



# DEPUTY PRIME MINISTER

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## News Release

19 December 2011

### Deputy Prime Minister speech to Demos and the Open Society Foundation

The Deputy Prime Minister delivered a speech at Westminster Methodist Central Hall this morning. The full text of the speech is below.

#### Check Against Delivery

First, let me thank Demos and the Open Society Foundation for inviting to me to speak. I can think of no better moment to talk about the open society, and the urgent need to rally to its defence.

The values of the open society – social mobility; political pluralism; civil liberties; democracy; internationalism – are the source of my liberalism. And reflecting on the events of the last year, it is clear to me that they have rarely been more important than they are today.

Because we are at a critical, and potentially dangerous, moment - both in the world at large and here in the UK. History teaches that, at times of deep economic uncertainty, societies become more exposed to the forces of division – populism, insularity, separatism, an ‘us versus them’ mentality.

Rather than remaining open to the world and facing the future, societies can begin to turn inwards and lose confidence in progress.

The danger in the UK is that the forces of reaction and retreat overwhelm our instinct for openness and optimism. That we succumb to fear - the greatest enemy of openness - in these dark economic times.

So today I will set out my vision of an open society – at the heart of liberal politics – and identify the key battles that we face to promote fairness, liberalism and openness in these difficult days.

We British are an open-spirited people. But we are hobbled by closed institutions. By instinct we believe in fair play and giving everyone a fair chance in life.

But our politics and economy are distorted by unaccountable hoards of power, wealth and influence: media moguls; dodgy lobbyists corrupting our politics; irresponsible bankers taking us for a ride and then helping themselves to massive bonuses; boardrooms closed against the interests of shareholders and workers. The values of the hoarders are increasingly out of touch with the spirit of openness alive in the UK.

It is not often you'll hear me say this, but I agree with Tony Blair. In his words "the big difference is no longer between left and right, it is between open and closed".

So what is an open society?

It is a society where powerful citizens are free to shape their own lives. It has five vital features:

- i) social mobility, so that all are free to rise;
- ii) dispersed power in politics, the media and the economy;
- iii) transparency, and the sharing of knowledge and information;
- iv) a fair distribution of wealth and property; and
- v) an internationalist outlook

By contrast a closed society is one in which:

- i) a child's opportunities are decided by the circumstances of their birth
- ii) power is hoarded by the elite
- iii) information is jealously guarded
- iv) wealth accumulates in the hands of the few, not the many; and
- v) narrow nationalism trumps enlightened internationalism

Closed societies – opaque, hierarchical, insular – are the sorts of society my party has opposed for over a hundred and fifty years.

That's why Gladstone fought for a liberal internationalism; why Lloyd George battled the House of Lords; and why liberals from Cobden to Grimond sought to break up the monopolies and cartels that allow economic vested interests to trump the interests of ordinary citizens.

I will shortly say more about each of the five features of an open society. But first, let me demonstrate how this liberal vision of an open society is distinct from the philosophies of both left and right.

There are three main political traditions in Britain: socialism; conservatism; and liberalism.

Socialists support the idea of the *good society*, typically judged in terms of equality of income. In order to bring about this end they use the state quite aggressively in terms of labour market regulation, centralised public services and through tax and benefits.

Conservatives support the idea of a *big society*, with responsibility shared throughout society - people are responsible both for themselves and each other. The emphasis is naturally on non-state institutions such as marriage, the family, churches and voluntary organisations.

The liberal ideal is of the *open society*, where power is vested in people, not in the state or other institutions. This means that individuals need the capabilities and opportunities to chart their own course through life, and to hold institutions to account. So while the good society needs a strong state, and the big society needs strong social institutions, the open society needs strong citizens.

Of course these three political streams of thought will sometimes overlap. The Prime Minister's particular approach to the big society, for example, is broadly compatible with the liberal concept of an open society.

