G R E S H A M

C O L L E G E

CAN THE CITY ADAPT?

Lecture 5

CITY LEADERSHIP, GOVERNANCE AND THE MARKETS
CAN THE SYSTEM DELIVER IN THE FUTURE?

by

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City leadership, governance and the markets – can the system deliver in the future?

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I thought to start tonight's lecture by a sensible definition of the word governance, and turned for guidance to my electronic thesaurus, so-called British English version, thoughtfully provided by the American software house. Perhaps not surprisingly, it did not register the word, although it did give some helpful hints by listing a number of others relatively close to it in the alphabet. Some were quite appropriate, it seemed to me: gouge, gorilla, gothic and gourmand all have a ring which might have a vague connection with governance.

So I'll make up my own definition for the purposes of this exercise. By City governance I mean the framework, formal and informal, within which decisions about the future of the City are made, communicated and implemented, and the leadership which is integral to these processes. It is a complex subject and I shall only be able to scratch the surface, illustrating my points from anecdotal experience of my own. I shall not for instance talk about the City electoral system, interesting as it is in its current state of change.

What I shall do is to set out what I believe the criteria for success are for the City, and then examine whether its current system of governance has delivered and can deliver for the future. My conclusion will be upbeat, but with some warnings.

The City must be judged at both a national and international level, and the tangible benefits to Britain and the British economy are well known. The City employs nearly half a million people, which makes it the most significant provider of jobs in Britain. It also makes a £30 billion contribution to current account. It is hard to imagine how different our economy might have been without the City, but it is highly probable that, on those criteria alone, every one of us might have been measurably worse off.

However the City contribution goes a long way beyond the bare statistics of employment or invisible earnings, and at a number of different levels: the contribution to the quality and diversity of life and environmental pleasure of the capital; and the enhancement of the financial security and wealth creation of a vast number of British people through the sheer diversity of investment and borrowing products stemming from the creativity and markets of the City.

Most importantly the requirements of a modern, successful and expanding financial centre have created unique resources of expertise of many different types and at many levels, which continue to draw new participants in City markets at the expense of rivals. Where else, at one level, can a start up branch of an international financial concern attract – at a price admittedly – the quality of specialist expertise required, in for instance regulation, IT and backoffice, or detailed trading and operating knowledge of the relevant markets; not to mention the legal, tax and accounting advice and necessary premises in the area desired. These are assets which not only protect the City's franchise by the huge difficulties associated with replicating them elsewhere, but also provide standards of expertise from which British industry – service and manufacturing – can and does greatly benefit.

How should the City, then, be measured in global terms? What will continue to draw business to its parlours, and thus support that crucial importance for Britain, particularly in the new dawn of the technological era?

There was a time – very recently even – when those who wished to emphasise the City's global importance were wont to draw attention to the global domination of its markets, and its formal markets, exchanges, in particular. You've all heard the statistics, and they have been disseminated across the world – although not, some might argue, in Esher and Accrington – by successive Lord Mayors, by the Governor of the Bank of England, by British Invisibles, and by many, many others whose interests lie in supporting the City.

The position today is different. The problem is of course that electronic trading and global distribution for most markets – and probably virtually all within a few years – has meant that the participants, wherever they are located, are more and more concerned with the quality of the product they are acquiring than its country or city of origin. We are living in an age of what might be called back-pocket interactive communication, where every activity, video/TV, telephone, trading, computing, email and word-processing can be done through a piece of hardware the size, weight even, of a paperback book.

I have predicted in previous lectures the end of the great exchanges as icons supporting the importance of the cities in which they are located. They are moving rapidly towards a highly commoditised, cheap and globally distributed service, and to use their location – or that of their management at least – to underscore the importance of their civic sponsors is to misunderstand what has happened in world markets. Their location is, in fact, increasingly irrelevant.

