

Keynote speech by Tharman Shanmugaratnam

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Thank you very much, Bronwen. Thank you for this opportunity, for this privilege of addressing you.

I should say immediately that I'm not going to be talking principally about the UK. I hope I'm not a rude intrusion in present debates, but I will be talking quite frankly about the problems that a whole range of societies face – particularly the most advanced societies, including the UK. I will be talking about some of the lessons we are getting from around the world, some of the lessons that we *should* get from around the world – and I say that from a country that's continually searching for lessons from around the world – and a new way forward that offers the prospect of rebuilding confidence in the centre of the political spectrum. Because it is only confidence in the centre of the political spectrum that's going to get us out of present difficulties and give a sense of optimism to the broad span of people in our societies.

The basic problem we face, and it's interesting that you see this across a whole range of societies, is the loss of trust in both governments and markets – the loss of trust in the ability of governments and markets to deliver broad-based prosperity. There's a loss of trust in the system giving people a fair chance in life and a fair crack at success, and there's also a loss of a sense of togetherness. You see this across a whole range of societies. It's quite evident in the United States. It's evident in Europe – in the main continental European countries: France, increasingly in Germany. You see it in the United Kingdom. You even see beginnings of this in the Nordic societies, which used to be more cohesive than most, and are still quite distinct from most. That loss of trust in government, loss of faith in markets and a loss of a sense of togetherness – there's good data behind this. Some of it is soft data from surveys, some of it is the hard data that underpins people's perceptions of realities. If you look at the surveys, if you look at pure research, if you look at the Edelman trust barometer – the picture is bleak. Across the advanced world, less than 50% of people have trust in governments to do even some of the right things for their countries. It's about 45% on average. About 45% of

people trust government to do some of the right things. And barely 15% of people trust government to do *most of* the right things. And it's a picture that's roughly even across the advanced societies. I think a little better in Japan, a little better in Sweden – but it's really not a pretty picture.

Importantly, this is not a recent phenomenon. It's not just Brexit. It's not just the latest government or administration in any particular country. It's been that way for a while. It's certainly been that way for the whole of the last decade. And we haven't focused enough on this ebbing of trust and confidence on the part of our populations.

The loss of a sense of togetherness is now very apparent, because we see in electoral politics – whether that's referenda or general elections – that geography of voting is now very stuck. The difference in voting patterns between the leading cities, the ordinary towns and the rural areas is stark. Look past the averages, particularly the averages in a first-past-the-post system. *Divergences* in voting preferences across a whole range of countries – divergence depending on whether you're in a leading, thriving city, or a lagging town or rural area – is now a new reality. And it is not going away soon. You see it in France. You see it in the UK. You certainly see it in the United States. You see it in Turkey. It's a phenomenon that we have to now focus on. Look past the averages, look past the aggregates and look at the composition of votes and figure out what's behind it. Because people don't vote in an entirely fickle way. They *do* vote on the basis of a different experienced reality. And we have to try and understand those differences in experienced realities. Those are perception surveys, but they're rooted in an economic reality. The reality is we have had significant divergence in experiences across the populations of most advanced societies. Wage stagnation has been a fact in most of the advanced societies for a long period of time. In the United States – for a few decades. In the UK – for quite some time. It has been a very marked phenomenon of the last few decades.

At the core, it's not about globalisation, it's not about technology, but it's about our *responses* to globalisation and technology. It's about policy responses, it's about political responsibility – that's at the core of it. But whatever the case, we now have the legacy of a long period of wage stagnation and uneven distribution of incomes and wealth across a whole range of countries. And people have also lost faith in social mobility. In other words, quite apart from wages today compared to wages yesterday, 'do I have a chance of escaping my background?' If I'm born with disadvantage, do I have a chance of escaping that background? If someone else is born with advantage, does he or she preserve it for the rest of their lives?

The sense that social mobility is now a feature of the social and political make-up of the advanced world, that it is a feature of meritocracy and a feature of markets, is no longer there. The faith in markets, meritocracy and governments to be able to spur social mobility in each generation is no longer there. The surveys are very clear in the United Kingdom as well: your latest social mobility barometer shows that younger people especially, not just the very young, but even people in their 30s and 40s, have very little faith in people being able to end up in a position not determined by their backgrounds.

