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Kirsten Garrett: The Cheltenham Literature Festival in the United Kingdom has become an important international event, with people attending in the thousands. At this year's festival, the European Lecture was given by former economics editor of The Guardian newspaper, Will Hutton. Will Hutton is also a former editor of The Observer, a columnist, author and Chief Executive of the Work Foundation.

Hallo, I'm Kirsten Garrett and this is Background Briefing.

Will Hutton's speech was an argument that Britain retain its core values, and its connections with a European social framework. As the world shapes itself over the next few years and faces economic and military crisis, there is a European idea of the good society that must form the benchmark for politicians to succeed, he says. Britain must align with Europe, not America.

Will Hutton: In the Bush doctrine, that 50-page statement by the State Department, setting out what America's foreign policy would be over the foreseeable future, and reserving the right to pre-emptively and unilaterally, militarily engage with countries that the United States considered to be a rogue State, or constitute a threat in some way to American security, in which the American President would be judge and jury of whether or not they constituted a threat to American security, a chilling enough view of international relations in my view, there was also embedded in that doctrine a judgement about what constitutes the benchmark, if you like, of the good economy and good society. And that was absolutely overtly, the way the American organised their economy and the way they organised their society, and the way they organised their democracy. That's the benchmark in the Bush doctrine by which the rest of the world will be seen to or not comply with good standards. And for me, what I want to use this lecture for, is to assert that there is another way of organising economy in society, that actually for all our differences, there are many that we in Europe have a different approach to organising our economy in society. And that in many respects, if you start with the values that we in Europe have, I believe the outcomes are at least equal to if not superior to those, in the United States.

Moreover within the United States, and here's another reason why I think the next two or three years are going to be the most important in setting the likely geography of events in the first two decades of the 21st century, within the United States itself, there is a fierce argument about what constitutes the good economy and good society, and what America's relationship should be with the rest of the world.

It was Bill Clinton, at the Labour Party Conference the week before last, it was Al Gore the week before that, it's Senator Daschler, the majority leader in the Senate, Richard Gephardt, the Democrat leader in the House of Representatives, all of whom have insisted that the United States must engage with the rest of the world multilaterally, and that any attack on Iraq must be multilateral. Legitimate within the framework of international law according to UN resolutions. That is not the view of the Pretorian Guard around George Bush Junior, whether it's the Vice President, whether it's the Secretary for State for Defence, whether it's the intellectuals and think-tanks and corporate defence interests around them, they take a different view. Their view is that America has a responsibility to itself above any other, but also to the world, to impose at the limit, this view of what constitutes the good economy in society on the rest, and to act not just unilaterally, but pre-emptively, to assert that view

Now within America this argument is really dichotomising between the two great seaboard, the East and West seaboard, the areas around the Great Lakes, and the rest of the United States. Within America, there are people who would agree with me. Actually it shouldn't be ever forgotten that Al Gore won a majority of votes in the 2000 Presidential elections, who would agree with me that actually what I'm going to lay out in the next few minutes and the values that underpin a good economy and good society, are ones America shares too. But this argument about, if you like, how globalisation should be governed, whether it should be governed multilaterally in all its manifestations, the security dimension, and the environmental dimension, the economic dimension, the financial market dimension, or whether it should be run around American interests and preoccupations unilaterally by the United States, is one battle that is being joined now, and I've absolutely no doubt there's no question, that is British national interest, that we assert the multilateral way of doing things. We as a country benefit from globalisation governed this way, our entire relationship to international law, our relationship to the rest of the world, demands that we take that view, and I think that Tony Blair has been playing a very risky game in aligning himself not with those voices in America who share that view, but actually trying to have a place at the Bush Cabinet table, because

he thinks that's the best way of influencing events, even though I think he probably at the limit, shares my view. That's one giant argument that's being waged and the outcomes of which it's not clear what they're going to be, but which are going to be decisive in shaping our world over the next two decades.

And there's another argument about what constitutes, as I say, the good economy and the good society. And here I want to place another proposition on the table: we British may speak a different language from the other 350-million members of the European Union, but we are European too. We like to think that our position with America and Europe is such that the English Channel is as wide as the Atlantic Ocean, and that we sit somewhere between these two great civilisations. I'm going to argue in this lecture, that actually the English Channel really is only 21 miles wide at its narrowest point, and that our history, our values, and our interests are fundamentally European, that all we Europeans have been to the same experience, we've lived under the Roman Empire, we went through Renaissance and Reformation, we expanded internationally at the same time. We built overseas empires, we went through industrialisation, we had our difficulties with the Catholic church, Protestant-Catholic, we industrialised, we urbanised, we produced parties of the working class that champion socialism and some at the limit, communism. And all that has produced at the beginning of the 21st century, a complex of values which all Europeans subscribe to more or less, and that what defines us in Europe is that commonality of interest.

