THE EBOR LECTURES

Mr Larry Elliot

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‘In it together or in it for the money?’

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I want to start by asking you to conjure up four images in your mind. So close your eyes and picture the scene.

September 15 2008: Canary Wharf in London. The US investment bank Lehman Brothers has gone bust. The TV cameras capture the scene as young investment bankers leave the building carrying their personal possessions in cardboard boxes. It is one of the abiding images of the financial and economic crisis – the worst to hit both the UK and the entire global economy since the 1930s.

June 22 2010: The House of Commons. George Osborne stands at the despatch box to deliver his first big speech as chancellor of the exchequer. The general election of six weeks earlier has proved indecisive, leading to the first coalition government in Britain since the period between the world wars. Osborne's message is bleak, but carries the echo of Churchill in its insistence that the pain will be shared.

"This is the unavoidable Budget. I am not going to hide hard choices from the British people or bury them in the small print of the Budget documents. You're going to hear them straight from me, here in this speech. Our policy is to raise from the ruins of an economy built on debt a new, balanced economy where we save, invest and export. An economy where the state does not take almost half of all our national income, crowding out private endeavour. An economy not overly reliant on the success of one industry, financial services - important as they are - but where all industries grow. An economy where prosperity is shared among all sections of society and all parts of the country.

In this Budget everyone will be asked to contribute. But in return we make this commitment. Everyone will share in the rewards when we succeed. When we say that we are all in this together, we mean it."

Now let's head back into the past. New York City: October 29 1929. It was the day that became known as Black Tuesday. A day of turmoil. A day when even a public show of confidence from the Rockerfeller family could not prevent shares on Wall Street falling by 13%. Fortunes were lost. Ruined investors took their own lives.

Washington DC March 1933. The United States is in the pit of the Great Depression. A quarter of the adult population is unemployed. Industrial production has collapsed by 50%. Franklin Delano Roosevelt has won the presidential election of 1932 and gives his inaugural address. His speech, quite deliberately, is couched in the language of morality and ethics.

"The money changers have fled from their high seats in the temple of our civilization. We may now restore that temple to the ancient truths. The measure of the restoration lies in the extent to which we apply social values more noble than mere monetary profit."

Tonight I want to compare and contrast these two financial crashes and their aftermaths. My conclusion is a simple one. The Wall Street Crash and the Great Depression that followed led to profound changes in the way economies were run – and they were invariably changes for the better. The financial crisis of 2007 and the Great Recession of 2008-09 did not. That failure is storing up problems – big problems – for the future.

Roosevelt made good on his pledge to throw the money changers out of the temple. He took on Wall Street and won. He broke up the big banks. He created the Securities and Exchange Commission to police the activities of the financial sector. He imposed controls on the free movement of capital. He gave extra powers to trade unions. When campaigning for the presidential election of 1936 he said: "Finance hates me and I welcome that hatred."

In 2008-09, there was a feeling that the crisis caused by the greed and stupidity of the financial sector would lead to a similar radical reappraisal of how we run our economies. The financiers had convinced the world that they could pull off their own version of miracle at Cana, but it transpired that they could not turn water into wine.

So as the Lehman Brothers workers faced the cameras, there was again talk of restoring the ancient truths to the temple. That talk came to nothing. It has not been the financiers who have suffered as a result of the crash; it has been those with the narrowest shoulders – the young, the poor, the weak.

I am not going to bore you too many statistics tonight but some of the numbers associated with this crisis are extraordinary. Take living standards. Around now, national output – gross domestic product – will finally claw its way back to where it was when the recession started in 2008. But over the past six years the population is rising, so in terms of GDP per head we are 8% worse off on average.

Young people are faring even less well than the rest of the population. Not only has unemployment gone up for the under 25s but their wages have gone down. A young person in today's labour market is earning the same as a young person 15 years ago.

The Institute for Fiscal Studies estimates that the people on the lowest incomes will see the biggest falls in their real incomes during the period that includes the recession and the recovery. Less generous tax credits and the tendency of poorer people to spend more of their incomes on food and fuel – both of which have gone up by more than inflation generally – explains why that is. There are now more poor people in work than out of work.

Then, of course, there's Thomas Piketty, author of the best-selling Capital in the 21st Century and very much the man of the moment. Piketty's argument is simple. A gap is opening up between the super rich and the rest. The top 0.1% have seen their earnings rise far more rapidly than the population as a whole. That has allowed them to amass capital assets. That capital is growing in size more rapidly than economies are expanding. We are heading back to a Downton Abbey world marked by high levels of inequality and slow growth. This, I would hazard, is not what most people would describe as "being in it together."

