



## **Populism, Aristotle and Hope Questions and Answer Session**

**Rory Stewart OBE**

**8<sup>th</sup> June 2023**

### **Question 1:**

I really want to take you up on the logos point. We're about to see one of the biggest seismic moves of finance and of wealth moving from one generation to another, like \$100 trillion will do so much, to a generation that are very angry with the previous generation, who themselves have a redefinition of the logos, because, not to name any names, we all know, you know, my truth is what I want to feel for today. Which could absolutely destroy the capitalist system.

### **Stewart:**

And how's the transfer happening?

### **Audience Member #1:**

From one generation to another.

### **Stewart:**

What's the mechanism of the transfer?

### **Audience Member #1:**

Death, bank of mom and dad, and the huge increase in capital that we've never seen before as a result of quantitative easing, asset inflation, people who own their homes and the next generation can't own their homes. And Ray Dalio, one of the leading hedge funds, has estimated that if this continues, there's a 30% chance of a civil war in the U.S. When you see this intergenerational inequity, how do you think we should be responding to it?

### **Stewart:**

I think this is a very, very deep and fundamental problem. I mean, in the story that I gave of these changes between different periods, one of the defining pieces of opinion research is that at the end of my first 1990s period, the majority of people in the United States and Europe believe their children are going to be better off than they are. 2014, the beginning of the period of populism, is the moment at which the majority of people believe their children are going to be worse off than they are. And it is very troubling in a whole series of ways. I mean, it's not simply that intergenerational inequity is profound. I mean, one of the things

that's very misleading about the Occupy Wall Street movement is the Occupy Wall Street movement suggests that the fundamental problem in our society is about the 1%. It's very, very tempting to think there's this 1% and we're all the 99%. And politicians like that, because they want to feel that they've embraced the majority of their voters feeling like victims against this group. But in fact if you look at Britain, the division is more between the 60% who own property and the 40% who don't. If you don't look at incomes but look at wealth, that is the fundamental inequity in our country. People who own houses are much, much, much better off, basically, than people who don't. And people who own houses tend to be older than people who don't. And a lot of our assumptions in our pension system and things, basically, now, when we model pensions, we assume that the pensioner doesn't pay a mortgage and doesn't pay rent, because almost all pensioners in the United Kingdom today do not do those things. But the generation that's coming may well end up doing those things. It's also true that we have another problem, which is that our societies are based on the assumption of growth, have to be based on the assumption of growth, because our societies are aging, our pension costs are therefore necessarily increasing, people are living longer, and the inflation in health care is always two or three times the growth of your economy.

So health care inflation in most developed economies is six, 7% a year at the moment. That's because drugs are more expensive, but it's also simply that we live longer, and it's also that we go to the doctor more. However, a lot of our assumptions around climate change and the environment are increasingly trying to come to terms with the possibility that infinite growth in a planet with finite resources ultimately cannot continue forever. And it's certainly questionable whether the ideas of green growth are really going to deliver. To make it even worse, most of the policies that we are currently introducing to deal with climate change are regressive. In other words, they have their biggest impact on the poor, not on the wealthy. Why is that? That's because the way in which we get people to convert from carbon consumption to non-carbon consumption is we tax their use of those things. We tax the fuel they put in the car. We tax their energy at home. Now, that, of course, from an economically rational point of view, makes sense. You put taxes on those things. You incentivize people to change their behavior. But of course, for the wealthy, those things are a much, much smaller proportion of their income, of their expenditure, than they are for the poor. And we saw this with what happened with Russia.

There was a tiny glimpse of a much, much bigger problem coming. As soon as Russian gas stopped, we were forced into an energy transition, which was immediately felt in people's gas prices, at which point the government then suddenly had to introduce forms of economic policy, which we've spent 40 years telling everyone in the world not to do. I used to go on these missions with colleagues in the World Bank and the IMF, telling off people for putting energy price caps on or subsidizing their electricity. And that's, of course, exactly what the British government ended up doing. So what are the solutions to these problems? I think they're going to be very, very difficult and very, very radical. They are going to involve much more radical taxation. They're going to involve probably larger wealth taxes. I think one of the smartest proposals on this is Theresa May's proposal on adult social care, which is that you fund adult social care by taking the money out of someone's house after they die. And in essence, during your life, you live in your house, you pay for your social care, and the government then gets the value of that house when you die and redistributes it. But remember, Theresa May lost the 2017 election on that single policy. She went from a projected 150-seat majority to losing her majority on that. So the politics of doing any of these things is very difficult. And industrial strategy is necessary, right? We need to shift money up to the northeast of England. But the one thing we know about governments doing industrial strategy is it's never honest. The politics gets into it. They're not making rational choices on what to invest in. Even if they were able to see into the future and know which industries they needed to do, even if they could be certain that having a giga battery factory in Britain was the way forward or manufacturing wind turbines in Britain was the way forward, sure as eggs is eggs, where they put that money in the industries they invest in are actually deeply, deeply inflected by their political and voting calculations, not really by a rational economic analysis. So I haven't really answered your question except to make it even gloomier and more depressing because most of the moves we'll have to make will be politically impossible.