What's been happening in the States, the immigrants from Europe, which took with them European values, is that that remains there of course, but that's been moulded and transformed and over the last 25, 30 years, there's been a phenomenon in America which has begun to mean that there is a definite cleavage in the West between the conception of what represents a good economy and good society. We've watched over the last 30 years, starting in the middle of the 1970s, the rise of the American Right, not just the rise of the Republican party, well that's part of it, not just the intellectuals who supported the nostrums, free markets, deregulation, anti-State, anti-tax, where that's part of it; we saw an assertion of, if you like, and I think this is quite an interesting way of looking at it and so you may find it helpful, in a way the States of the Confederacy, the Old South that lost the Civil War in 1865, have begun to reassert themselves, the centre of economic, social and cultural gravity in the States has moved south and west, and that those southern states constitute a very different way of looking at the world from the north.

There's been that. There's been the influence of money on American politics, which has made it harder and harder to argue for ideas of the social contract for redistribution of income, for assertion of the public interest in the States. This confluence of events with some brilliant politicians, Ronald Reagan exploiting the backlash of the urban working class in the States, against affirmative action, have built a new coalition, a coalition that took Newt Gingrich to power in the early 1990s, and which Bush Junior exploited again in 2000. They don't just hold political power, they actually dominate the country culturally, they dominate it intellectually, it's become very difficult indeed in the States to say, 'I'm a Liberal and I'm proud of it', it's almost a tag as bad as being a communist in the era of McCarthyism.

Now this has constructed a very different set of values at the centre of American policymaking, although as I say, the country is very divided. The arguments between Democrats and Republicans, between liberals and conservatives in the States are as acute as they've ever been in that country, because these arguments go to the heart of what it means to be an individual in society.

Now let me just run through what I think the three great clusters of values are that unite Europeans and which American liberals also passionately believe in.

The first is a belief in the social contract. A belief that there is such a thing as society and that all human beings, because they don't know, if you just conduct a little thought experiment, if you just all think of yourselves now, imagine that you didn't know that you were going to be born into a family living in Cheltenham, you couldn't tell, that you had no idea what the circumstance of your life would be, you were just ignorantly making a judgement about what kind of society you would want to be born into. Question: would you want it to have some guarantee of minimum income? Would you want it to underwrite your social rights? Would you want it to have, not knowing whether you going to be rich or poor, would you want it to have a health service providing health for everybody free at the point of use? Would you want it to have an educational structure which gave every child an opportunity to maximise his or her potential? Would you want it to be understood that be you high, be you low, there will be a roof over your head, and not just subsistence income, but reasonable income, by which you could live?

Now Europeans answer that question, Yes. Passionate belief that a social contract is the precondition for living in a just order. American liberals agree. American conservatives say No. They say that that is immoral. They say that

the redistribution of income from those who work really hard and thus show themselves to be moral beings and industrious beings, to those who have not worked hard because they are poor, morally undercuts the moral basis of that society. They say that the agency that would actually enforce such redistribution or put in place the social contract, must be the State, and the State is definitionally coercive, that there is no difference between the State of the Soviet Union, and the State of the Gulag, the State of Communist China, and a State which puts in place a social contract. At the limit, they are all coercive, they constrain individual liberty, and individual liberty is the value above any other which a society must embed.

Now these are two different views of the world, and they've become very harshly into focus over the last 20 years. From America we are told that the Welfare State constructs dependency, that the Welfare State is immoral, that the best kind of education is private rather than State, that one shouldn't actually provide a universal health system, because people should be incentivised to look after themselves, that they will become more responsible beings. And that view of the world has actually become through the IMF, through the World Bank, through the pages of our business press and our broadsheets, has bit by bit by bit become part of the international consensus. And we in Europe have been told that our social contracts are actually things that are burdens. They're costly, they get in the way of our competitiveness, they generate unemployment, we should minimise them, we should follow the American way.