Making users of public services more powerful; shifting power down to voluntary or community groups; and encouraging people to take responsibility for themselves: none of these do violence to the principles of the open society. Quite the opposite.

But there is nonetheless an important philosophical difference here. Advocates of both a big society and an open society will be sceptical of state power - and aware of the dangers of state oppression. But open society champions are more alive to the way in which society and social institutions can be oppressive, too. A culture of intolerance can destroy liberty even when the state has liberal laws. Societies can oppress, as well as states. As Isaiah Berlin reminded us, 'To be deprived of my liberty at the hands of my family or friends or fellow citizens is to be deprived of it just as effectively.' That is why the constitution of my party warns that people can be enslaved not only by ignorance and poverty, but also by conformity.

The institutions of our society are constantly evolving. Just look at the way the roles of men and women, and attitudes to marriage and divorce, have changed over the last century.

We should not take a particular version of the family institution, such as the 1950s model of suit-wearing, bread-winning dad and aproned, homemaking mother – and try and preserve it in aspic.

That's why open society liberals and big society conservatives will take a different view on a tax break for marriage. We can all agree that strong relationships between parents are important, but not agree that the state should use the tax system to encourage a particular family form.

It is clear that one of the most important differences between the three traditions is in our attitudes towards change. Open society liberals are progressives: we believe that the future can and ought to be better than the past.

Conservatives, by definition, tend to defend the status quo, embracing change reluctantly and often after the event.

Socialists see themselves as progressives, with a vision for a better future. The problem is: they have a fixed blueprint for what that better society looks like.

Like the conservative right, the socialist or left-wing social democrat view is that "we – either the elite or the state - know what is good for you". Liberals pay people the compliment that they know what is good for them, without ideological instruction.

So liberals are optimistic about the potential of people, collectively and individually, to lead good lives and shape good communities. And we value diversity, as societies experiment their way forward. Open societies are raucous, noisy, and sometimes unpredictable - but that is a price eminently worth paying for our freedom. The open society is not for those who want a quiet life.

Let me now turn to the five key features of an open society.

First, in an open society there should be no unfair barriers to people's talent and aspiration. All roads must be open.

In a closed society, the routes to advancement are blocked by an elite who hoard opportunities for themselves and their children. A series of 'glass floors' ensure that the children of the affluent maintain their standing relative to other groups. A closed society is one in which people 'know their place'. In an open society, people choose their place.

A social mobility approach to fairness is different to Labour's 'good society' agenda, which focuses more on inequalities in terms of current income. Labour's approach was based on a snapshot view of current income levels, rather than long-term life chances.

But real fairness is about real opportunities. Inequalities become injustices when they are fixed; passed on, generation to generation. So our focus must be on equipping people to flourish, and get on in life.

That is why I have made clear that intergenerational social mobility is the principal objective of the Coalition's social policy. And why I have been so determined to increase our investment in the vital early years, including, recently, by extending the new two-year old offer to an additional 130,000 toddlers in working families.

Even in these lean times, we have found an additional £1 billion for a Youth Contract to head off long-term youth unemployment, which can scar life chances.

But Government cannot do this alone. Some of our key professions still need to do a much better job of opening their doors. To take one example, the legal profession remains woefully unrepresentative.

More than two thirds of all high court judges and top barristers are privately-educated. Nine out ten QCs are men. Nineteen out of twenty are white.

I know that us politicians have to get our house in order too. Not least my own party, which is too male and too pale. We are working hard to fix that. But my message to the legal profession, and especially to the bar, is: you are not doing enough either. It cannot be right that justice for the many is overseen by the representatives of the few.

Both the law and politics must, *above all*, represent the nation as a whole. But the nation is not represented in them. We've had years of warm words and incremental progress. It's time for a step change.

The second distinguishing feature of an open society is a wide dispersal of power: both political and economic.

In terms of politics, this means maximum devolution and localism, including real financial decentralisation. That's why we are giving much more power to local authorities, taking away central government financial controls and giving borrowing powers.

