The Second Invisible Hand

Local Trust Community Power Lecture

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PRO BONO ECONOMICS

THE SECOND INVISIBLE HAND

I am delighted to be delivering this inaugural Community Power lecture, organised by Local Trust.

Since 2012, Local Trust has been doing fantastic work to support community development across the UK.

Initiatives such as its Big Local programme, operating across 150 neighbourhoods, show us the way forward in making good on the Government's levelling-up agenda.

But plainly there is much further to go in enhancing community power and spurring community development if the large and long-standing problems afflicting the UK's left-behind places are to be tackled.

Indeed, I think nothing short of a fundamental rethink and refresh of our model of capitalism is needed.

A model I will call *community capitalism*.

A model which places community centre-stage.

A model guided not by one invisible hand but by two.

In this lecture, I want to begin to prepare the ground of this new model.

First, by setting community power in a somewhat broader historical and ideological context.

And then discussing some specific steps that might be taken now to strengthen community institutions and infrastructures.

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It is a particular pleasure to be giving this lecture in person at the RSA in the splendour of the Great Room, where I am delighted I will in future be spending more time.

The RSA has always been a broad church, politically and ideologically.

Indeed, this has been one of its great strengths over the past almost 270 years.

The RSA counts among its former Fellows Adam Smith – for many the founding father of Liberalism; Karl Marx – for many the founding father of Communism; and Edmund Burke, for many the founding father of Conservatism.

The RSA spans the ideological divide.

There are many ways of thinking about the differences between the ideologies of this eclectic band of former RSA Fellows.

Are society's problems best tackled at the level of the individual (Smith), the nation state (Marx), or the community or institution (Burke) – the micro, the macro or the meso?

What is the best binding agent when collective societal solutions are required – private contract, state constitution or community covenant?

What, in short, is the appropriate balance to be struck between the market, the state and civil society?

The Covid crisis has seen all three transform themselves, at pace and at scale.

This makes it is an opportune moment to be re-asking the societal questions which, in their own way, also engaged Smith, Marx and Burke.

How is the weight currently distributed between the market, the state and civil society?

Is some rebalancing needed? And if so, in what direction and how?

These are of course massive questions which I cannot hope to do justice to here.

But I hope this can be the start of a conversation which you in this Great Room, and the RSA, can continue to contribute towards.

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It was Adam Smith, of course, who opened our eyes to the invisible magic of markets.

In the *Wealth of Nations*, published a year before the Great Room was opened, he described how individually self-interested actions, guided only by the invisible hand of market prices, could deliver a collective outcome that was both efficient and equitable.[1]

This was an extraordinary assertion-cum-judgement, one which at the time must have appeared almost mystical in its implications.

And yet, 250 years on, we now have a plethora of evidence, both theoretical and empirical, to back-up and explain the mystical magic of markets.

In economic theory, we give the idea that decentralised markets deliver collectively efficient and equitable outcomes a special name - the First Fundamental Welfare Theorem.[2]

But it isn't just theory of course.

Those same market mechanisms have formed the bedrock of the capitalist model that has operated since the Industrial Revolution in the UK and beyond.

These mechanisms, once unleashed from the 18th century onwards, resulted in an extra-ordinary inflexion point in the fortunes of our economies and societies.

Having flat-lined for millennia beforehand, living standards have risen around 15-fold since the dawn of the Industrial Revolution.

Lifespans have doubled. Those in global poverty have fallen from over 90% to single figure percentages of the global population.

Society was not just enlightened by Smith and the magic of markets, but uplifted by them in fashion that has no near or even distant comparator in human history.

To a significant extent, market-based capitalism explains this inflexion point in societies' fortunes.

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[1] Smith (1776).
[2] Pareto (1906).

But the success story of the past 250 years has of course not just been a story of the magic of markets.

It is well-recognised by historians, theoreticians and empiricists – and indeed was well-recognised by Smith himself – that markets have limits.

Often they can fail or misfire and sometimes they are missing in action entirely.