Now even if it were true, and I'm going to prove that it's not true, but even if it were true that European social contracts created all those economic problems of unemployment and poor productivity, in fact Europe, as I'm going to show, is a high productivity area. Even if it were true, the social outcomes that are produced by that social contract are well worth having. You will all know that for example, life expectancy for men in every European country is greater than life expectancy in the States for men. Even though the Americans spend half as much again on their health as we do in Europe, and the reason for that is that 42-million Americans don't have any health insurance whatsoever. You'll all know in education, that although the top American universities and schools are absolutely the best in the world, without any question, that the public schools, the State schools in America, particularly the State schools in run-down cities, are absolutely terrible. As a result, 46% of American 18-year-olds, have no vocational or no academic qualification. Everywhere in Europe the figure is 10% or lower. We just do things differently in Europe, and here's the real killer piece of information which I didn't know until I began writing my book:

Social mobility in Europe as a result of our commitment to our social contracts, and our universal education system, is higher than in America. The land of opportunity is Britain, France, Germany, Italy, Holland. Your chances of moving up in our countries are much greater than in America, the alleged land of opportunity. The exit rates from poverty, from the bottom 20% in America are lower than in every country in the EU. If you're born the wrong side of the tracks in America, if you're brought up in some trailer park, if you're brought up in some tenement block, your chances of exiting that are close to negligible.

Meanwhile at the top, those wonderful universities that pay such fantastic salaries to their academics, are producing a new class of rich who are becoming self-perpetuating. If you want to go to Harvard it costs \$35,000 just to pay the fees and accommodation before you actually have your living expenses. That's about 22,000, 23,000 pounds. The average cost of going to one of the private universities in the States is about 17,000 pounds a year. Apart from Harvard and Yale, not one of those universities can provide the loans and the grants to help students through their university period in the States. As a result, you either have to work and actually making the kind of money you now have to make to pay those fees and accommodation even before actually your living expenses, is incredibly hard. It's best if you come from a rich family. In 1980 you were four times more likely to get a college degree if you were rich than poor. In the year 2000, ten times more likely.

I got a note from Bill Gates Senior and Warren Buffet, who are the two billionaires behind this, 120 billionaires in America, having watched the campaign for responsible taxation, they want to increase inheritance tax, resist any further cuts in capital gains tax because as Warren Buffet says, 'The way we're selecting and the next generation of people that top American society, is as if we selected the American Olympic team in 2020 from the sons and daughters of all those who won Gold Medals in 1996 and 2000.' And I got a little note from him saying how much he liked my book, believe it or not, and a draft of a piece on a forthcoming book that he's co-authored with Bill Gates soon, on the case for really having a big inheritance tax in the States to actually promote social mobility and opportunity. The billionaires understand how much of a grip they've got in the upper echelons of American society, and we in Europe still believe that we somehow are the continent of class, the continent of privilege, the continent of less opportunity, the continent of less mobility. But because of our social contracts and our insistence of

standing by our social contracts, we are the continent that now offers ordinary men and women the opportunity that is not offered in America, and that is a tough thing to say. And when I wrote it, earlier this year, a lot of right-wing commentators in Britain obviously thought I needed my head examining, because that couldn't be true.

But the difficulty is that I scoured every piece of data. What there is, and by the way there should be much more, because there's a lack of inquiry by American social scientists into their own country, and what there is completely supports my thesis. All you could say was that impressionistically or anecdotally it couldn't be true. And one of the arguments used against me is that 'Look at Bill Clinton' or 'Look at Jimmy Carter, they came from humble families and became President of the United States of America', to which my counter-reply is 'Well look at John Major, he came from a humble family and became Prime Minister of Britain.' You know, you could always find one person. One of my great-aunt's closest friends smoked 50 cigarettes a day and lived till 85. That doesn't prove that smoking isn't bad for your health.

But this social contract, our critics say, is actually very bad for productivity. And you all know the story. Europe is sclerotic, high unemployment, all the rest of it. It's lost its dynamism. Here there is another value system which unites all Europeans, and it comes from the Catholic church, it comes from socialism, it comes from being a settled continent for 2,000, 3,000 years. We understand that there are limits to the degree to which the wealthy and the propertied can declare independence from the society of which they are part; that they have reciprocal obligations to the society of which they are part. We believe, in Europe, that enterprise, it's brilliant to have enterprise, and brilliant to have enterprise operating in free markets, but it's not a licence to do whatever you want, that actually organisations, business organisations, have to live by the same value system, fairness and justice, organisational justice, as the wider society beyond.