This is something that's in people's minds. Even compared to previous generations, they're concerned about mobility within their own generation – in other words, relative social mobility. But they're also concerned about absolute mobility compared to their parents' generation. The reality is half of all Americans who were born in the 80s have a lower income compared to their parents at the age of 30. Even if you could just compare those born in the 80s to those born in the 60s, you see a marked difference. There is a slow-down in lifetime incomes for the more recent generations. And that's a profound phenomenon, because the whole experience of capitalism and markets was that each generation tended to do better than the past and parents expected their children to do better than them – unless they started off very rich. But for most ordinary people, most middle-class people, those even with low incomes, you expect your children to do better than you, and that was a basic article of faith in the system. And that's no longer the case for a large proportion of people.

We can only address this if we focus not just on the relativities, which are important, but also on having everyone move upwards. Absolute mobility matters – absolute growth of income matters – if we are to address the relativities and the inequalities. It is much harder to address inequality, or to spur social mobility, if the escalator is stationary. Because you are then extremely anxious, on a stationary escalator, about someone catching up from behind you, or someone in front moving further up and further away from you. We need a moving escalator where everyone is moving up, because that's the best way you can get the fluidity in society as well. That's the best way – you accept that, well, some people are going to move ahead, some people are going to move down, but we are all moving up. It relieves a great deal of the anxiety of the broad middle, and one of the unfortunate facts of society is that people are not just concerned about those who are moving further away from them at the top, they are also concerned about people behind them catching up with them. There are very good surveys, in the United States for instance, about why the white poor and the white lower middle classes are a lot more pessimistic than the black poor and the black lower-middle class: and that sense that previous privileges are being eroded and that someone else is catching up is the reality in society. And we can only tackle that if [we have] the moving escalator, where everyone is moving up. We have to bear that in mind in our basic design of economic and social policies, and be concerned about inequality, be concerned about social mobility – but the best way to tackle it is by having absolute growth of incomes and absolute mobility that takes all people up towards something that they want to achieve: better in life.

The current situation is not, and I don't think I speak in too dramatic a way, socially or politically sustainable. The loss of trust, the loss of confidence, the sense of a lack of togetherness and of solidarity is going to seriously undermine the quality of our democracies. We're seeing it already, but I don't think this is a passing phenomenon. It is undermining the quality of democracies in a way that will be unpredictable – but is very likely to end in a bad place.

So we have to do something. And it requires a fresh and bold ambition at the centre of politics. A fresh and bold ambition for the state that involves growing opportunities but also investing in the social foundations of economic prosperity. Because that's how you don't just grow opportunities and grow an economy, but how you spread opportunities and give everyone a fair chance of taking

those opportunities and achieving a decent and dignified life. And it involves a few basic orientations – and I say orientations rather than specific policies. I'll come to some policies in a short while.

The first orientation I would emphasise is the importance of investing and intervening upstream, because all the major issues that are holding people back and leading to an uneven spread of opportunities and outcomes start early. It starts with the maternal health and the earliest years in life, what happens in school, health care. If you're a child that's obese at the age of seven, then you're more or less obese for life – with a whole multitude of health problems that arise from that. Or in neighbourhoods. If you don't intervene early to have people living in the same neighbourhoods in some integrated fashion, if you don't intervene early to fix the broken window, then things get very difficult over time. Dealing with already segregated communities is far tougher than intervening upstream to get people to interact with each other and grow up together.

You can't leave that to the markets, because that's not what the markets do. The natural workings of society don't lead to people integrating with each other. They don't lead to the early disadvantages and advantages of life – depending on who you're born to – disappearing. In fact, they multiply the disadvantages and advantages of life. That's the natural workings of society. And it happens in a whole range of ways: meeting parents from better-off families who are better educated; spending a lot more time with the kids; hiring practices that are biased in favour of those who already have it. There's a whole way in which the natural workings of society tend to replicate and in fact accentuate the starting advantages and disadvantages that people have in life. So you can't leave it to the market – you've got to intervene, and you've got to intervene, early, upstream.