Those frictions cause us to deviate significantly from the theoretical nirvana defined by the First Fundamental Welfare theorem.

And it is those failures that then typically justify state intervention to secure the public good.

That might take the form of property rights to secure the fruits of innovation and commerce, or regulation to avert rent-seeking and rigging of markets, or state provision of public goods to prevent free-riding, such as national security, health and education.

So in explaining the spectacular societal success story of the past 250 years, we have both the market and the state to thank, a nod and a wink to both Smith and Marx.

And mirroring that success story, almost all countries around the world now operate a mixed-market model, with the state and the market co-existing and co-creating, if not always necessarily co-operating.

These days, ideological difference are typically defined as points along this market-state spectrum.

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Yet, as put, this framework misses something fundamental out of the ideological equation.

What about societal problems that are best solved neither at the individual nor at the state level, but rather at the meso or *community* level?

What about situations which call for a binding agent which is *covenantal*, based on unwritten trust and relationships, rather than written contracts or constitutions?

Where, in short, is the third actor – Burke - in this RSA Fellows' play?

This missing bit I call the "second invisible hand".

The second hand is guided neither by market prices and individual self-interest, nor by state direction and diktat.

It is guided instead by social values and the common good and operates at the community or meso level.

This common good is held together by social glue, non-monetary relationships and reciprocity, not by written rules and pecuniary incentives.

It follows the Burkean notion that human beings are neither economic atoms nor state subjects, but rather community-sized bundles of capability and opportunity.

If the first invisible hand is the market mechanism at work, the second is society's fabric being woven.

Both are magical. And both, I shall argue, are fundamental to societal success.

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Yet the very notion of "society" has been a far from a settled one, at least over the past half-century.

In an interview for *Women's Own* magazine in 1987, then-Prime Minister Margaret Thatcher famously said: "There is no such thing as society".

In 2010, then-Prime Minister David Cameron changed the tune with his "Big Society" initiative, an (ultimately failed) plan to revitalise civil society.

And in March last year, in the midst of crisis, Prime Minster Boris Johnson completed the ideological pirouette when he observed: "One thing I think the coronavirus crisis has already proved is that there really is such a thing as society".

Though the direction of travel is clear, I would say even the current Prime Minister significantly understates the case.

And to see that, we need cast our minds back a little further – in fact, a few hundreds of thousands of years.

In the beginning of course, there *was* only society.

Our societies thrived for many, many millennia before anything recognisably like either the market or the state appeared on the scene.

The reason they were able to do so because is humans are intrinsically pro-social.

They are kind and co-operative.

They exhibit what Rutger Bregman calls "Humankind".[3]

Whether this pro-social behaviour is evolved or innate, its implications for how societies progressed and developed were profound and lasting.

It resulted in individual actions being collectivised and co-ordinated in ways which unlocked the benefits Classical economists – Smith, Riccardo, Hume - later discovered during the 17th and 18th centuries.

The benefits of economies of scale and scope, the rewards to specialisation of tasks, the virtues of comparative advantage.

All of these benefits were first unleashed, not in 18th century Enlightenment England, but in small hunter-gatherer communities scattered across the world tens of thousands of years ago.

Then, it was collective community action that delivered critical public goods such as food and security.

These groups typically comprised around 100-150 people – what it now sometimes known as Dunbar's number, defining the maximum number of people humans can reasonably know and trust.[4]

[3] Bregman (2020) *Humankind,* Bloomsbury.
[4] Dunbar (1992).

This trust – the unwritten community covenant – was both the glue to early societies and the key to their survival and success.

Indeed, so great was this success that these collective benefits were soon being scaled.

Communities became villages became towns became cities became provinces, nation states and empires.

As this growth far soon exceeded Dunbar's number, new binding agents were needed to collectivise and co-ordinate action, beyond personal relationships and trust.

And it is then, and only then, that market and state mechanisms began to emerge, as organisational means of locking-in and amplifying the benefits of scale, scope and comparative advantage.