As an example the loss of the premier futures contract at LIFFE, which was based on a the German equivalent of a Gilt and called the Bund, was seen at the time as a tremendous blow for London and a huge fillip for Frankfurt, whose exchange, the DTB had, finally and after many years, succeeded in repatriating it. But was it really? It is possible to argue the reverse that whatever Frankfurt gained in prestige, it lost simultaneously for a different reason. The very global distribution that had tipped the scales in favour of Frankfurt actually ensured that it wasn't necessary to upsticks and relocate in Frankfurt, for it was now possible to trade the DTB, now Eurex, in London with the same economic impact. I was fond of saying at the time that the DTB was in fact a London exchange.

However, the need for direct human interaction is still very much a requirement, and at a number of different levels. For decision makers for instance, complex negotiations, the building of consensus at meetings, the handling of difficult one on one personal confrontations still seem to require direct contact. For traders, the feel, 'buzz', excitement and interactivity of markets, still call for large proprietary trading rooms, perhaps the more since the creeping demise of open outcry. It is a matter of record, and amusement to some, money for others, that enterprising firms have, as the LIFFE floor closes, set up former LIFFE pit traders in what have become known as arcades, where they can trade in front of screens, but alongside former colleagues, and thus replicate, at least in part, the intensity of the pit environment; the more at home they feel, the better and more successfully they will trade.

But I am convinced that the ability to do business from virtually any location will mean that more hours than ever before will be spent outside the office and/or in direct contact with colleagues by these critical classes of financial service participants.

Ironically this may lead to even greater physical concentration of market and other financial service activity in the world's leading centres, as individuals take advantage of the new technology to spend more time working at home or out of the office. There are two reasons: the economies of scale for global players (who still make up the bulk of the employment in major financial centres) of concentration in one location, and the requirement in an environment where key people are away from the office, for whatever reason, for a significant part of their time that when there is a need for physical discourse that it does not take place on a fractionalised basis, ie over more than a very limited number of locations. Quite simply it will be easier to organise and manage the key managers and traders if they ultimately relate to one physical location than to several.

The bottom line is that the importance of an international financial centre will be based in the future on a combination of factors, the most critical being the numbers and power of the key decision makers who work there – the senior executives, the managers and the traders – and the support resources available. The location of these key people will of course draw the fund management, the investment banking and the informal, over the counter financial activities into that city, and dominant shares in these markets will continue to be important statistics. However market share in globally distributed electronic markets will not. What will matter in the future will be the quality, number and power of the bums on seats here, not the market shares of London's exchanges.

Of course by this measure, the City continues to enjoy world leadership. We are used to pointing to the 500,000 people employed in the City, and the fascinating statistic that this is larger than the total population of Frankfurt. And underpinning its success is the governance structure which sustains it. In fact it is a typically British mixture of flexibility, pragmatism and formality. There are in effect five estates each providing overlapping input and an element of leadership, but with none dominant – the City Corporation and the Mayoralty, the Bank of England, the Financial Services Authority, central Government, and a fifth estate consisting of a plethora of organisations, each in their own way key parts of the fabric of the City, which represent the special interest groups which inevitably make up so complex an organism.

The most visible of these is of course the City Corporation, which is generally seen at two levels. On the one hand is to be found the central parliamentary unit of the City as a local government unit, known as Common Council, which, if it is possible to pin down power in a particular sense in the City is where that commodity resides. In one sense this role is limited to the environmental issues, transport, planning, housing which normally concern local government. However in a community as complex as the City, the effective influence has substantially leaked over into other areas, not least because of the increasingly high profile role of the Chairman of its key committee, the Policy and Resources Committee, who is increasingly seen as the political leader of the City. The two most recent incumbents, Michael Cassidy and currently Judith Mayhew are figures of national prominence. This a new phenomenon, and but, it must be said, one which is viewed with jealousy by Common Council and the Mayoralty. It can lead, and very effectively too, as the recent campaign on the EU withholding tax proposal has shown, but at this stage in the evolution of political institutions in the City it probably cannot extend its perceived power and public profile too far without some kind of backlash.