One of the most facile objections to that is: 'well, that's social engineering'. And it's facile because the market does the social engineering, and the role of the state, of collective action and of community is to mitigate and redress the social engineering of the market. So don't shrink from early interventions – they are more effective. They are better value for money as well, if you're thinking as a finance minister. But most importantly, they give us a better chance of solving the big problems of the day. Don't expect the natural workings of the market to lead to anything better than we've seen before, than we've seen to date.

Secondly, we've got to pay a lot more attention in fiscal policy to public goods and the long term. There has been a drift in fiscal policy, in a whole range of countries, towards individuals rather than public goods and towards the short term or the next electoral cycle rather than the long term. Look at some of the good studies of the US budget. For instance, in the 1960s 75% of the US budget went into public goods of one form or another – infrastructure, schools, hospitals, transport and so on. And 25% went in some form of benefits to individuals. Today it's exactly the other way around – 75% to individuals, and 25% on public goods. That is inherently short term. It sometimes solves immediate problems – but it doesn't lead to a better long-term future and it doesn't lead to optimism. If you don't invest in public goods, and people can't see that you're investing for the long term, then it's very hard to get a more optimistic society. You get a society where people are constantly concerned about 'how much do I get compared to someone else'. So that's a second important orientation we need in government – the importance of public goods and the long term.

Thirdly, I think we also need a new narrative – I use that for want of a better word. We need a new narrative that goes beyond the traditional, tired narratives of both the right and the left. That must involve a role for collective responsibility and a role for personal and family responsibility. We shouldn't see those as alternatives, or some kind of binary option. There's a very important way in which collective action can strengthen personal and family responsibility and help people earn their own success – starting in education, holding a job, improving on the job, owning a home, raising a family, feeling responsible and feeling that they're contributing to society. There's a way in which collective action strengthens personal and family responsibility. And for too long, I think, attitudes on the right have focused on personal responsibility. There's something to the values of personal responsibility, but you can't explain why we've had wage stagnation for decades, why we've had remarkable stagnation in social mobility, the wide regional and urban divergences we've seen... we haven't had a sudden explosion of personal irresponsibility to explain all this, but it's happened.

We need collective action too – both top down and ground up. Because that's what leads to a redressing of these basic trends that we are seeing before us. But it can't just be collective action in the form of redistribution. If that was so then I think the left would have done far better after the global financial crisis than it has done. After all, you had an increase in inequality and some very inequitable outcomes – but the appeal of redistribution has, I think, run its course. You do need redistribution of course – you need progressive tax policies and you need a fair way of distributing benefits – but it's how you go about allocating benefits that is critical. And we've got to move away from thinking about redistribution and towards thinking about regeneration, social mobility and regeneration. That's about growth, about opportunity, about potential, and about growing potential through life. And that's a basic reorientation that has to take place within social democracy. Don't leave it to the market but don't think it's simply a matter that can be solved by redistribution. It can't, and people don't believe it.

And finally, and I know this appeals a lot to the work you're doing at the Institute for Government, you've got to combine moral purpose and that relentless desire to root out unfairness with a search for practical solutions. Constant experimentation, constant learning from the evidence, both in our own countries and abroad. Combine moral purpose and practicality. That's what's sustainable, and that's what will allow us to find policy options that are expressions of this desire on our part for fairer societies. And finding those policy options is not such an easy matter. It requires experimentation, it requires correcting the cause, it requires a continuous search for efficiency, and it requires listening to people all the time to find what they feel about policies.

I'm going to go very briefly through a few policy spaces that express this attitude, this orientation, that I feel has to be given energy at the centre of politics.

First, and the most important, is growing opportunities through life.