That's why we are striking deals with our major cities, so that they can once again be the real engines of growth in our economy.

In public services, dispersing power means more flexibility, more personalisation and more choice. More personal budgets in health and social care, for example. These are a perfect

example of the way that more power can lie in the hands of the users of universally-provided, taxpayer-funded public services.

Opponents of localism brandish the phrase “post code lottery” to dramatize differences in provision between areas.

But it is not a lottery when decisions about provision are made by people who can be held to democratic account. That is not a postcode lottery -- it is a postcode democracy.

Of course it is challenging for central governments to give away power. To give credit to the Labour party, there were some real achievements in terms of devolving power during their early years in office. Devolution to Scotland and Wales and the creation of the London mayoralty were big, positive steps. But after that initial flourish, Labour reverted to centralising, conservative (small-c conservative) type.

And there is still much more to do to open up our political system, not least reform of party funding to loosen the hold of vested interests; a register of lobbyists; the right to recall MPs; and, finally, real reform of the House of Lords.

The Lords is perhaps the most potent symbol of a closed society. Because we are in the process of building support for a Lords reform package, I am sometimes advised not to be too outspoken on this issue. But I’m afraid this is one boat that urgently needs rocking.

Lloyd George described the House of Lords as being “a body of five hundred men chosen at random from amongst the unemployed”. To be honest, it might be better if it was. Of course among our peers there are those with valuable experience and expertise.

But a veneer of expertise can surely no longer serve as an alibi for a chamber which legislates on behalf of the people – but is not held to account by the people. The Lords as currently constituted is an affront to the principles of openness which underpin a modern democracy.

So we will have a House of Lords reform Bill in the second session of this parliament. I am hopeful that we can secure a significant degree of cross-party consensus on this, and indeed support from Lords themselves. But let there be no doubt: if it comes to a fight, the will of the Commons will prevail.

Turning to the economy, there are hoards of power in the City of London; in certain industries; on the boards of large corporations. The result of this power imbalance is an economy that is lopsided: too reliant on London and the South East, too in thrall to financial services, delivering unequal rewards in terms of wages; and promoting short-termism over the long-term investment necessary for our shared prosperity.

And I understand the anger that people feel at the bonuses still flowing to bankers, especially those who have been bailed out by the taxpayer.

If we are serious about tackling wealth inequality; serious about responsible capitalism; serious about ensuring everyone contributes fairly to the government’s coffers, then we cannot be neutral on this issue.

We took a tough line on bank bonuses last year, particularly in the banks where the government is the biggest shareholder. We ensured that the bonus pools in RBS and Lloyds shrank; that all bonuses paid to chief executives and executive directors were entirely in deferred shares, not in cash; and that a limit of £2,000 was placed on cash bonuses.

The profound impact of the banking implosion on our economy, and on our society, has since become even clearer. There has been no lessening of public anger towards the banks - and there will be no let-up in the Government's determination to keep the clamps on bonus payments.

So, on the eve of bonus season, let no-one be in any doubt about our determination to use our clout as the major shareholder in these banks to block any irresponsible payments, or any rewards for failure.

I share the view of many that we need a more responsible capitalism. The question is what we do about it. Typically, for those on the left, building a more responsible capitalism means more state regulation. While for those on the right, it is principally a question of individual morality.

Judicious regulation and individual responsibility both have a part to play, of course. But we cannot rely on moral individuals to deliver a responsible capitalism. Nor can responsibility be mandated from on high, by the state.

For liberals, the key issue here is the distribution of power. Shareholders with real power over boards. Workers with a real stake in their businesses – for example through employee ownership. Only by rewiring the power relations in our economy can we build a responsible capitalism. (I'll have more to say on this subject in a speech in the New Year.)

The third characteristic of an open society is the sharing of knowledge and information. In a closed society the elite think that, for the masses, ignorance is bliss. But in an open society there is no monopoly of wisdom. So transparency is vital.