On the other hand and in contrast is the City's equivalent of a constitutional monarch, the Lord Mayor of London, whose influence in local government matters is limited, but whose ability to do good for the City in the country as a whole and abroad has been very successfully exploited in recent years; as has his (and her) ability to influence many important areas in the City, using a combination of personality and the very high respect with which the position is held. For instance one of the regular but unpublicised rituals of the City round is a small monthly breakfast hosted by the Lord Mayor to which the grandees of the City are invited, and which I attended as a below the salt substitute on occasions. They were fascinating occasions and a unique opportunity for key figures to get together and discuss the great issues of the time in confidence and openly.

In leadership terms, the Lord Mayor has great ceremonial authority and marketing potential, but has little political power. Furthermore, will even the status that he or she does have be eroded by advent of the Mayor of London? The City will not of course be excluded in some mysterious way from the latter's domain, and no doubt the Mayor will sooner or later attempt to infringe on the Lord Mayor's turf. Which of them will be considered to have a democratic mandate, after all? The outcome, I suspect will depend both on personalities and political expediency, not always recognised as solid building blocks for harmonious coexistence. If conflicts occur it is hard to see how the Lord Mayor's status will be enhanced, and much more likely that it will be diminished.

A second and critical role is performed by the Bank of England. Admittedly it has come a long way from the days when the Old Lady's raised eyebrow was an absolute imperative for those at whom it was directed, and when the nearest to a formal meeting with the regulator was tea and sympathy with the appropriate official at the Bank. It is after all no longer the arbiter of what constitutes a bank in London, nor is their regulator. But it does have key central powers in relation to monetary policy and the gilt market. It also has huge authority, less perhaps than in the past, when every City participant, British or foreign owned, stood in awe of it, but nonetheless very substantial indeed. And it is hard to find this vital influence enshrined in any written statute, defined power, or regulation.

It stems in part from the Bank's natural authority and the respect with which it is held, as well as its unique knowledge and understanding of City markets. But a large measure is due to its unparalleled information gathering mechanisms. As a microeconomic example, I as Chief Executive of LIFFE used, with two or three of my most senior colleagues, to see high officials from the Bank usually over a lunch there or at the Exchange, once every two months. And I know for a fact that similar regular meetings were held with the senior staff of every comparable institution in the City.

We ran through every major strategic and operating issue facing the Exchange, the personalities and firms involved, the outcome desired, and how we proposed to go forward. I do not on any occasion remember being economical with the truth, rather the raw pleasure of having an external sounding board, and one better positioned than any to understand the problems. The Bank's reputation for discretion is huge, and the meetings had some of the psychological benefit of the confessional. I have often reflected on looking back over a very turbulent period for the LIFFE market how the Bank itself could write the most accurate and perceptive account of events.

It is from this unique perspective that the Bank performs an vital, understated and vastly underestimated role in the development and preservation of the City as a world market. I well remember early in my LIFFE tenure meeting a senior Bank of England figure who apologised for being late with the immortal words – 'I spotted a potential systemic risk this morning and I've just shot it between the eyes'. The imagery was vivid, and the point was clearly made. I left the building wondering whether he said that to every rookie chief executive to reassure or perhaps warn them of the secret and highly important role that the Bank played.

By definition the vast majority of the circumstances in which the Bank wields influence are behind the scenes and held close to the chest. But there are some where the systemic integrity, market position and/or regulatory authority of the City has been at stake, which are matters of public record: the two most public of recent years have been the rescuing of the London Stock Exchange from the Taurus debacle leading to the Crest initiative, as well as a strong hand in the rehabilitation of the Exchange; and the Barings crisis, where the week long negotiations after the declared insolvency of the Barings Bank yielded a brilliant result in the ING takeover.