I've spoken about the criticality of intervening early. It's now a truism that the first few years of life are critical. In fact, the pre-natal period, followed by the first few years of life, is critical – and we've got to find new ways of going about it. It's not about sending infants into school (although infant

care is important in the local neighbourhood). It requires a new, modern village to raise a child with professionals, psychologists, carers, coaches, parents and volunteers. And we've got to try different ways. We're trying several ways in Singapore – and I know you're trying some ways in Sure Start in the UK. But it's critical that we intervene early.

Schools. The public school system is not your greatest strength. It's an abysmal failure in the United States, and it's a failure across a large part of Continental Europe as well. Look at the PISA results that are well known and well publicised – PISA or the equivalent international surveys like TIMS. You notice that all the countries at the top, both for top average performance but also top peak performance, are countries with public education systems as either the large anchor in the system, or universally public. Singapore, Finland, most of the East Asian countries are public school systems. It's when your social elite goes to public school systems, and when you have systems of admission into public school systems that people feel are fair, and when you distribute a high quality teaching workforce across the school system, that you get those high averages, and you also get high peaks. It's just such a startling exhibit that if you look at the countries at the top of the PISA tables, they are countries not driven by both private and public systems, with private outperforming public, they are public school systems. And that's the first, primary lesson – don't lose faith in the ability of public school systems to provide for social mobility but also for excellence.

It requires thinking hard about how we run those systems, how you recruit and reward teachers, including developing teachers through their careers, including even giving them sabbaticals as we do in Singapore. It involves thinking hard about the more awkward issue which is that mix of differentiation and fluidity that you need in the system. If you go for a completely French-like system, completely egalitarian, where everyone studies the same thing and moves up at the same pace, you get very inegalitarian outcomes. Every year in France, 20% of kids who come from weaker income backgrounds drop out of high school without a qualification – a very inegalitarian outcome. You need to differentiate education to different people's strengths, different learning styles – but don't trap people in one path for all time. It requires flexibility, it requires fluidity. And this is a very important tension that we can't shrink away from – you must have differentiation to be fair to people but you must have that flexibility and fluidity so that no-one is trapped in any particular path.

And as we move beyond the school system, there's also a very tough question to address about what happens in the college years. David (Sainsbury), in your dinner speech yesterday you mentioned the tragedy of technical education. I think you used a slightly harsher word, but let's just say tragedy! That's now a truism. The best future in working life, shaped by what you do before you enter working life, is to give you an education that's suited to your strengths and suited to the needs of the market. And there's a whole range of countries that have unfortunately neglected technical education, including the United Kingdom – you're trying to recover that – and the United States – they're trying to recover that, to redress that. There's some lessons we can learn from. We learnt lessons from the rest of the world when we fortified and built up our technical education system, which I would say is a jewel in our system. But it's not just about technical education, or further education as I think you call it. It's also about those who go through what we call universities. We have moved into an over-academicised model of university education – very

different from what it used to be, when a much smaller proportion of the age cohort went to university. But we just scaled it up. Now, as 40, 50% of kids go through university it's that same model and it doesn't meet the needs of the market, it leads to people spending family resources, it leads to state resources going into something that's really not providing value for money. And I think we are a little elitist sometimes in thinking that the applied model of education doesn't give you the soft skills and the creative skills and all those good things that we all need in our lives, especially in a life of continuous cycles of change. There's no particular reason to assume that an applied education – you mentioned yesterday where you do part of your university education at work and internships and you have that blend of academic and applied study – doesn't produce soft skills like thinking on the job, problem-solving, working in a team, understanding cross-cultural differences. And if you just think honestly about all our own experiences at university, it's not as if it was a very rich dose of critical thinking most of the time. The reality is that we've got to go for a different balance – a different balance that's fairer to individual strengths and a balance that leads to the needs of the market.

And lifelong learning is very important.