Nonetheless, at root it was and is pro-social behaviour, and community-level action, that sits at the very centre of the evolutionary onion.

In a sense, there is only and can only be society, with the market and state being modern means of organising it.

As put, perhaps that all sounds rather obvious.

Yet it is far from obvious when you assess the contours of today's debates, economically and politically.

In those debates, the old arm-wrestle between market and state tends to dominate discourse.

Civil society, to the extent it appears at all, is typically an afterthought, residual rather than existential, third by both name and nature. You see that in how societies keep score, with much of the contribution of civil society completely missed by concepts such as GDP, defined in purely monetary terms.

You see that in how policy debate is conducted, with the voice of civil society often unspoken.

And you see it in the infrastructures and institutions supporting civil society and communities, or rather the lack of them, which constrain its potential.

I will come back to discuss these failures.

But for now it is enough to know that the second invisible hand – the hand of community, reciprocity, social capital – is, well, largely *invisible*.

And I wish to argue that this invisibility has come at a considerable cost, measured in depleted social capital, foregone economic efficiency and diminished political legitimacy.

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The world is facing many crises, from Covid to climate.

Yet there is another global crisis, a slower-moving one, which has been gnawing away for at least half a century.

It is a crisis in *social* capital.

Even the meaning of "social capital" is sometimes unclear.

Most tend to think of it being rooted in trust and engagement, relationships and reciprocity, communities and civic institutions.

Twenty years ago, Robert Putnam memorably captured the emergent crisis in social capital in "Bowling Alone", a lament to the loss of community capital in the United States.[5]

Almost 5 years ago, former US Surgeon General Vivek Murthy declared loneliness a public-health epidemic.[6]

Two years ago, Raghu Rajan published "The Third Pillar", attributing the fracturing of societies and economies to the loss of community capital.[7]

Diagnostics on subsidence in the Third Pillar continue to accumulate.

They show up in the "deaths of despair" – the sharply rising trend in suicides, especially in the US - discussed by Anne Case and Angus Deaton.[8]

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[5] Putnam, R (2000), *Bowling Alone,* Simon and Schuster.
[6] Murthy (2017).
[7] Rajan, R (2019), *The Third Pillar*, William Collins.
[8] Case, A and Deaton, A (2020), *Deaths of Despair and the Future of Capitalism,* Princeton University Press.

They show up in wide and widening disparities in public health (as successive Marmot Reviews have brought to life) and educational attainment (as Robert Halfon's recent report discussed).[9]

And they shows up too in widening ethnic, political or cultural divides.

Recent excellent research by a number of charities and think-tanks have helped pinpoint the source and location of chronically-depleted pockets of social capital across the UK.

For example, Local Trust's work with the OCSI for the APPG on left-behind neighbourhoods tells a story of almost 2.5 million people across the UK living in places with seriously-depleted social capital.[10]

Recent research by the Bennett Institute at Cambridge points towards chronic deficiencies in social infrastructure in large parts of the UK – from a lack of green spaces and civic places, to a loss community engagement and cohesion, to a haemorrhaging of civic pride and trust.[11]

And the think-tank Onward have developed an index of the UK's social fabric, based on similar factors, which points to similarly deep and lasting tears.[12]

These chronic shortages of social capital and supporting infrastructure correlate strongly with measures of economic ill-health, such as low pay and high unemployment, as Local Trust's work shows.[13]

When community subsides, so too does the economy.

These research findings strongly corroborate my own personal experience around the UK.

I spent several years prior to the Covid crisis travelling the UK's left-behind places – from Ashington to Boston to Cardiff to Derry, to cover only the A to D.

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[9] See Marmot et al (2020) and House of Commons Education Select Committee (2021).

[10] Local Trust (2020).

[11] Kelsey and Kenny (2021).

[12] See https://www.ukonward.com/socialfabric/

[13] Local Trust (2019).

This "deep hanging out", in the language of anthropologist Clifford Geertz, revealed a common and concerning story.[14]

A story of social nutrients being leeched from left-behind places, leaving a barren tundra, economically, culturally.