That is why the Freedom of Information Act was a quintessentially open society measure. It is unfortunate that Blair now says he regrets passing it. The Coalition Government is extending FOI to other bodies, and also reducing the 30-year rule to 20 years.

Transparency is not just necessary in government activities. There is a good case for it in a range of areas within the private sector, too - such as bonuses, gender pay gaps and environmental activities. And indeed earnings differentials, to help restrain excessive top pay.

That's why the Coalition Government has recently completed a call for evidence on options in this area, and we'll be looking very hard at the results in the next few weeks.

We also need a positive approach to the freedom of our press. A free press is absolutely central to an open society in which information is dispersed, corruption is exposed, and the powerful are kept honest. That is why we are already taking far-reaching action to reform

England's libel laws, so that public-spirited journalists are not muzzled by the threat of litigation by big businesses and wealthy individuals.

But we must also remember that media outlets serve commercial interests. So this calls for, firstly, a credible approach to media regulation and governance. The Leveson Inquiry must be enabled and encouraged to do a thorough job.

Second, ensuring diversity of ownership. A corporate media monopoly threatens a free press almost as much as a state one. We must be just as vigilant against vested interests in the media as in politics or business, and ensure genuine plurality.

The fourth feature of an open society is a fair distribution of wealth. Wealth underpins independence. There is a reason for the phrase 'independently wealthy'. Wealth and property can act as a buffer against difficult economic times. And it gives people a real stake in society.

Wealth inequality is very much greater than income inequality, and widening. The bottom third of households hold just three per cent of the nation's wealth. The top third hold three-quarters of it. This inequality of wealth then cascades down the generations, potentially widening the opportunity gap.

To give you a practical example, those people without financial help from the 'bank of mum and dad' now have to wait until their mid—30s before they can buy their first home.

Eighteen months ago, speaking as a guest of Demos then too, I argued that the liberal approach to tax distinguishes between earned income, and unearned wealth. That's why we've put up capital gains tax while cutting income tax for ordinary working families. And, of course, I'd like to go further in pursuit of this fiscal liberalism. Lower taxes on work and effort, a greater contribution from the wealthy: an open society approach to tax.

The final feature of an open society is an intrinsically internationalist outlook – in contrast to a politics that clings solely to the nation state.

In my lifetime, the world has been sliced up and labelled in a number of different ways: "East" and "West"; "developed" and "developing"; "north" and "south"; "Christian" and "Muslim", and so on.

But for me, the most important divide has always been between open societies and closed societies. Open societies choose democracy and freedom at home, and engagement and responsibility abroad. Closed societies favour protectionism in economic policy, and detachment from foreign affairs.

The temptation to turn inwards has been understandably strong over the last decade, given economic turbulence. The contagion that can spread across the world's financial system was demonstrated in dramatic fashion a couple of years ago. But there are more positive forms of contagion too. Investment flows across borders continue to increase, tying the fates of nations more closely together.

And it is simply no good attempting to be a closed nation in a more open world. Just as it is better to share power within a nation, it is often better to share power between nations.

And, when it has counted most, Europeans have stood together. Recognising that we are stronger shoulder-to-shoulder than we are apart. Now, we must do the same again. There is self-evidently a deep crisis in the eurozone. We had a disappointing outcome from the summit ten days ago.

This does not mean that the UK should step away from our European partners. So we will be re-engaging on a whole host of vital issues: staying open to the rest of the world, not least our Eastern and Southern neighbours; showing bold European leadership on defence and foreign affairs; pushing ahead to complete the single market.

So, to conclude. An open society is a liberal society, with five key features, from social mobility to internationalism. Open societies are challenging, fluid, progressive and innovative. They require energy and enterprise and courage.

Right now the fight for openness, against the forces of reaction and retreat, is as important as ever. But for liberals, there is no option of ducking this fight. For as Karl Popper himself wrote: "If we wish to remain human, then there is only one way, the way into the open society."

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