Hence we get very ratty about, even in Britain, which is meant to be much more like America than France and Germany, we get very ratty about high levels of executive pay. In the States, Senior Chief Executives make 450 times the average blue-collar worker in the States. In Britain, the figure's gone up from 25 times to 40 times over the last 15 years, and there's enough complaint about that. I don't believe the people of Britain would countenance the gap that now exists between Chief Executive pay and blue-collar pay in the States, it would be impossible to reproduce that in Britain, and correctly so.

Kirsten Garrett: You're listening to an edited version of The European Lecture at Cheltenham Literary Festival in Britain in October. The speaker is former Editor of The Observer, Will Hutton. His latest book published in England this year, is *The World We're In*, and it is, he says, a declaration of interdependence. One of the pillars of modern society, he says, is big business organisations.

Will Hutton: Great business organisations are that, they are great organisations. And if you're going to run an organisation, you understand very quickly that there's enormous tension between sweating the assets hard and paying your workforce brutally and making them unemployed whenever the economic conditions look poor. And actually trying to build an organisation which has a social view of itself at its core, what I call an organisational reason to be. And great organisations in Europe and America, have that organisational reason to be. One of the things I look at in the book is Boeing, a great company that was founded by a great engineer and a great American, William Boeing. And in the 1960s bet the entire value of that company in conferring on the world the jumbo jet. It nearly made that company bankrupt, it was a technological, breathtaking thing to do at that time, and very nearly it did make Boeing bankrupt, but no-one in Boeing thought a thing about it, except it must be done, because it was the Boeing way. Of course Boeing as a company committed to building the best planes that flew furthest, fastest, most safely, must do this. That's what you got out of bed in the morning to do, that was its organisational reason to be.

Spool the clock forward 30 years to now, and think about Boeing, and think about Airbus. Boeing has been asked to be, by the rise of the American Right, the new view in Wall Street that actually all that counts is maximising shares value, and maximising profits for the shareholders, it's ceased to be a company dedicated to engineering excellence, building brilliant planes. The new A3-80, the 750-passenger strong workhorse that will fly from capital city to capital city, is going to be built by Airbus. In fact all of the innovative new planes are going to be built by Airbus. Airbus has now got a longer order book in every category of aircraft manufacture than Boeing, and it has a much lower subsidy than Boeing. It doesn't get the fat defence contracts, and the free cheques to fund R&D that Boeing gets, but people who work for Airbus like they used to do at Boeing, believe they're doing something fantastic, they're building great planes to serve an idea of aviation, to serve an idea of travel, to serve an idea of mobility, to serve an idea of what it means to be in the 21st century, they're not just profit maximisers.

And when you look around the world at great organisations, I'm always struck by Unilever, which I think is a great British organisation, a Dutch-British organisation. When they founded Unilever in the 1880s, they put at its core its purpose, not to maximise profits, Unilever's purpose is to build the best everyday things for everyday folk. You talk to directors of Unilever and executives of Unilever, and they all know that still. Some of its factories are committed to diversity, committed to promoting anyone who's able. The most productive factories anywhere in the world, even here in Britain. Great organisations have that at their core, because they're not just about buying cheap, selling dear, sweating the assets, maximising shareholder value. And I contend that the great story of the last 35 years, and here's another surprise for you all: in the mid-1960s productivity measured as output for every hour that was worked, across the EEC of the six, as it was then, was about two-thirds of America. A generation later, and the EEC, now the EU, has overtaken America. France has higher output per man hour, so does Holland, so does Belgium, so does North Italy, so does Germany, except there are bits of East Germany that have just recently joined; Scandinavia, level pegging. Even Ireland's output per man hour has now jumped to match that with America. And do you know the one country in Europe where the gap remains as big as it was 35 years ago, and which is under Mrs Thatcher and to a degree under Mr Blair, following the American way, do you know what that country is? You know, it's us. We've not set about building great business organisations that want to marshal people, that want to invest in the future, that want to be here tomorrow, to think about what it is to be a great organisation, in the same way the old best of American corporations used to do and the best of the European corporations still do. We've chased this nation, so that all that matters is to create a 'higher and fire' culture, a culture in which directors can make themselves enormously rich, as if that is all we need to do to create productivity and enterprise. It's a much more sophisticated and subtle nation, and anybody, and in my new role as chief executive of the Work Foundation, I spend a lot of time now with directors and chief executives of other companies, and when we sit down for lunch or supper or meet, their preoccupation is exactly the one I've described. They say how the City are breathing down their necks to insist they raise their profits every quarter, is making it all the more harder to run an organisation rather than easier. They all are questing for a way of actually imparting to the people who work in the organisation that this is a great thing to do, that these are great organisations, and they want to do that. That's what's on their mind. What's not on their mind, and it's surprising, you'd be astonished, all of you, that what's not on their mind is the agenda that you get from the right-wing economists, that all they want to do is to break trade unions and pay as little as they can. That's not what's on their mind. They want to build great organisations that here tomorrow and have a purpose.