We have front-loaded a lot of education and we need to stretch it out through life, through regular injects through a working person's career. We have to think hard about different models, building on our social norms, including norms in the corporate sector, and what will work. I wouldn't assume that the only models should be training that's linked to a particular employer, although relevance to the employment market is critical. There is a difference, for instance, between the Danish model and the German model. The German model is much more firm-centric, the Danish model is a lot more public-institution centric: employers send their workers to public institutions for training that's of more general relevance to the industry. There is a difference in incentives between the firm and the individual. The firm wants its workers to be particularly productive for that particular production process – the gadget they're making, the device they're making, the service they're selling. The individual wants training and investment to enhance his or her career and their future prospects, not just that particular firm. We've got to find the right balance, therefore, between firm-specific training and training that's relevant to a whole industry, and training that's relevant to other industries as well. That balance is something that requires some thought, but it requires a whole infrastructure, it requires public funding, it requires incentives.

In Singapore we've embarked upon this in a very systematic way, through what we call SkillsFuture. This includes an individualised account for everyone. The Canadians have just followed – in fact they took reference from some other models including our own. But it's an extremely important new space for public policy, investing in people through their lives in a way that gives them relevance in a changing market, but also allows them to grow their potential through life because that too is a source of social mobility.

The next challenge is that of shaping inclusive neighbourhoods and addressing regional disparities. Inclusive neighbourhoods are, to be quite frank, the secret source of Singapore's social and economic model. And I've explained why it's critical to think about this afresh, about what we do upstream rather than wait for the broken windows to multiply or wait for the neighbourhood to be defined as underprivileged, for ghettos to be formed, for segregation to be not just a physical

reality but part of people's minds. You have to intervene upstream, which is what we did in Singapore. And we did it through publicly developed housing estates. More than 80% of Singapore lives in publicly developed housing estates – but owned privately. In other words, you buy your own apartment for a 99-year lease. As a result of it being publicly developed, there are no gates and fences – so most of Singapore, the vast majority, live in public neighbourhoods with no gates or fences. It's shared property: the parks, the children's playgrounds, the eating facilities, the transport – everything is public. What we did was to design the neighbourhoods to integrate people across socio-economic class from the poorest to the upper-middle class – because 85% of the population is in public housing. And critically, too, across ethnicity. It requires some intrusive rules, where the market pricing reflects the fact that every neighbourhood must have that mix. So if there are too many people of one particular ethnicity, the market has to adjust and you have to wait for others to bid for the flat in the open market. But without that intrusive policy you would not have achieved the degree of social harmony that we have in Singapore today – or have avoided the very large problems that we see elsewhere. And I would say it is not more intrusive than some of the things that you are now having to do in other societies as a result of the gulf that we are seeing between people. So think hard about that.

Robert Putnam, a well-known American sociologist who placed a lot of emphasis on social capital, published a book in 2015 called *Our Kids*. It was really about how 'our kids' had become 'us and them' rather than 'our kids', and the single most important explanation he had for what has happened is that kids are growing up separately, in segregated neighbourhoods and in schools where composition is also segregated. How you grow up, either together or separately, shapes so much of the way you view each other through life. It's critical. But there's another fascinating point about this. When you mix people up, across socio-economic groups, ethnicity and so on, you avoid any neighbourhood being disadvantaged. You have disadvantaged people in Singapore, you have disadvantaged families in Singapore – we try our best to help them – but there's not a single disadvantaged neighbourhood. That means so many things – including the fact that home equity appreciation across Singapore is roughly equal. The poor who are getting heavily subsidised flats to own – smaller apartments which they own – have seen a rate of home equity appreciation equal to – in fact a little more for some reason, but equal to, let's say – that of the larger apartments owned by the middle class and the upper-middle class and in fact faster than even private property in Singapore. So mixed neighbourhoods also produce that outcome of an equal appreciation of housing growth across society – and you get that for free. Not out of the budget. It didn't require continuous annual subventions out of the budget to give people the home equity uplift. It came out of urban design. If you get urban design – social urban design – right then it produces a social asset and an economic asset. I'm talking here about the economic asset of equal home price appreciation.