Moreover, these problems rarely conformed to geographic stereotypes, such as North versus South or city versus town.

Instead these problems were very localised – what Local Trust call *hyper-local* – with extremes of affluence and deprivation often sitting cheek-by-jowl within a given locality.

As all politics is local, so too it turns out is all economics – very local and increasingly so.[15]

And there's the irony.

New technologies mean the world has never been more enmeshed, with more than 4 ½ billion people able to instantly connect, a genuinely worldwide web.

Technology has, in principle, multiplied Dunbar's number more than 30 million-fold and counting.

Yet digital proximity does not in fact appear to have super-charged social togetherness.

Rather, many say it has contributed to the depreciation of social capital, the epidemic in loneliness, the rising toll of deaths of despair, subsidence in Rajan's Third Pillar, more citizens bowling alone.

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It would be a mistake to think, however, this story of the decline and fall of civil society and social capital is a story of the past half-century.

Over the long sweep of history, you see the self-same patterns of success and failure.

[14] Haldane (2019a).
[15] Haldane (2019b).

Let’s take the 250 years since the Industrial Revolution.

This inflexion point in our societal fortunes is not, in fact, a story of transformative technology and a benevolent state – or at least not just that.

The steam engine, the water frame and the spinning jenny indeed provided the technological spark.

And the state did indeed provide the fuel to turn this spark into a flame.

But civil society was also an essential third actor, keeping the flame alive at a time when societal disparities, emerging as a result of disruptive technological change, were otherwise at risk of snuffing it out.[16]

Without all Three Pillars shouldering the load, the great inflexion point of the Industrial Revolution may never have materialised.

And you can go back further still, to the dawn of civilisation, to tell a similar tale.

As the work of Daron Acemoglu and James Robinson makes clear, when it comes to explaining “Why Nations Fail” the answer lies not in a lack of market mechanisms or state apparatus.[17]

Rather, the common denominator behind failure of nation states has been weaknesses in the civil society institutions that serve as a check and balance on the first two pillars.

There is, in Acemoglu and Robinson’s language, a “narrow corridor” of success in which the forces of market, state and civil society are self-equilibrating.

Inside this narrow corridor there is mass flourishing of economies and societies.[18]

Outside of it lies social divide and, sometimes, collapse.

That equilibrium is, at present, being tested.

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[16] Haldane (2019c).
[17] Acemoglu, D and Robinson, J (2012), *Why Nations Fail,* Profile Books.
[18] Acemoglu, D and Robinson, J (2019), *The Narrow Corridor,* Viking.

There are clear signs the weakening of civil society and its institutions is causing us to veer into the outside lane of this narrow corridor, with increasing numbers suffering on the hard shoulder.

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Before ending on the evidence, let me bring us all of the way back from the Ancient to the Modern - to the events of the past 18 months.

Because the Covid crisis in fact provides as good a case study as any in modern times of the power of the Three Pillars.

That was clear, first, in the initial response to the crisis, with a spontaneous outbreak of neighbourliness and a growth of community capital, just as at earlier times of societal stress.[19]

The 4,000 mutual aid groups set up across the UK were proof of that, as were the more than 1 million new volunteers.

In size, these community groups were often around Dunbar's number.

When it mattered most our pro-social, hunter-gather selves re-emerged spontaneously.

We then repeated this medicine – quite literally – when it came to vaccine development and deployment.[20]

Then, we saw all three pillars sharing the load along the supply chain from test tube to GP's surgery.

The market developing and manufacturing vaccines at such pace.

Our public services, from the NHS to regulators, overseeing their quality and administration.

Our world-leading universities and other civic institutions providing the basic science.

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[19] See here, Haldane (2020) and Kruger (2021).
[20] Balawejder, Sampson and Stratton (2021).

And not to forget of course the armies of volunteers overseeing the vaccine distribution.

In other words, we saw the market, the state and civil society acting in synch to deliver the mass flourishing we now see on our streets as people get their lives, jobs and businesses back.