And they understand that that's the key to getting this productivity growth. And that productivity by the way went on during the 1990s. Over the 1990s productivity measured, properly measured grew by 1.8% every year on average in the EU, against 1.5% in America. So even with that enormous stock exchange bubble, even with all that growth that took place in the last four or five years, even with the IT miracle, even with the dotcom alleged miracle, even with all those jobs that were generated in America, still the European, the tortoise, steadily investing steadily looking after people, steadily having a social view of what enterprise is all about, outstripped that hare. And that hare, that American hare, with the bubble imploding, yes bubbles can implode; can bubbles implode? I think bubbles deflate. Bubbles can be pricked and deflated, I think we'll leave implosion aside. And with the pricking of that bubble, it becomes more obvious that that American hare had profound defects in the way it organises economy.

And what about the last value system that actually I think connects all Europeans and which we in Britain in many respects are more European than almost the Europeans, and that's a belief in what I call public-ness. The idea of the public realm, public-ness. Now public-ness is not just about democracy and politics and political debate, although that's part of it. Public-ness is the great nation that emerged in the Enlightenment. We can argue, we could debate the great philosophers of the 1760s, and 1780s discovered, we don't have to take it what the Catholic church says, we don't have to take what the King says, we can argue, we can experiment, we can attempt to construct arguments which may or may not be wrong, we can test them against reality; testing them against reality has to take place in a public place. Public-ness. Public-ness is the quality in a public footpath; public-ness is the quality of the BBC; public-ness is the nation in a human genome project that that fantastic information that we in Europe, alongside in partnership with America, mapped the Book of Life, as it's called, we in Europe wanted that information to be free to humanity. Public to humanity. The Americans argued it should be privatised and patented and given to giant corporations so they could exploit it. Public-ness against private. This notion of public-ness is deeply embedded in my view in the West's view of itself. It's the great notion in Aristotelian writing between the private, the household, the public realm, the polis, where you argue and debate. None of us are only private beings. We need public-ness in order to complete, to connect, to express our interdependence.

Now that's a value which is absolutely at the core of us in Europe, and it's in the States that is within the liberal tradition, a powerful commitment to public-ness too. But the conservative tradition argues that public is coercive, that any expression of the public apart from political exchange in a political democracy, and of course you must have that, but to go beyond that, to say the States should do this, or the committee should do that, that's to get in the way of individualism and liberty, and that those are the values that any civilisation must hold at its heart.

One of the great American philosophers of the Right, Leo Strauss, argues precisely this point. By the way Paul Wolfowitz one of the hawks on Iraq, John Ashcroft, the Attorney-General, some of the closer advisors to George Bush, are Straussians. Strauss argues that the just society is not about redistribution, or about the rule of law, it's about you, sir, and you, madam, being a moral being, and the way you demonstrate your morality is that you work hard and you worship God and you have no truck with the State, you accept no welfare cheque, and any society constructed around that model is amoral and incorrect. And we in Europe don't take that view. These three great classes of values: the social contract, an idea of enterprise and the notions of obligations of rich to poor, idea of public-ness of the public realm, underpin what we in Europe do, and I submit that the core value that links all those three things is interdependence, either expressing it or doing it.

Kirsten Garrett: At this point in his talk, Will Hutton addressed one of the points made by his critics, a point about unemployment in Europe as compared to America. Hutton points out that 7 of the 15 European countries have lower unemployment than America, but he concedes that in the other 8 there are problems, and there have to be changes to policies so as to create more jobs and encourage more people into the workforce. The full arguments can be found in his book, 'The World We're In'.

Moving on to other criticisms, Will Hutton.