The other critical issue of managing places is one which larger societies face but which, in some way, we are learning lessons from cities around the world. We are a small city, geographically very small, just one city, but we've learnt lots of lessons from other cities on the whole issue of how you can ensure continuous regeneration. And, I think, addressing the problems we've seen, socially and politically, which I spoke briefly about earlier, requires an economic solution. It requires economic regeneration. And we've got to make the most of what the economists call, in a somewhat fancy

way, the economics of agglomeration – how when you get clusters of firms, who are specialised in the same area or along the same supply chain, it becomes far more efficient. Customers go to them, you develop skills and capabilities together, and productivity growth and wage growth tends to be faster. So the economics of clusters and agglomeration offer great potential. But by definition, it can't be every town, because you need some economies of scale and you need some specialisation. But we must make sure that in every region you've got that bright dynamic cluster so that even if the young people move there and their parents and grandparents live somewhere else, they all feel they're part of that region and that region is still doing well, because Leeds is doing well or Manchester is doing well. And you see this in some parts of the United States – the Rust Belt is not a completely barren economic landscape, there's some parts of the rust belt that are doing extremely well. You see it, fascinatingly by the way, in Japan. Japan has avoided the extremes of populism, its politics is quite different, and you notice that in Japan that we have a deliberate strategy of making sure that every region in Japan – it's quite a large country – has a city that is given additional resources, that is specialising and that is rising. Fukuoka, in the Southern Island of Kushi, is thriving now as a new bed for start-ups. Okinawa, further South, was somewhat neglected in the past but is now being developed for agriculture, including new modern agriculture and tourism. Kyoto is doing extremely well – it's not just a centre for tourism, it's a centre for medical research and manufacturing including medical devices, and so on. And what we always viewed as a bit of an oddity in Japan, even an inefficiency, that its political system accorded excessive weight to the areas outside Tokyo, and to the rural areas – a bit of gerrymandering and so on – has actually led to a continuous flow of resources throughout the country. So if you travel round Japan you don't come across depressed towns and cities because everyone keeps receiving something. And there's something to think about there. How do we ensure (not through gerrymandering or the wrong sort of politics) that at the centre of politics we are concerned about the regions and concerned about towns that have gone into depression and don't allow for some sort of social hysteria to develop where the problems get knottier and more difficult to solve over time. It can be done. Japan is doing it. Spain is now trying to do it as well: in Bilbao, in Andalusia, or in Galicia, which is in the North Western region, you've got sparks on new dynamism coming up. So that's a critical issue we all have to think about in larger countries.

There are two final very important planks of public policy which express this new orientation of the centre.

The third issue I'll talk about is the whole issue of aging with dignity and purpose. And I think it's a wonderful opportunity for us. We all have aging societies amongst the advanced countries, and I would say China and a few other emerging countries are getting into that situation soon as well. Just as we say it takes a modern village to raise a child, it takes a modern village to give dignity to every senior citizen. It's not just about state benefits, it's about how we organise health care, how we organise social care, how we develop urbanism round the senior citizen, so that they're up and about, they're active and they're contributing to the community. It requires experimentation, which is actually what we're doing in Singapore. We have something like 70 initiatives underway now, as part of this active aging movement that we're developing. But it's not going to happen just because

the market makes it happen. It requires a lot of thought, and it is a very interesting space for ground-up initiative, supported by government or federal support.

How can you integrate health care so that you don't need to go to a hospital, which tends to also lead to much higher cost, but can be treated in the community, either at home or at a health facility near the home? How do we develop the manpower for that, including the para-health professionals who can actually cater to lots of the needs of the elderly without being fully trained doctors or nurses? By the way, that also provides for good jobs for people – that whole community care sector and quasi-healthcare sector provides jobs. Integrating health care systems is a critical fiscal issue that saves costs but, very importantly, it's a critical issue in allowing people to have dignity even as they are ill, and to be able to age in place and to receive care in the neighbourhood. And technology, by the way, is a very interesting enabler in this regard. The technologies that are developing to detect frailty at home or in the neighbourhood, or to monitor whether you've taken your pills as you gradually get more forgetful, are fascinating and very interesting opportunities.