The same magic triangle we have saw at the time of the Industrial Revolution, at the time of mass civilisation, is delivering again today.

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What are the barriers holding back civil society and how are they to be lifted?

And if there is too little co-ordination of market, state and civil society, outside of crisis, how do we bring the two invisible hands into better alignment?

What, in short, are the foundations of a new model of capitalism, with communities at its core?

This model I call "community capitalism.[21]

Others recently have sketched similar models, sometimes expressed in somewhat different language.

Sir John Kay and Sir Paul Collier's recent books have made the case for a new type of capitalism, one putting community action and institutions centre-stage.[22]

Danny Kruger's recent review provided excellent ideas on mobilising civil society, including through a Levelling-Up Community Fund, a subject to which I will return.[23]

And Pro Bono Economics, the charity I founded just over a decade ago, launched at the end of last year a Commission on Civil Society,

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[21] See Haldane here.
[22] Collier, P (2018), *The Future of Capitalism,* Allen Lane; Collier, P and Kay, J (2021) *Greed is Dead,* Penguin.
[23] Kruger (2021).

chaired by Gus O'Donnell and supported by the Law Family Foundation, to explore in depth many of the issues raised here.[24]

As we contemplate those stronger foundations for civil society, it is worth returning to consider some of the organisational strengths of the other pillars, the market and state.

The market, at its best, operates in a fully decentralised fashion with market forces and prices serving as a collectivising device.

The state achieves this collective response instead through centralisation, thereby avoiding individual free-riding in the provision of public goods.

Civil society is a complex organisational hybrid of the two.

Like the state, it seeks to create public goods.

But it does so using the decentralised structure of the market and without the market prices necessary to co-ordinate resources.

The risks in this hybrid model are thus clear.

Decentralisation without market signals runs the risk of failing to achieve critical mass and thereby under-providing public goods.

So how do we break free of the constraints of Dunbar's number, while still leaving governance and decision-making at a local-enough level to support local solutions to local problems using local knowledge delivered by local decision-makers acting with local agency?

The answer to this question has been provided by a number of authors over the centuries, drawn interestingly from right across the ideological spectrum.

From those on the right such as Burke, to those on the left such as Karl Polanyi, to centrists such as Economics Nobel Laureate Elinor Ostrom.[25]

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[24] See The Law Family Commission on Civil Society | Pro Bono Economics.
[25] Polanyi, K (1944), *The Great Transformation*, Farrar and Rinehart; Ostrom, E (1990), *Governing the Commons*, Cambridge University Press.

It is to develop civic institutions, and social infrastructures, which serve as stewards of the community commons and scaffolding for social capital.

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Let me finish with a few examples, from a potentially much longer list, of some of those institutions and infrastructures.

Although it sounds terribly arid, the infrastructure I want to start with is *measurement*.

What is measured matters because what is not measured tends not to be managed.

When it comes to measurement, the larger part of the social and economic contribution made by civil society goes unmeasured for the simple reason that it, often by construction, has no market prices assigned to it.

This is another example of the invisible second hand – invisible, in this case, precisely because of the absence of market prices.

Whereas the National Accounts say that civil society contributes around £20 billion (1% of GDP) to national income in the UK, the true social contribution is, I believe, nearer to £200 billion.[26]

When it comes to measuring civil society's contribution, statisticians have misplaced the decimal point.

This statistical under-estimation has, inevitably, contributed to the relative under-estimation of the contribution of the sector and its neglect in policy and public debates

What is not measured has not been managed, leaving the much of the potential of the sector untapped.

The irony is that much of this activity is hiding in plain sight, on our doorsteps and in our communities.

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[26] Haldane (2021).

Nor, at a statistical level, is this measurement problem an intractable one.

A lot of progress has been made recently in measuring social capital and national well-being.

A separate set of satellite accounts for civil society is feasible today, as set out in research to be released by PBE later this week.[27]

And the adoption of well-being based metrics, as a means of guiding public policy choice, is already underway in countries such as New Zealand and Scotland.