Will Hutton: Next criticism about Europe, made by the American Right in the wake of September 11th. Europe is the dark continent, the Holocaust and anti-Semitism and racism hangs over us. That our attitude that France's vote for Le Pen, that Holland's vote for Pim Fortuyn that Denmark's vote for the People's Party are all part of a dark side of Europe, and that the temptation to reproduce what was done in the 1930s and 1940s is ever-present in this dark continent.

Well I think that's a misunderstanding of some of the things that have gone on, and the pot should not call the kettle black. And we've got to do better in Europe. We've got to find a new rhetoric about asylum seekers, we've got to find a way of actually coexisting with the Islamic community, and we have to recognise our weaknesses, and they're there. But there were 200 years of slavery in the States, the treatment of American blacks even now is still appalling. There's 4.3-million people in American jails, 2% of the adult population, and most of them are black. Of the 3,000 a year being on death row, the vast majority are black. When you go to an American prison, those 4.3-million, you become a felon, and most states in the union, once you've been to prison in America, you don't get your civil rights back, and there's an enormous population of felons in America, both in jail, you've left jail, you don't have the vote, and the vast bulk of those felons are guess what the colour of their skin is.

We in the West have got to be very careful indeed throwing around these insults at each other. We have to recognise that neither America nor Europe have got much to boast about in this quarter.

Then the last two criticisms, and I'll bring my comments to an end. The European Union is undemocratic, non-transparent, the institutions that Europe is building to incorporate these great values, are an offence to any idea of democracy. To which I have two replies: First of all that's hyperbole to the nth degree. The European Commission has really only two competencies, trade, competition. Everything else is done by the nation state, substantively. Tax, defence, health, education, criminal justice, culture policy, sport policy, you name it, that's done by the member state. And trade and competition policy are very dull, and most people don't take much interest in them, even when they're done at national level

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The only way however that the European Commission can get any of the things it wants done, it can't tax, is to

regulate, and any regulation on trade, any injunction or directive it gives on competition can only be implemented through the National Parliament and National Government of a member state. So within the European Commission system, that's transparent, it could be tested by the European Court if you don't like, is the European Parliament as a watchdog, there's all that process, and on top of all that, it has to go through each member State in order to happen. Actually it's unbelievably transparent, and very democratic. It is just hyperbole from the Right, enemies of the nation that we must express interdependence. Name-calling things that are much more better run than anyone acknowledges. Is it perfect? No, it's not. Should it be reformed? Yes it should. Should it be more transparency, democracy and accountability still? Yes, there should. But, question: Do you engage with it to pull those reforms off, or do you walk away from it and say 'A plague on it, I won't go near it' like The Daily Telegraph or The Daily Mail?

I insist that in an era of globalisation if you believe most of what I've said and you believe in this notion of interdependence being a value that we must express, and which we in Europe hold at the core of our civilisation, then constructing institutions at European level, that attempt to express that interdependence, and champion nations of multilateralism abroad, is an essential thing to do. So far from walking away from it, our obligation is to engage with it and to act upon those criticisms when they're valid and change and reform.

Last it's said that Europe is feeble. We're the herbivore. Who do you call in Europe when you want something done? Says Mr Kissinger. We don't spend as much on defence, and in this argument with Iraq we've been worried about seen to be legitimate, seen to behave multilaterally, and here my reply is unambiguous. It is true the European Union, because it believes in interdependence, because it believes in multilateralism, is hesitant about war; believes in legitimacy. And I think that we are right to make that argument. Think about Iraq. Suppose we go into Iraq without a UN resolution. Suppose the British government, the American government send 20,000 men into Iraq and we'll win actually because we've got the weapon systems that will overwhelm Saddam. We could win actually in very quick time, we could win in six weeks. What happens next? Who's going to succeed Saddam? We've acted unilaterally and pre-emptively, we've got to put someone in place, a regime in place. Anybody we nominate is going to be seen to be an American Anglo puppet and have zero legitimacy, not just with their own people, but with the Arab world around. We're going to be stuck there for years and years and years, defending the indefensible rather like we tried to do in South Vietnam in the 1950s and 1960s, until finally we'll pull out. Legitimacy, respecting the rule of law is not just a moral obligation, it's a matter of self-interest. Interdependence abroad, interdependence at home. Those must be the values with which we seek to act in the 21st century, because if we don't, then it's an open door to the creeds, the loyalties of race, blood, tribe, nation, winner take all, survival of the fittest, the strong rules. That can't be the framework for the 21st century, and we in Britain have to stand up and say so. We have to stand up and say that interdependence underpins the way we're going to run our hospitals and schools and transport and pensions. Interdependence is going to underpin the way we run our great organisations in the public and private sector alike. Public-ness is something we're going to hold dear, we're not going to privatise every damn thing that moves. We're going to insist on working with other Europeans who share our values, to build great institutions that incorporate those values, and we're going to champion them in the way that globalisation which is enormous opportunity, is governed and regulated in the years ahead. That must be what we stand for. Must be what we stand for. It's what we believe in, it's what we are, it's what our civilisation is about, and as I said at the very beginning, it's under threat. It's under threat from the new orthodoxies that have come from the very particular and eccentric philosophy of the United States, and that means that we Europeans have to engage with and argue with America and we do it better if we do it by acting, together so that we sing from the same damn hymn sheet.