There are others in which I have been involved. The dogged way in which the Bank followed the London Clearing House (LCH) saga which I described in a previous lecture and which took the best part of four years to resolve was a classic example. No imperatives, no threats, just a willingness to keep on goading the various participants, not letting things get out of hand through misunderstandings at times of crisis, and where an individual was perhaps overplaying his or her hand, ensuring that wiser councils were around to whisper in that individuals ear.

The same was undoubtedly true during the very difficult latter period of my tenure at LIFFE in the runup to and after the vote to embrace electronic trading, to change the governance of the Exchange and to become a for profit organisation. Many firms and board members were deeply concerned about events at the time and there were numerous and disparate calls for action, including the heads of both my Chairman and me, jointly and severally. I will not comment on the appropriateness or fairness of these demands, but it was clear to level heads that changing the leadership in the middle of the fog of battle was not a sensible course of action. In holding this line I am sure that the Bank played a key role and I for one am grateful for that.

I dwell on the role of the Bank because it more than any other entity has the authority and knowledge to provide a dominant leadership role. But it seems to shrink from such responsibilities, and has a longstanding aversion to public involvement in controversial matters. Certainly under current management it appears to have a non-interventionist policy and feels perhaps that the political line which it has to tread is too fine for such excursions. There is also a sense of caution which may be betoken an underestimation of its power and authority. But many would argue that it is uniquely positioned to take a stronger line and that not to do so may on occasion be damaging to the City's interests.

The third estate is the senior national regulator, the Financial Services Authority (FSA), which, whilst not strictly part of the governance framework, being a statutory body with terms of reference laid down by Parliament, is still a key part of the City system. Part of its remit is, it should be remembered to ensure the health of the markets of which it is custodian.

Nor should the influence of the fourth estate, the national Government, principally in the form of the Treasury, go unnoticed. It is, at least from my perception, a patchy relationship. Clearly there are formal channels, principally via the Bank of England and the FSA. There is however no natural and continuous dialogue between the Treasury at either a political or an official level with other important City protagonists, except on specific issues. I used to have one or two head to head private discussions a year with the Economic Secretary to the Treasury during my LIFFE time, and it often seemed to me that many of the issues that we discussed were very clearly defined and well understood in City circles, but that their significance was less clearly grasped or appreciated in Whitehall. We attempted to get round this by informal contacts at official level too, but it did not seem at all to be part of a round of conscious private information gathering, such as that of the Bank of England's, but much more of an unilateral initiative on LIFFE's part.

And finally I turn to the fifth estate, another even more secretive and less well understood aspect of City governance – the independent groups and formations created by the various natural affinities and requirements which occur round City markets. At first these seem fussy and bureaucratic, part of the British love of clubs and good lunches, and it is certainly true that in the past many of them could rightfully have attracted such criticism. However in the more streamlined City of today, where time is at a premium, and the focus is on performance, such organisations would not long survive if they did not have a purpose, and usefulness for their participants. Indeed one of their more fascinating characteristics is that they are very organic in their lifecycles, fading away when no longer needed, and being created as needs arise in a changing market environment.

It would take another lecture of heroic proportions to describe them all in detail, so a generic description and some examples from my own experience will have to suffice.

Overall their functions in City governance terms have been to lobby, publicly and privately, to act as sounding boards, to work together with the more formal participants in City governance for common aims and where specific issues or situations crop up. In these respects their importance will vary greatly dependent on the issue or situation, and they may operate in various permutations and combinations.

The first members are the exchanges themselves, formal organisations, gradually converting from co-operatives to for profit organisations, and related organisations such as the London Clearing

House. Alongside are institutions, which while not strictly part of the governance of the City itself, nonetheless have a pan-City scope and are formally constituted. In this bracket I would place British Invisibles and the Takeover Panel. After these come the trade bodies or their equivalent, which represent specific groups of City participants, such as the London Investment Bankers Association, the Association of British Insurers, and the one with which I worked most closely at LIFFE, the Futures and Options Association. And finally come informal groupings such as the derivative exchange club that I chaired which kept an eye on issues of specific interest to our community.