The time feels ripe to change how nationally we keep score, to better recognise both of the invisible hands, to place the economic and social, the monetary and non-monetary, on a more equal footing.

In a sense, this would be a case of taking economics back to its utilitarian roots of Jeremy Bentham and John Stuart Mill, both of whom played a central part in giving the RSA its direction.

Second, when it comes to measurement, what is true of nation states is equally true of *companies*.

Despite progress, when it comes to business reporting, the S in ESG tends to be largely silent.

Social capital – from the health of workers to the trust of customers, clients and communities – tends to go unrecorded, and hence unrewarded, by businesses and investors.

That is despite any company and investor worth their salt telling you these wider stakeholders are vital for long-term commercial success – existential, in fact, during the course of the past 18 months.

As with National Accounting, it is high time to change Company Accounting to reflect a more plural view of success, a more plural set of stakeholders, with ESG for real rather than for CSR purposes.

[27] Pro Bono Economics (2021a).

It is time, in other words, to move away from the shareholder-centric model which has dominated corporate boardrooms for half a century – what is sometimes called the Friedman doctrine.[28]

Indeed, I would go one step further and rethink how we classify businesses at the point of incorporation.

In a world of increasingly socially-purposed business, it is no longer clear to me that the standard classification of business types into charities, social enterprises, B-corporations, public corporations and the like makes much substantive sense.

Indeed, these somewhat arbitrary legal distinctions might even stand in the way of businesses doing the right thing, socially and environmentally.

Often, these distinctions are vestiges of a bygone era, the rationale for them long since lost and forgotten.

Charitable status is a case in point. PLC status is another.

It may be time to look afresh.

If we move from measurement to *infrastructure and institutions*, there are a plethora of potential rich seams to mine here.

As I have discussed elsewhere, improved *digital infrastructures* are one crucial ingredient in improved civic participation.

That might include improved means of recording, recognising and rewarding voluntary activity, especially among less advantaged communities, including through volunteering passports and digital time credits, both of which already exist in some other countries.

It might include new *educational and training infrastructures* to support civic participation on a life-long basis.

As one example, the National Citizen Service (NCS) offers fantastic voluntary opportunities to young people for a limited time period.

To create a genuinely lifelong pathway of civic service, schemes such as NCS would need far-greater scale and to cover people throughout their working lives.

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[28] Friedman (1970).

Coming to the work of Local Trust, any rethink of civil society needs crucially to rebuild the UK's *social infrastructures* – the scaffolding of social capital.

From high streets to parks to museums to libraries to football clubs to community groups.

As the research quoted earlier makes clear, without this social infrastructure left-behind places find themselves stuck in a circle of decline, repelling rather than attracting people and skills, finance and commerce – the raw building blocks of economic success.

Reversing these centrifugal forces is unlikely without a rebuild of social as well as physical infrastructures.

And to do that we need at least three vital ingredients: *finance*, *power* and *people*, each operating at the community level.

Monies, powers and people are the Holy Trinity of community capitalism.

First on *finances*, the problems here are partly of scale and partly how this finance is distributed.

In the Budget earlier this year, almost £200 billion was set aside for "levelling-up".

But more than 90% of this was allocated to physical infrastructure projects, some national, some local.[29]

The Towns and Levelling-Up Funds are steps in the right direction.

But so far the overall spending on social infrastructures is modest, both in relative terms and given the scale of the challenge facing left-behind communities.

The means of distributing money can also pose challenges.

Competitively-bid central pots of finite, short-termish money tend to lock-in the advantages of those who already have resources.

[29] Pro Bono Economics (2021b).

In other words, competitive-bidding can increase the magnetic attraction of the "have" over the "have-not" places, the opposite of levelling-up.

These centrally-allocated pots often also fail to provide the long-term committed finance necessary to deliver long-lasting social infrastructure projects.

This is where Local Trust's proposal for a Community Wealth Fund, or Danny Kruger's Levelling-Up Communities Fund, have I think real attractions.

