

# **SMF media release: embargoed until 09:30 Tuesday 16 March**

# City Minister calls for “responsible capitalism” after the pandemic

**British banks and other businesses must help build a new model of “responsible capitalism” after the pandemic, a Treasury minister says today.**

**John Glen**, the City Minister, said that the UK must have an open market economy where businesses recognise their “obligations to society.”

Glen makes the comments in a collection of essays published by the Social Market Foundation think-tank in which a wide range of leaders call for a “stakeholder economy” approach to Britain’s recovery from the pandemic.

**Anneliese Dodds**, the Labour Shadow Chancellor, has also written for the collection, backing the “stakeholder” approach and calling for a new “partnership” between government and business.

Other contributors to the essay collection include the CEOs of banks including TSB and Virgin Money, who also argue for business do more to demonstrate how their work benefits not just shareholders but wider society. The collection was compiled in partnership with the Chartered Banker Institute.

The SMF, a cross-party think-tank, said the range of contributors demonstrated a growing consensus among politicians and business leaders about the need for a “stakeholder” model of capitalism.

A stakeholder economy is one where the private sector operates in markets and the state sets rules and expectations for business to take account of the needs of not just shareholders but of stakeholders including workers, customers, suppliers and taxpayers.

In his essay, Glen says that the Conservative government rejects “dog-eat-dog” free-market capitalism and a big state approach in favour of a middle way.

He writes:

*“There is an enormous opportunity before us to continue reshaping our approach to the economy. In so doing we must avoid the siren calls of both those looking to permanently entrench the emergency statist measures necessary in a health crisis, and on the other side those seeking to exploit the crisis to implement a hyper-deregulated, dog-eat-dog capitalism.*

*“Instead we must build a vision for responsible capitalism – recognising that we must harness the power of the market to revitalise the economy and fund world-class public services, while ensuring that corporate actors recognise their obligations to society.”*

Banks and financial service companies can lead the way, Glen argues:

*“As Economic Secretary to the Treasury and City Minister over the past three years, I know that our world-leading financial services sector is ideally placed to showcase this responsible capitalism and help build an inclusive, stakeholder economy.”*

*“If we are to build a true system of responsible capital, there is still much more to do. We need to ask ourselves big questions: What more can financial services firms do to tackle climate change? Can we make it easier for pension funds to invest to help us build back better and greener after Coronavirus? How do we boost the UK’s fintech sector while ensuring new technology doesn’t leave anyone behind?*

**Anneliese Dodds** also says that her party seeks an economic model where businesses can make profit for owners and benefit wider society. That could mean new requirements on companies to report their environmental and social impact, she suggests.

Dodds says:

*“It is only through an honest assessment of the weaknesses in our pre-COVID economy that we will be able to lay the foundations for a sustainable recovery. Doing so will require a responsible approach from government and businesses alike, working in partnership.”*

Part of that partnership involves *“broadening the lens of what good corporate performance looks like, so that as well as returns to shareholders, more businesses are thinking about the contribution they make to our transition to net zero, the responsibility they have to their employees – working with trade unions, investing in skills and development – and the role they play in the local community.”*

**Debbie Crosbie, CEO of TSB,** writes that the pandemic means that businesses, and especially banks, should increasingly be judged not just on financial performance by metrics that measure their social and environmental impact.

She writes: *“Retail banks can help drive an economic recovery which isn’t just about improving the UK’s finances, but about levelling up across the country.*

*“Together, through collaboration and learning from each other, retail banks can help the UK to build back better.”*

**David Duffy**, **CEO of Virgin Money,** says business has a “moral obligation” to do better for consumers on low incomes by stamping out poverty premiums that leave them paying more for goods and services.

**Simon Thompson, Chief Executive of the Chartered Banker Institute, said:**

*“A socially purposeful, ethically professional approach to banking is the ethos on which the Chartered Banker Institute was founded. In fact, we cannot see how banking can succeed if it is not deeply embedded within, and working hard to support, the communities in which it is rooted.”*

**James Kirkup, Director of the Social Market Foundation said:**

*“There is a strong and growing consensus among politicians and business leaders that the future of the UK economy is in the pragmatic centre-ground between the ideological extremes of free-market capitalism and state-controlled socialism. As we recover from the pandemic, sensible politicians and responsible businesses will work together to deliver a stakeholder economy, and the country will be better for it.”*

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**Notes**

* The complete essay collection, *Banking on Building Back Better*, is published on Tuesday 16 March at [www.smf.co.uk/publications/banking-on-building-back-better](http://www.smf.co.uk/publications/banking-on-building-back-better)
* The collection was sponsored by the [Chartered Banker Institute,](https://www.charteredbanker.com/) a registered charity.
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  + Debbie Crosbie (CEO, TSB)
  + Mikael Sorensen (CEO, Handelsbanken UK)
  + John Glen MP (Conservative MP and City Minister)
  + Anneliese Dodds (Labour MP and Shadow Chancellor of the Exchequer)
  + David Duffy (CEO, Virgin Money)
  + Charlotte Black (Non Executive Director, Aberdeen Standard Asia Focus)
  + Chris Leslie (former MP, and CEO, Credit Services Association)
  + Frances Coppola (writer and former banker)