Leaders of this fifth estate come and go, much dependent on personality and inclination. If anything the authority of individual positions is weaker now than in the past. The Chairman of the Stock Exchange presides over a powerful institution, but one which is moving to a for profit status, is increasingly challenged by competitors at many different levels, and, as I have argued, is less and less seen as a City icon. Similarly the Chairman of Lloyds was perceived as a powerful leader, but seems these days to have his work cut out at home. Even the Chairmen of the major clearing banks have seen their status diminished, as their City importance has dwindled in the face of a commercial and investment banking market dominated by multinational institutions from abroad. Great men do arise and have their influence both in private and in public, but the commercial structure of the City is such these days that it would be impossible to imagine the domination of single individuals such as occurred in previous eras.

The balance between formal, recognised institutions and the informal is typical of the development of the City, and has undoubtedly contributed to its hegemony as a financial centre. But it is not without critics. Some have argued, for instance, that the lack of a stated overall strategy for the City, accompanied by strong and identified leadership could potentially lead to its undoing. They point to the concerted and coordinated efforts of Frankfurt, which, to my certain knowledge have been critical in a series of planned moves to centralise formal European markets there. But this dirigiste approach has not so far achieved nearly as much as its instigators would have wished, as encapsulated in part in the earlier proposition that DTB/Eurex has become a London exchange.

It is a demonstration of the point that I made in my first lecture in this series, that revolution, in this case a technologically driven one, can have unexpected consequences. Furthermore the resultant changes come as a result of an endless number of microeconomic management decision at every level in the participant firms and not in some great wave led from the front. The beauty of the informal and flexible London framework is that it has been able to react to change as it has occurred and to accept that setbacks – if, for instance, the loss of the Bund contract to LIFFE can be described as such a setback – will occur and must be absorbed. They are only incidents in a longer campaign. In short the more rigid, planned structure will inevitably run into unexpected circumstances that a more fluid environment will absorb and move onwards.

A paeon of praise perhaps for London institutions and governance? Well, not quite. There is still the issue of leadership, a quality which deserves some definition. I do not mean gung ho 'over the top' Boys Own stuff. I mean the ability to command respect from all quarters, to exercise judgement, and to be prepared to take and to see through a private and, if necessary, public initiative to protect and develop the interests of the City of London. On that note, I return to my suggestion that the Bank should occasionally take a more forward role, a position for which it is uniquely qualified and which would probably be accepted and welcomed.

I will instance two situations where firmer and more perspicacious leadership could have resulted in more advantageous outcomes for the City. Very early in my tenure at LIFFE we were, it is surprising to recall, considering a new electronic trading system to replace that which had served the exchange well for after hours trading. At the time of the Taurus debacle in 1993 it was obvious that the Stock Exchange was moving in the direction of electronic trading, and we therefore sent a top level delegation over to the Stock Exchange Tower to suggest collaboration and a common platform. I am reasonably sure that the Bank knew about this initiative as a result of our regular updates. But this proposal was totally stillborn, since it proved to be so outrageous that the senior Stock Exchange person lost his temper with us and we left with our tails between our legs, wondering how the City would ever get its act together.

Another example and one which had and perhaps still has fateful consequences for the City was the way in which the original negotiations for a trans-European exchange were conducted in absolute secret. It 's hard to remember as the grand vision appears to be falling apart that the initial protagonists were the LSE and Eurex alone. It's also not at all widely known that nobody, literally nobody in London – not I believe the Treasury nor the Bank of England for instance, although it seems hard to believe that neither were not at least dimly aware of what was going on – were told of the LSE's intentions for what was ultimately conceived of as a merger, until the day before the public announcement. The problem was of course the lack of consideration for the knock on consequences to what might be called the exchange community. What would happen to Crest, the Stock Exchanges settlement associate? Would the two exchanges wish to adopt anonymous electronic trading and thus take on a clearing house to stand between trading principals? Surely it was vital that this was The London Clearing House (LCH)? If so, did it not push LIFFE and the various other exchanges clearing at LCH into a closer collaboration with Eurex, thus significantly narrowing their strategic options? None of this appeared to have been taken into account and there were hard words on many fronts as a consequence. History has perhaps now shown that we need not have worried so intensely as we did at the time, but it was a spectacular failure to communicate at a time when communication was vital; and with so many channels of communication were available.