Far from leading to a root-and-branch reform of the neo-liberal model that governed economics and politics in the preceding three decades, the crisis has been used as a pretext to complete the job. There has been reform, but not of the sort seen in the 1930s. The taxpayer has bailed out the "too big to fail banks" and got austerity in return. Osborne has gone to Brussels to resist calls for a financial transaction tax on the grounds that it will hurt the City. No-one in Government goes in to bat against the bedroom tax or welfare cuts.

This is not just a wasted opportunity. It is a terrible mistake that is storing up problems for the future. I say that for two reasons. Firstly, there is – as Mervyn King once said – a problem of moral hazard. This is where people who do unwise or dangerous things are encouraged to go on repeating the same mistakes. Bailing out the banks while doing nothing to change their behaviour is moral hazard on a gargantuan scale. It is only a matter of time before we have a second, perhaps even more serious, financial meltdown.

The second problem is that our economic model is dysfunctional – and that threatens to make our political model dysfunctional as well. Churchill once said that democracy was the worst possible system of government, apart from all the others. The same could be said of capitalism. It has obvious flaws, but is preferable to feudalism, communism or any other ism anyone has yet come up with.

But capitalism only functions under certain conditions. It only works if the fruits of growth are shared. They don't have to shared equally but they do have to be shared. Henry Ford realised this. He was the most ruthless capitalist imaginable but he ensured that his workers earned enough to buy the cars they were making. Indeed, the entire history of the West from 1850 to 1950 is of reformers – not just of the left, but of the right and centre as well – coming to the conclusion that equality had to be injected into capitalism to save it from itself.

Bismarck, Lloyd George, Roosevelt, Keynes: none of these were left wing firebrands but they knew that untamed capitalism and democracy did not mix. So they injected fairness into capitalism, gradually and progressively over the course of a century.

What those efforts meant was that the economy of Britain in 1950 when Attlee was prime minister was utterly different from the economy of 1850 under Lord John Russell. The state played a bigger role in the economy. Indeed, it owned large chunks of industry. Most businesses were in private hands but the so-called commanding heights – the mines, the railways, the utility companies – were in public hands. It was a mixed economy.

Taxes were raised higher to pay for cradle-to-grave welfare: a recognition that something needed to be done to improve the living conditions of the poor.

There were factory acts, municipal works to improve sanitation, reports on the condition of the poor – including the famous one by Seebohm Rowntree in this very city – that detailed how people were living. He found that almost 30% of people in York were living below the poverty line, not – as the orthodoxy of the time had it because they were feckless but because their wages were not high enough.

The Britain of 1914 was a bit different from the idealized version portrayed in the

TV dramas. The average Tommy, stunted by inadequate diet and life in a factory – was smaller than the average Saxon defending King Harold at the Battle of Hastings. Military commanders recruiting men for the Western Front were shocked at the poor physical condition of the men.

Over the course of that 100 year period – 1850 to 1950 - there was a loss of faith in what the historian Karl Polanyi called the utopian free market. Politicians no longer believed that capitalism was self-righting. This was the ideology that led to the scrapping of the Elizabethan poor laws in the 1830s: the feeling that wages should be set by the interplay of demand and supply, and if they needed to be cut so that people could price themselves into work then so be it.

This was the sort of raw capitalism described by Marx and Engels. They confidently predicted that widespread immiseration would make the system unsustainable and that it would eventually collapse. That didn't happen. Instead the 20th Century saw capitalism flourish as never before, with faster growth and a bigger increase in living standards in 100 years than there were in the 18 centuries after the birth of Christ.

This did not happen by accident. Politicians simply made a different set of choices to the ones they made in the first half of the 19th Century.

And these different choices were made not just in Britain but in most developed nations: the first old pensions were thanks to Bismarck; New Zealand can claim to be the country that pioneered the welfare state; the United States provided free education to home-coming servicemen under the GI bill.

The intention was simple. The fruits of growth had to be shared. In president JF Kennedy's words, a rising tide had to lift all boats.

And it did. The 30 years after the Second World War saw the fastest expansion in the global economy ever. Part of this was the result of the need to build after the devastation caused by six years of total war, but not all of it.