**Question #2:**

Given that we seem to be rushing headlong into climate disaster and given that we've seen the political changes you so beautifully describe, maybe we need autocracies to pull us back from the brink because the systems we've had in current traditional democratic government have failed to react sufficiently quickly.

**Stewart:**

So this is, of course, another very dangerous and very tempting idea. So in a moment of crisis, it's very tempting to think that democracies are too slow, that democratic politicians are too affected by electoral cycles. And this is, of course, what the Chinese government wants to project.

The Chinese government is basically trying to say, we can plan 20, 30 years in the future, we can make the big moves that are necessary, whether on industrial strategy or the green transformation and climate change, and the democracies are finished because they're too slow, too bureaucratic, too incompetent. And I don't know what the answer to this is. And my instinct is very strongly on the side of the democracies. But my instinct is on the side of the democracies partly on ethical, moral grounds, partly because I believe that actually our lives benefit from liberty, our lives benefit from rights, our lives benefit from voting, that these notions of equality are important. I'm also extremely sceptical about the efficiency of autocratic systems in the long run. I think their feedback and response mechanisms are poor. But perhaps most important of all, the one thing that democracies deliver in a slow, uneven fashion is the necessity of consent. Getting consent is really painful. The reason HS2 will be very expensive is we have to negotiate with every community all the way along the way, and apparently in China you just run the rail line and you don't care, right. But ultimately, if you are to sustain a policy, if you are to actually do radical things that are going to end up with people making sacrifices and costing them money and lead a very, very difficult transition, you have to bring people with you. And the electoral system, the democratic electoral system, is a really important forcing mechanism for forcing politicians to listen, forcing politicians to explain, forcing politicians to try to bring people with them. And in the end, I think, although slower, that's probably a surer and more sustainable way to tackle climate change than trying to impose it from above.

**Question #3:**

It's pretty obvious why you left party politics. But can you tell me what are the prospects that you'll come back into party politics in this country?

**Stewart:**

I don't know what the prospects are. I feel, currently, I feel that these issues are immensely important and I feel that I'm facing a sort of block of stone and I have a kind of chisel. And at the moment, I'm scraping along the surface, and I have to find the angle to bring the chisel down and cleave this thing apart. And I don't know whether that's done through elected parliamentary politics, how I get back into politics. I mean, we're in a first-past-the-post system. I'm certainly not re-joining the Conservative Party anytime soon. So, there's a question of a how. There's also the other thing, which is that I'm not sure how good a politician I am. I find the business of being a politician very, very bad for me. It's bad for my mind. It's bad for my body. It's bad for my soul. I end up becoming a vain, slightly immoral person who ceases to listen. I mean, politicians, not only don't think, they don't listen. After about 10 years, a politician's incapable of listening to anybody. So, I'm finding a route that allows me to try to defend some form of values and make changes is something I'm still struggling with.

**Question #4:**

Thank you very much for your talk. Do you have a view on how Margaret Thatcher fits into these developments and changes that you've spoken about tonight?

Yeah. I think she is important in this because I think she established with Reagan the consensus of what, in the end, came through in 1989. And I think it was a world view that was, in many ways, its liberation of the markets, its consensus on privatization, on deregulation, on the shrinking of the state, on the lowering of taxes, on a shift away from society to the individual. These things definitely powered economic growth. I mean, in terms of GDP growth, Britain from the mid-1980s to 2008 began, for the first time, to grow more quickly than the United States by the 1990s and was finding itself the second fastest productivity growth in the G7. So on the kind of things that liberal market economists want to measure, it achieved an enormous amount. And, of course, the transfer of council houses to many council house residents gave them wealth, gave them assets that they didn't have before that they were able to then put to use. But the consequences of this are also very troubling and very disturbing in the long run and lay the ground for a lot of what is now populism, because, of course, this is also the period of the hollowing out of the traditional industries in the northeast of England, the removal of affordable housing from the country through the selling off of the council estates, increasing inequality, a sense of the individual and the loss of a confident way of talking about society, because in essence what's revealed there is that the liberal markets unleashed are not really conservative in the sense of Edmund Burke's conservatism. They're not really slow-moving, prudent, restrained, traditional. They are upending everything very, very dramatically. And as the inequities or cruelty of that is exposed, many of the other problems that we then see in terms of the moral legitimacy of the West, the relationship to democracy and the liberal global order begin to have relationships to that development.