So that's my view. We should understand our European-ness and we should work with other Europeans to construct a society and economy at home and abroad which we really believe. Thank you very much indeed.

Applause

At this point, Will Hutton asked for questions from the audience. The first person said that he did not share Will Hutton's optimism that Europe could retain its kind of society in the face of the energy and power of the large global corporations. At the core of Will Hutton's argument is the idea that capitalism can be reined in, but the questioner suggested that free markets will insist on no government constraints at all.

Will Hutton: On this first point, that very good point. I may talk to the CEOs and they may profess this good behaviour intent, but actually capitalism has iron laws which compel corporations to play the game in a very capitalist way. And you all have to make up your minds about this, because there's a very purist view about

capitalism on both the left and the right, which takes that view. And I've got myself in a lot of trouble over the last ten years, both in this book I've just written in arguing that you can have the profit motive, you can have the market principle, you can make very distinct economic and social choices within it, and that capitalism isn't just comply to kind of Marxist iron laws but actually you can shape it and contour it. Now that's my view and in a sense actually, everything you've heard about the economic and social model is predicated upon that. If you don't buy it, then a significant part of my argument falls. And the reason why I try to argue that I'm right on this, I that first of all Marxist predictions went wrong, there hasn't been a kind of millenarian moment of revolution where capitalism is right at a point of crisis because capitalism has demonstrated its enormous adaptability, and one of its adaptabilities is conforming to the social mores and moral principles of the societies in which it operates. That I think is a truth about capitalism which means that you can configure it.

It also think anyone who's worked for an American corporation or an American investment bank or actually some European enterprises run along those lines, and actually also worked for a European company or corporation, people who work for Boeing and Airbus will tell you they're very different cultures and very different corporations. So that's my answer to you, but I recognise that the contrary view is passionately held, and we're talking first principles here and it takes longer than two or three minutes. But thank you for that question.

One more question perhaps and then we'd better stop because I know people have got to go.

Woman: You said that globalisation gave massive opportunities. I can't see what they are. Can you give us some idea?

Will Hutton: Yes, we in Britain have been a huge beneficiary of globalisation. It's obvious in the south east of England, I mean it's not just the financial markets, it's our role with media, it's our role at airports, our auction rooms, the foreign students that come to our universities and go to our teaching hospitals. I would say that the reason why the country's done quite well economically the last seven or eight years, is because we have done so well at globalisation. Now the dark side of globalisation is twofold: one, it's not governed and it's very unjust and unfair in the way it throws its benefits about, and which lead me to the second unfairness: globalisation is the handmaiden of ferocious inequality. And I'll finish off on this note. I think that inequality is the sleeping dog in British politics. I don't believe that whether it's our children who can't buy a house or a flat in a place like Cheltenham until they're in their 30s, whether it's people in their 40s and 50s worrying themselves sick about what they're going to live on on retirement, because pensions are so insecure. Whether it's the competition. As state schools get better, the competition by state school students for the limited number of high quality places at universities is going to lead to a huge shout from people who've been paying for private schools, but it all being unfair and a huge shout from those who have been working hard at state schools how unfair it is that so few of them get to these top universities still. Inequality, and how to deal with it is going to become the real hot issue in British politics, and we're going to be reminded again that in our approach to inequality our attitude is fundamentally European, and the prizes will fall to those politicians, those institutions that can manage the emerging crisis best but it will be managed best I believe, if the kinds of things I've been saying today are really taken to heart.

And that's it. Thank you enormously all of you. I really enjoyed it.

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