And so it is not just in leadership terms that there are threats to London's franchise. Communications must be an area of great concern. Whilst none of the major figures associated with City governance are strangers to public platforms, the way in which they interact and coordinate their activities is entirely opaque. It is a very modern problem, one born of the age of spin doctors and increased public accountability. On the one hand the workings of the so-called system are opaque without any visible accountability, and on the other there are seemingly no coordinated communications objectives.

I vividly remember the communications debacle in the early days of the Barings crisis when the performance of the US regulator, the Commodities and Futures Trading Commission (CFTC) acting for the American participants was smooth, publicly articulated and upfront. The SIB in contrast, by natural inclination and habit, was secretive and uncommunicative. It was consequently wrong footed in the public arena, which was not helpful for international perception of Britain's regulatory system; this situation too was probably redeemed by the ING rescue. There was one particularly amusing, but unfortunate, moment when the SIB publicly and perhaps a little pompously pronounced itself 'not competent' to rule on some aspect of the affair. An unscrupulous American lawyer in London then proceeded to go around the US firms in the City drumming up business by saying that the SIB had declared itself 'not competent'. Full stop.

It has been of course a source of considerable frustration to those who have worked in the City or are simply proud of its achievements and economic contribution that they have, perhaps until very recently, gone largely unsung and certainly unappreciated by the vast majority of the City's fellow citizens.

The real difficulty was and remains to win the hearts and minds of the ordinary people of the country, at every level. One City dignitary, inspired no doubt by David Steel's famous general election campaign, suggested a battle bus to tour the provinces. The idea was slightly boggling and conjured up images of the Lord Mayor himself emerging in full fig, supported by a couple of halbardiers, followed by representative group of City dignitaries and a few traders in appropriate dress, to stand in the town square and harangue the amazed shoppers and bystanders. It didn't get beyond the pudding course at the (fifth estate) lunch at which it was raised.

It is so easy to win wars on the ground and lose them in the media. But there is a call, in my mind for a single entity or institution, supported and funded by the major City institutions, to provide a comprehensive, well-thought out and co-ordinated communications service, at every level. It would have a key strategic role in putting across the objectives of the publicly disparate City leadership, with private and public briefing, and using all the most modern techniques including video content, websites and use of satellite and internet. Overall its role would be to ensure that the City's role, importance, institutions, development and strategy were understood and appreciated at home and abroad. It would seek to create an image of a forward looking progressive City, willing to discuss its issues and their resolution in open, with overwhelming importance to the British economy, and, through its powerful and deep human resources, a continuing role as a pre-eminent global financial centre.

This may of course require the creation of a new enterprise. But there is much to be said in favour of adopting a more organic approach, and building on an existing operation. British Invisibles already plays an important role in drawing business to the City and proclaiming its benefits and successes. It is widely respected. It is also supported by the Corporation, the Bank and across the City, with a board that has representation from all these disparate interests. It could be a significant and not overwhelmingly difficult act of leadership to move BI into centre stage and re-equip it for a more comprehensive and vitally important role. And if not BI, who else?