It was a period when the control of capital meant governments could pursue their main domestic economic objective – full employment – without being blown off course by speculation. The division of the spoils between employers, employees and government meant investment, real wages and public spending all rose.

Employees felt confident about spending money: firms responded to strong demand by investing more. Higher levels of activity led to the tax take going up. A virtuous circle developed. Germany grew by more than 5% a year during this period.

But all good things come to an end and the end for the post-war boom arrived in the Autumn of 1973 when the members of the oil cartel OPEC imposed an embargo on exports to Western countries seen as sympathizing with Israel in the Yom Kippur War.

The price of crude oil rose more than fourfold within three months, adding to already considerable inflationary pressure. Business profits were hit; consumers found their incomes did not stretch so far. Demand drooped and governments responded in the way that they had on every occasion since the Second World War: by easing policy in an attempt to prevent unemployment rising.

This time it didn't work. The result was both unemployment and inflation – the so-called stagflation.

In truth, the writing had been on the wall for the post-war boom for some time. The US was the lynchpin of a fixed-exchange rate system created at Bretton Woods in 1944 but found it increasingly difficult acting as the anti-inflation anchor in the 1960s when the cost of the Vietnam War came on top of an expansion of welfare programmes under Lyndon Johnson. The Bretton Woods system broke up in 1971.

There were three other problems. Capitalism since the mid 1750s has been the story of waves of technological progress, each of which has lasted for many decades.

The first industrial revolution was based on coal and steam; the second on the railway; the third on electricity and chemicals; the fourth on the wave of inventions at the end of the 19th Century: the car; the aeroplane; radio; mass entertainment. This wave of products only really flowered in the decades after the Second world war when the necessary infrastructure: roads, the building of the suburbs, rising incomes was in place. By the 1970s, though, this technological paradigm was becoming exhausted.

By the time this happened, the balance of power in the labour market had shifted. In his book Why Most Things Fail, the economist Paul Ormerod described the relationship found by researchers in Canada studying arctic hares and their main predator, the lynx. When the number of hare rose, the lynx thrived. Their numbers grew, and that led to more hares being killed. Eventually, there were too few hares to support the population of lynx. The lynx starved until the numbers of hares started to rise again. Like the eco system, the economy has its own fragile balance.

In the late 1960s and early 1970s, more than two decades of full employment meant that labour had the upper hand in the eco-system of the labour market. Tensions rose, there were disputes over pay. The number of days lost through strikes increased. The rate of profit fell.

Some countries suffered less than others. Some had found a way of embedding the post-war settlement into their politics, which were based on consensus and restraint on all sides. In other countries, Britain included, this never happened; Keynesianism was an economic arrangement pure and simple.

To make matters worse, finance ministries and central banks misinterpreted Keynes, who had argued that government should only run budget deficits when the animal spirits of the private sector were depressed. Keynes said surpluses should be run in the good times to allow Governments to be generous in the bad times. By the late 1960s, a form of bastard Keynesianism had developed: borrow in the good times; borrow even more in the bad times.

When the crisis broke in the mid 1970s, the free-marketeers were ready. Their critique went like this: capitalism had been sapped of its strength by over-mighty trade unions, by the high taxes that were imposed to pay for the welfare state, and by inefficient nationalised industries.

The answer was liberalization of markets, especially financial markets; laws to curb the activities of trade unions; lower taxes to encourage entrepreneurs to take risks; privatisation of state-owned industries; control of the money supply and balanced budgets. Up until the mid-1970s, economic policy in the UK had two wings. At a big picture, macro, level policy was about creating full employment and growth. Controlling inflation was left to prices and incomes policy. After the end of the long boom this was turned on its head. Macro policy was all about controlling inflation. Growth and unemployment were to be tackled by supply-side policies, such as making labour markets more flexible; privatisation; tax changes.

The result was a decisive shift in the way Britain – and other Western countries, such as the United States – were run. For me, the period between 1969, when the Wilson government failed to reform industrial relations with Barbara Castle's In Place of Strife, and the end of the year-long miners strike in 1985, was a time when Britain changed fundamentally. At the end of the 1960s, Britain was still essentially a manufacturing nation, with a mixed economy, powerful trade unions and an egalitarian political credo based on full employment.

By 1985, the trade union movement had been crushed; manufacturing had shrunk, an unshackled City had become the dominant industry; taxes on the rich had been cut; poverty was on the increase. Markets ruled OK. The lions got the upper hand. They slaughtered the antelopes.