As a long-term community endowment, they would offer both scale and duration of financing, as well as giving local actors a strong say in its distribution.

The Community Revitalisation Fund, recently announced by Joe Biden in the United States, provides a model that offers similar levels of ambition.

Second, community *power*.

Of the three possible layers of decision-making – the state, the community and the individual – it is clear the middle child has been neglected.

The UK is one of the most centralised states in the Western World, with fewest powers decentralised to regions and communities.

It is no coincidence, then, that the UK is also one of the most spatially unequal economies in the Western World, regionally and sub-regionally.

Through the metro Mayors, some greater degree of regional autonomy is gradually being distributed.

But we are still miles away from the levels of devolution present in other, less spatially unequal, countries.[30]

The current approach to devolving powers differs significantly even across Mayoral Combined Authorities.

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[30] Taylor, Sampson and Romaniuk (2021).

And below that level, at the hyper-local level where the real problems often reside, the picture is more patchwork and piecemeal still.

The current degree of centralisation, and combined with the lack of consistency and comprehensiveness in devolved practices, leads to a patchwork quilt that inhibits local design and decision-making.

A fundamental rethink of devolution practices is needed, with the upcoming White Paper on levelling-up offering perhaps the opportunity.

Finally, *people*.

Even with monies and powers, the capacity and capability of people at grass roots level is essential if local decisions are to be made and delivered, rigorously and effectively.

Yet across the UK's regions and communities, the capacity and capability picture is exceptionally patchy, the legacy of decades of chopping, changing and defunding.

As things stand, many left-behind places simply lack the administrative resource, experience and skills to turn the tide.[31]

A generation ago, the World Bank learnt that development finance is ineffective if it is not accompanied by an up-front investment in local capacity and capability, people as well as projects.

The self-same lesson applies today when it comes to levelling-up the UK.

An up-front investment in people and their capabilities, at the community level, is a foundation stone of making a success of community capitalism.

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Let me conclude.

[31] Regan et al (2021).

I have made the case not just for rediscovering the invisible second hand, but for strengthening it.

At present we are taking on some of societies' toughest challenges – crises in health, climate and isolation, – with one invisible hand tied behind our back.

No tennis player at Wimbledon would recommend that approach - and nor should any policymaker.

Releasing that second invisible hand will require building new institutions and infrastructures.

It calls for a bottom-up approach to re-culturing our economy.

It calls for a community-led approach to re-crafting policies.

And it calls for sweeping devolution to allow locally-centred decision-making.

But success also lies, as importantly, in co-ordinating much more deliberatively the arms of policy - social and physical infrastructure, economic and social success metrics, the digital, the educational and the cultural.

Interestingly, that degree of policy ambidexterity is much easier to achieve at the local than at the national level, when there a fewer fidgeting Whitehall fingers.

The best examples I have seen of good cross-policy coordination in the UK have been at the regional and local authority, not national, level.

Two invisible hands for me give us the best prospect of making light work of today's most pressing, hyper-local problems.

Or that, at least, is the lesson of theory and history, distant and recent.

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At the start I painted a picture of ideological divide, viewed through the lens of three former RSA Fellows, the odd trio of Smith, Marx and Burke.

As I conclude, I am going to argue this ideological divide is in fact artificial, at least insofar as the issues I have discussed today are concerned.

My discussion of social values and community capitalism could in fact have been lifted from Adam Smith's 1759 *Theory of Moral Sentiments* – many would say, me certainly, his better book.

Empowering people and institutions to improve social choice would hardly be a sentiment out of place in the writings of Marx.

And the importance of institutions and infrastructures, social as much as economic, is the bedrock of Burke.

By closing those ideological divides, perhaps we can conceive of a new model of community capitalism.

And by putting in place that new model, perhaps we can then begin to close the economic and social divides that occupy us all.

Through the future work of Local Trust, those in this room and, I hope, the RSA, this model could I hope help build back not just better but fairer and kinder.

Thank you.

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