ways – and then the City on the other hand – was a permanent feature of our society, frankly I would find it very difficult to defend the City. But what I've tried to say is I'm not a person of despair, I'm a person of hope, and I think that we have to tolerate the inequality as a way to achieving greater prosperity and opportunity for all. That is the only way that I personally can reconcile these two issues.

Secondly, I think we all have to ask ourselves - in whatever institution we work - what is your moral compass and what is my moral compass? There will always come a time when you and I will have to stand up and be counted, and sometimes that is very difficult, can be very embarrassing and can be very painful – but I think that is what we have to do, and this evening has confirmed for me the need to examine my own moral compass more and more.

[Applause from audience]

Claire Foster: Gosh, thank you very much. I'm going to give you my final thought, because I can. Which is, do you think that if there were more women employed in the City, and in the boards, there would be less machismo? That's my thought.

[Applause]

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