It took time for the consequences of this counter-revolution to become fully apparent.

Why? Well, firstly, Mrs Thatcher had the great boon of North Sea oil. This started to come on stream in the mid-1970s and provided subsequent governments with a steady stream of revenue that allowed them to cut taxes and to disguise the hole in the balance of payments left by the decline of manufacturing.

Secondly, for at least the first decade, the new right felt constrained by the Cold War. All the time there was a threat from the other side of the Iron Curtain, there was a concern that workers would be driven into the hands of communism if policies were too harsh. For those in work, real wages rose handsomely in the 1980s. It was only when the Berlin wall came down that policies became more hard-edged. Tony Blair and Bill Clinton were tougher on welfare than either Mrs T or Ronald Reagan.

The third factor was globalisation. When communism imploded, the scope of the market expanded to parts of the world where it had previously been off limits. Not just the countries of the former Soviet Union, but China, where the Deng reforms were accelerated in the early 1990s. And India, which adopted a more market-friendly approach.

The decline of trade union power had already made life tougher for employees. The threat – and in many cases the reality – of jobs heading to lower cost countries intensified the pressure. But there was an upside: cheaper imports meant inflation fell and consumers could buy more. Because inflation was low, the Bank of England could keep interest rates lower than they would otherwise have been.

This led to a fourth factor. Lower interest rates encouraged people to borrow. They used the borrowed money to buy assets, in some cases stocks and shares but more often than not property. Rising prices made people feel better off. They were able to borrow money against the rising value of their homes. The technical name for this is equity withdrawal. In reality, it is using homes as a cashpoint. One study found that in the years leading up to the crisis of 2007, the increase in the size of the UK economy was exactly matched by equity withdrawal.

These four factors meant that the problems bubbling away beneath the surface of the economy went untreated for so long. Between late 1992, when Britain left the European exchange rate mechanism and early 2008, the British economy experienced more than 60 consecutive quarters of growth. Gordon Brown was very proud of this. He said the Labour government had abolished Tory boom and bust. It hadn't. In fact, the economy was about to suffer the biggest bust since the early 1920s.

Some of us saw it coming. We were told, repeatedly, that we were Cassandras. The thing about Cassandra, of course, was that she was right.

So what were the warning signs that went unheeded. There was the series of financial tremors that gradually got more serious as time went on and burrowed ever closer to the core of the financial system. There was a meltdown in Mexico. Life went on as before. There was a crisis in south east Asia. Life went on before. The dot com bubble burst. There was a short-lived recession but interest rates were cut to ensure that life went on as before.

Then there was the build-up of personal debt. In the UK, household debt as a share of national output tripled between 1980 and 2008. The housing market boomed as manufacturing struggled. The trade deficit grew wider and wider.

In the years ahead of the crash, the UK economy was like an aeroplane running on three engines: the City, the housing market and the public sector. The Labour government struck a bargain with the bankers. They were allowed to turn London into the Wild West of international finance, a place where anything from the risky to the downright illegal was allowed to take place while the authorities turned a blind eye. In return, the government got plenty of tax revenue, which it recycled into public spending. For the regions furthest from London, almost all the jobs growth in the pre-crash period came in the public sector.

The question some of us asked, though, was what would happen if one of these three engines were to stall. Or – even worse – all of them at the same time. We were about to find out because this wave of speculative mania was no different from tulips in Holland in the 1630s, the South Sea bubble of 1720 or the Wall Street Crash.

It is said that the four most dangerous words in financial markets are "it's different this time". You heard a lot of that in the City in 2006 and early 2007 when it was party time for the hedge funds, the private equity firms and the investment banks. That was the time to head for the air raid shelters. Why? Simple.

In every crash in history, the belief has been that the rules of markets have been re-written. Time has elapsed since the last crisis. A new financial product has been marketed. Regulation is lax. Investors become over-confident.

All that happened in 2006-07 and more. The economics profession had been taken over by those who believed that markets were infallible. They had models that showed that consumers behave rationally. They had models that showed that there could be no boom-busts. They had models that used page after page of complex algebra that showed how economies would quickly return to equilibrium.

That was the final reason the Cassandras knew trouble was brewing. The models bore no relation to the way the world really worked. Indeed, they were part of the problem, creating the belief that there was no alternative and creating a false sense of security.