#### **Question #5:**

What do you think about citizens' assemblies as a way of organizing politics and do you think they have much chance of taking off?

#### **Stewart:**

Okay, I love citizens' assemblies. Citizens' assemblies, very quickly for people in the room who aren't familiar with them, it's essentially like a large jury. The idea is that you do a census of the population and then you randomly select a group of it, could be 300 people who are meant to be representative of the country as a whole. And these people will be demographically representative, and you gather them in a room and you put them with experts. So, it'll be a room about this size, about this number of people, and they will have presentations on various issues, and they will debate them and they will discuss them and they will come forward with a recommendation. And what you tend to find is extraordinary results which are much more impressive than you get out of a parliament. Whenever I say this to my colleagues in parliament, they say, we don't need a citizens' assembly, we're the citizens' assembly. But the truth of the matter is that 300 randomly selected citizens do not come with strong partisan agendas. They don't have strong party-political agendas. And they tend to find their way towards compromise in the middle ground much more easily. The classic example was in Ireland. This is what resolved the arguments around abortion in Ireland because what happened, and you cannot imagine, in the Republic of Ireland, you cannot imagine a society in which abortion was a more controversial issue. But by putting people in a room and getting experts up talking about trimesters and the biology of human evolution and raising legal questions around rape, you found the debate going from a for and against to a how many weeks' debate. And this is incredibly important. It would have been incredibly important in Brexit if we'd managed to get a citizens' assembly. We could have got away from Brexit remain towards what is a softer, more workable, compromised Brexit, a customs union, for my money, right? And, indeed, when we did citizens' assemblies around it, that's, in fact, what they ended up with because they were thinking about Northern Ireland borders and they were thinking about trade with Europe, but they were also trying to acknowledge the fact that 52% of the people had voted to leave and they were trying to accommodate that. So, I'm a real believer in citizens' assemblies. And I think they have powerful wisdom and powerful legitimacy and powerful consensus-building mechanisms embedded in them, and I'd like to see many more of them.

## Question #6:

You didn't mention Ukraine and public service sector workers, nurses, doctors, teachers. What do we do with them?

Two very big questions. Public sector workers, I think, you know, obviously we are in a situation in which many people in our society feel they're in a very precarious situation, and public sector workers are one of those groups. They feel, in many ways, that their salaries are not keeping up with inflation, and that's partly because the inflation indicators that we look at are not revealing the full extent of the pressures that they're facing, particularly if you're operating in the southeast of England, the real expense of getting a house, the real expense of looking after yourself. At the same time, more and more is being asked of them. At the same time, respect for politicians, civil servants is at an all-time low. You know, we're a long way beyond a fantasy 19th century world where in your village or town you doffed your cap to the teacher and the doctor and the priest, and these people were great sort of figures of authority and respect. We're in a world now where people feel abused. They feel attacked on every side, and this is one of the many elements, along with inequities in pay and pensions, which is driving public sector anger. But at the same time, of course, you notice that Keir Starmer is not promising to increase their salaries, because it's very, very difficult to see where the money is coming from to pay for all these things, in part because, as I say, the expansion and the cost of our health care and pensions is beginning to outstrip almost every other part of government spending.

Ukraine. Well, Ukraine, of course, in a sense, represents the beginning of a final age, an age that started in February of last year, which I didn't get onto, which, of course, is the move from the age of populism to the age of global conflict, and in which the attack by Vladimir Putin on attempts to get to Kiev not only disrupted most of the complacent assumptions of the, or whatever complacent assumptions remained in the liberal order, but also has begun to clarify a new emerging Cold War between the United States and China, because, of course, Russia-Ukraine presages and points towards tensions between China and Taiwan, the problems of trying to decouple our economies from the Russian economy, which was deeply, deeply damaging in terms of our fuel prices, in terms of sub-Saharan Africa, which imports 60% of its wheat from Russia and Ukraine, but will be to a power of 20 if we begin to start thinking about decoupling from China, because currently, Taiwan produces 50% of the world's semiconductors, 90% of the world's advanced semiconductors, and if trying to imagine a world without Russian gas is difficult, imagining a world without semiconductors is almost impossible, and that's before you get on to the fact that 50% of the profits of European automobile and luxury goods manufacturers are made in China, 50% of their profits in China, but also 50% of their growth in China. So China is a problem 20 times larger than Russia, in fact, so much so that we shouldn't be thinking about decoupling at all, we should be thinking, if we were Aristotle, in terms of de-risking, and de-risking has a double meaning, de-risking means, yes, occasionally thinking about resilience, not having all our eggs in that basket, but de-risking also means actively engaging with China to lower the chance for confrontation and a conflict, and trying to work out what we do about the situation in the United States, which is really beginning to build allies for what seems like a new Cold War.

© Rory Stewart, 2023