Finally, what I would say is the elephant in the room, is the inequity we are placing on the next generation. It's not a good democracy if we just keep pushing the burden to the next generation. It's unfair, it's inequitable, it's irresponsible. And we really have to rethink healthcare and pension financing, and to start being a lot more active at the core of government and society on climate change and global warming, which is already a crisis and getting larger. Pension financing requires a rethink across the advanced world. We knew what was happening in the old defined benefit systems – how it became unsustainable because promises were made which were not being accompanied by increased contributions – and we were just leaving it to the next generation to sort it out. So what many countries did, especially when it came to corporate defined benefit schemes which were unsustainable, was to move to defined contribution – and it was left to the individual to manage their own money. That whole movement, most especially in the US but also in Europe, in the UK, hasn't worked at all. It hasn't worked well anywhere in the world to ask ordinary individuals to manage their own money. They have systematically underperformed the market. They have paid too high amount of fees to intermediaries, and they are not well provided for in retirement. So we've moved from a collective concept of defined benefit that had a lot of beauty in it – except that it was unsustainable because of specific policy actions – to an individualised concept of retirement planning and security that hasn't worked well. And we've got to bring the collective back into defined contribution systems – fully funded, but collectively invested and collectively managed. Get rid of all these big fees and don't place an unrealistic burden of responsibility on individuals to be able to manage and make the right decisions. Few individuals anywhere in the world can do that well.

Healthcare financing is a very sensitive issue. I know about the debates that are going through here, and the tremendous affection that people have for the NHS, which has really achieved a lot. You see the same thing in Europe, the same benefits of a universal healthcare system. But there is no free lunch. There's no such thing as free healthcare. People are paying for it, either through taxes, which are getting higher in most of Europe, or through insurance premiums. So you either pay for it up front or you pay for it when you go for a health check-up or when you're getting some treatment. It's not free. There's no free healthcare. And we are learning some important lessons. In

the US, for instance, because of the over-reliance on insurance, costs keep going up, because the individual doesn't even know the price – they don't know what they've been charged for because it's all paid for already and there's tremendous moral hazard. There's no constraint on doctors, drug companies and intermediaries to keep costs down. Because the individual is not there as a check on the system. There's no out-of-pocket payment. Likewise, if everything is paid for in taxes beforehand, and it's one big pool, and you don't know what it costs when you go to a hospital or clinic, you get the same lack of a check on cost increases. And we have to be concerned about cost increases in value for money.

The reality is, we either get people to save a lot more and pay a lot more taxes, or we address one of the fundamental tenets, which is everyone, regardless of poor or rich, getting the same benefits. In the UK, interestingly, I was reading a report by the Institute for Government. When it comes to social care – or what we call long-term care in some countries – the fact that towards the end of your life you need a lot more care because you're physically infirm, the UK accepts that there has to be means testing. In fact, most people insist that there has to be means tested privileges where the rich don't get the same benefits. But the same logic of thinking doesn't apply to the NHS. And all I'm saying is this: we have to make choices. Different societies will make different choices but there is no free lunch. Either people pay more taxes all the time as more people age and the burden of paying for overall healthcare costs goes up, or you change the shape of the slope so that the proportion of taxes and benefits that different people get varies more significantly. And we have to address that in the interests of equity, and in the interests of not postponing the problem to the next generation. Because there are going to be fewer of them in the workforce, compared to the number of pensioners, and we shouldn't assume that they are all going to be doing very well in their jobs and that wages are going to be rising the way they rose through the 60s and 70s. It's a fundamental issue that we have to address.

I've spoken about four policy areas where I think there's a space for providing for growth and absolute mobility while tackling inequalities and tackling the divergences between different people and different regions. I spoke about it in the context of growing opportunities through life, and spreading them. I spoke about it in the context of addressing the issue of integration of people in neighbourhoods – with some serious social and political priorities that have to be addressed – and addressing the issue of declining regions. And I've addressed the issue of aging with dignity and purpose which is, I think, a big opportunity for most of our societies. And finally, avoiding the pretence that we can postpone the problem to the next generation – which would be inequitable and irresponsible. The politics of the centre has to be square on these issues. It has to be serious and square on these issues. And we've got to invest energy into this new spirit of collective responsibility to support personal responsibility.

Thank you very much.