And so it was in the winter of 2008-09 that the global economy appeared to be heading for the knacker's yard. There were fears of a second Great Depression. Factories were shutting, ships were lying idle at port. Banks that had taken bigger and bigger bets found themselves staring into the abyss. Here in the UK, Royal Bank of Scotland was within hours of switching off its cash points.

What happened next was that central banks and finance ministries forgot all the stuff about perfect self-correcting markets. They dusted off their copies of Keynes's general theory and started to intervene like there was no tomorrow. Interest rates were slashed. Budget deficits were allowed to rise in order to soften the blow of rising unemployment. Subsidies were offered to firms to keep people in work. Governments cranked up their electronic printing presses to create money.

And large amounts of money, your money, my money, was spent making sure the banks did not go bust. A gigantic welfare state was created for the financial sector almost overnight, not just here but in the US and Europe too. Many on the left thought this was the moment they had been waiting for. For decades, they had dreamed of a government taking over the commanding heights of finance. Now, with the big stakes in RBS and Lloyds, that golden dawn seemed to have arrived.

Well, that was the way it appeared at the time. In reality, the interventionist zeal did not last. The collective response by the G20 group of developed and developing countries quickly fractured. Concerns grew about the budget deficits that governments had built up during the crisis. These deficits were not in themselves the problem. The problem was elsewhere: too much private sector debt; too much leverage in the financial system. When the sub-prime mortgages went bad, when the banks found that their funny money was not worth as much as they thought, governments stepped in.

Apart from in Iceland, the banks were considered too big to fail.

Not that the bankers were especially grateful. The banking lobby pushed back against reform. It resisted ideas such as a financial transaction tax. It suggested that while lessons needed to be learned it was important not to kill the goose that laid the golden eggs. To which most of us would reply: what golden eggs?

But anyway, the financiers soon got their confidence back. The real issue was not taking a leaf out of Roosevelt's book but to get down budget deficits with a good dose of austerity. What the City and Wall Street wanted was a return to business as usual as quickly as possible.

Incredibly, that's pretty much what they got. True, the Bank of England now has new powers with which to police the City, and that's welcome. Sure, some tax reliefs have been taken away from those on the highest incomes. Yes, the economy is now growing again at a fairly decent lick.

But I am reminded of a song by the Who recorded in the early 1970s which contained the line "see the new boss same as the old boss". In this case it is see the new growth same as the old growth. See the new bank, same as the old banks. And the title of the song, in case you can't remember it: Won't Get Fooled Again?

This was not the way it was supposed to be. As the chancellor made clear in the Budget speech I referred too earlier, there was supposed to be a new model of growth: less borrowing more exporting. A march of the makers rather than the march of the estate agents. A country that paid its way rather than one that lived beyond its means.

That, I thought, was something to be applauded. At a personal level, debt has risen. At a national level, there are chronic trade deficits. At a global level, Britain's ecological footprint is too large. So the idea of an economy that grew sustainably, grew equitably and grew organically has to be the right one.

But this notion did not survive the flat-lining of the economy in the first half of this parliament. By the second half of 2012 the Government wanted growth and wasn't too particular about the sort of growth it got. Ultra-low interest rates proved insufficient to get the economy moving, so the Bank of England supplemented cheap borrowing with incentives for the banks to lend to the mortgage market and to business. It was half way successful. No prizes for guessing where the extra lending came from.

On top of that there has been Help to Buy, Treasury subsidies to homeowners to enable them to get a foot on the housing ladder.

The upshot of all this: personal debt is on the way back up. The housing market in London and the south east is humming again. Fears are growing of yet another property bubble. It is all wearyingly, depressingly familiar.

Let me sum up how I see things.

This has been the biggest setback to the economy I have known in my lifetime. The economy fell a long way and has taken a long time to recover. In times of living standards there will be a lost decade and perhaps a bit more. The change from feast to famine has been almost biblical in its swiftness and its severity.

The basic economic model has not changed. The same assumptions apply. The same models are used. The same power structures apply.

Britain, along with other countries, faces the possibility of a triple crunch: a financial crunch caused by a failure properly to reform the banks. An energy crisis caused by the need to find alternatives – and fast – to fossil fuels. And an environmental crunch caused by an unwillingness to face up to the threat of global warming. The challenges facing today's policy makers are, in some respects, even more daunting than they were in the 1930s.

These challenges can be faced. What I have said tonight sounds gloomy but is, to me at least, merely a statement of reality. Like the chancellor, I want to tell it as it is.