I turn now to the ramifications of Wimbledonisation – we provide the courts and foreigners play in them. This open door policy has so far had no negative impact on the positioning of the key managers, decision makers and traders who will in future determine the importance of financial centres. Quite the opposite. The vast sums paid for acquisition goodwill by overseas owned financial institutions, and the City located expertise thus purchased has had the effect of consolidating the key employees in London – for the time being. But there are obvious risks. These are not British firms with management control in London; furthermore they are training and developing a non British management cadre who can export the benefit of the original goodwill round the world. Financial skills are totally transferable. In effect the employment of many, perhaps most key individual players in London is in foreign, and potentially highly chauvinistic hands. The redistribution of such people to other centres, New York or Frankfurt for instance, fortified by London developed expertise, is an ever present possibility and one which, in the Wimbledonised City, it would be hard to reverse.

However the same expertise drain combined with a natural competitive desire to emulate and even overtake the City will and is undoubtedly improving and deepening the resources of other rival centres. The momentum which draws to and retains the key people in London could be blunted and reversed by this trend.

The Euro zone poses another threat. There is a high chance that it will, despite early vicissitudes, not just consolidate, but also lead to new members and greater political centralisation on the continent of Europe. Whilst it would be a brave man to place short odds on Britain's joining in the short term, given the current national mood, it also raises the spectre of Britain as an offshore entity, facing an politically unified economic colossus across the Channel. Furthermore, given the historic pattern of Eurolegislation it is likely that there will continue to be euromeasures raised by Brussels which will, deliberately or otherwise, undermine the position of the City, not least because of the burgeoning economic and therefore political power of Germany. It is also a chilling thought that whilst the flexible approach to leadership has been so successful in the part when dealing with changes driven principally by micoeconomic decisions, it may have considerably more difficulties in confronting a determined and much more single minded bureaucracy in Brussels.

It is technology which may have the final say in the fate and possible disaggregation of the City. It is all too easy – one hears it all the time – to declare that nothing will replace the requirement for direct human contact, to meet, to feel the 'buzz', to base judgement on mood and body language difficult to telecommunicate. All that may be, probably is true today. Yet we are only on the fringes of the potential of virtual reality development, but it cannot be too long before it will be possible to simulate a meeting virtually, to create the illusion that the participants are sitting around the same table although scattered around the globe. Maybe the bead of sweat on the brow of the negotiator opposite will be lost, the tick in the eye, the subtle body movements, the manager's one-on-one discussions and reviews with his staff. But how much more efficient and convenient, and if much travelling is involved, how much cheaper? We were experimenting with virtual reality images of the LIFFE trading floor seven years ago, and the technology which can produce virtual multiple or one on one meetings must be close to being a commercial reality.

The second is a more basic observation of human nature. We today are prisoners of our own experience, habit and upbringing. And how rapidly we have shown that we can change. There are very few professional people under 40 who are not IT literate and cannot handle a word processor. There are, equally, very few over 55 who can – those, of course, who are still working, for pensioners are the most rapidly growing users of domestic information technology. Our children and grandchildren may learn to have and enjoy professional careers in financial and other services which lend themselves to virtual transactions without leaving their homes for many days of the week. And virtual reality may be just such a catalyst.

London has been on a roll for some years now. It does not lack those who think about its future and seek to make it an even more productive element in the British economy or an even more prominent member of the premier division of financial centres. It may continue and grow still further in esteem and importance. But the very technology which has if anything contributed to its further rise may prove to be the agent which destroys the concept of and need for heavily populated financial centres, and which changes the way professional people and traders conduct their business life. Pie in the sky? Not if you believe in the infinite ability of individuals to adapt and change, and of technology to stay in step with and even move ahead of their requirements.

And in the meantime there are some open issues for debate. Does the City need more positive leadership and should the Bank of England be more assertive in this regard? Could the City's image, position and influence be enhanced by a more proactive and centralised communications effort, perhaps based on a revamped British Invisibles? And does the greatest threat, still there and growing, remain the Euroblock, jealous of the City's success and willing to continue the competitive struggle until the bitter end? Perhaps the City's greatest asset is the free and open debate that its governance structure encourages. Let us hope that, as in the past, it can listen, respond, and move forward.

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