Here's the good news. Humans are ingenious. They solve problems. As a boy, I always wondered about the parable of the talents. I sympathised with the servant who instead of making his masters money work dug a hole and buried it in the ground. Now I am a bit more sympathetic. The parable is really about fulfilling potential, and we have the potential to sort out the mess we are in. Provided we recognise that there is a problem.

Here's how it works in ten steps.

First, we have to understand that many of the problems – regulating the banks, a climate change deal, balanced growth – are global rather than national. We need to rekindle the spirit of solidarity that existed albeit briefly in 2008-09.

But there are things we can do at a national and local level.

So, second, we need to re-think ourselves as a developing country. The so-called tiger economies of Asia had a hard-nosed view of where they were and where they were going when they set out on the long road to prosperity. They chose sectors in which they thought they could be competitive and backed them. They had no hang-ups about intervening. They would not, let's be frank, be countenancing the sale of Astra Zeneca to Pfizer.

Third, we need to find a way of dealing with the triple crunch. Together with a group of like-minded colleagues, including Richard Murphy, who gave one of the earlier lectures in this series, I came up with the idea of a Green New Deal. This is an unashamed reference to the original new deal while recognizing that time has moved on and that there are new challenges. The idea is simple. Money raised from, say a financial transactions tax or quantitative easing would be spent on a mass home insulation programme and investment in clean, renewable technology. It would create jobs, provide an alternative to fossil fuels and cut carbon emissions.

Fourth, we need to find creative ways of mobilizing capital for productive use. One idea proposed by John Clancy, a Birmingham councilor, is for local government to marshal the money in their pension funds. Here's a fact for you. North Yorkshire County council has a pension fund with just under £2bn of assets in it. But there are many other similar funds, all managed separately, dotted around the country. Put them all together and you have a fund with assets of a third of a trillion pounds – the fifth biggest in the world. Think of the muscle such a fund would have if actively managed to invest in the regions it came from.

Fifth, we need to re-think the tax system. There are three dimensions to this. The first is a crack down on tax havens. Richard Murphy says spending cuts and austerity would have been avoidable had rich people paid their rightful dues.

The second area is corporate tax. It sticks in the craw for people on low incomes when companies like Google, Amazon and Starbucks pay so little in tax on the enormous amount of business they do here. What's more they then have the nerve to whinge about the education system or the inadequacies of infrastructure. A tax on turnover rather than profits should be explored to prevent abuse.

Finally, there needs to be reform of property taxes. Council tax bands have not been changed in more than 20 years, despite everything that has happened to house prices during that time. This has benefitted those with bigger houses and is now a dreadfully regressive tax. A land value tax – an annual charge on the annual rental value of land – would be the best long-term solution.

Sixth, finance needs to be the servant of the economy not its master. The too big to fail banks must be cut down to size before they bring the temple crashing down around them. Some countries, Germany is one, do well when it comes to having banks that support local manufacturers. Britain's financial system is dysfunctional; too much money goes to where it is not needed, not enough to where it is. I would split the banks into retail and investment functions and force them to licence new potentially dangerous products in the way the pharmaceutical companies have to.

Seventh, We have to do something about the imbalance of power between labour and capital. Remember my story of the arctic hares and the lynx. The lynx eventually starve if they kill off too many hares. Full employment, stronger trade unions, collective bargaining: a combination of these would help redress the imbalance.

These are seven practical steps. I could have listed others – such as action against pay day lenders and the possibility of a debt amnesty - but I want to end tonight with three final thoughts, three things that we must recapture.

We must recapture language. Over the past two or three decades our discourse has become suffused with the language of the market. Think of the times you hear: the bottom line is this, I don't buy that, that an idea doesn't wash its face, that efficiencies need to be squeezed out of the NHS or the police force. The market is not a natural phenomena, like a blizzard or a heatwave; it is a social construct.

We must recapture a sense of ethics and morality. In part that's a sense that some things – soup kitchens in the midst of plenty; mining companies colluding with crooked politicians while African schoolchildren go hungry – are wrong. Somewhere or other we have lost our sense of outrage. We need to get it back.

Finally we must recapture something precious. It's said that this is a deeply cynical age. I don't agree. We are not really in it just for the money. Instead, nearly all of us want to be better people and to make the world a better place. One of my favourite Greek myths as a child was the story of Pandora who let all the horrors out of the world when she could not resist the temptation to open the box. But what was the last thing out of the box? Hope. It is hope that keeps us going. And it is hope that will help us sort out the many problems we face.

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