
Nicholas Stern

Lord Nicholas Stern of Brentford FBA is IG Patel Professor of Economics and Government at the London School of Economics, and President of the British Academy. A video of extracts from this interview can be found via www.britishacademy.ac.uk/prosperingwisely/stern



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You did your first degree in maths, and then did a doctorate in economics. Why did you go down that path?

Nick Stern

I always loved the intellectual challenge of mathematics, and I seemed to be quite good at it. I loved the puzzling and the conceptual frameworks that mathematics dealt with; I liked the precision.

At the same time, I was deeply involved in the big issues of the day. I was both a teenager and a student in the '60s. There were some clear issues that we had to engage with – particularly Vietnam and apartheid. I was very politically involved: we were trying to change the world on two very big subjects. Of course, in the UK we were on the front line of neither of them, but this was a generation that was deeply engaged on those issues, and rightly so.

The perceived duty to try to change the world was very much part of my growing up. My mother was at the London School of Economics (LSE) during World War II. My father was a refugee from Hitler, and even with his heavy German accent he became active in local UK politics. At home, it was a very political household. But whether or not it had been a political household, the issues of the day were intense, and we were all engaged. Wanting to change the world was very much part of the time when I grew up.

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When you completed your doctorate, you could not possibly have known where you would end up.

Nick Stern

I finished my doctorate just about the same time as I became a Fellow of St Catherine's College in Oxford, and a tutor in Economics there. I knew I was going to be an

academic then. I think I knew I was going to be involved in public policy, and I think I knew I wanted to work on development – and that characterised my whole career.

How the rest of it played out would have been very hard to predict. That is one of the joys of life. It is central to the work of Friedrich Hayek. He and Karl Popper (both Professors at the LSE and Fellows of the British Academy)¹ tried to explain that the inability to predict is central, not just to the human condition, but also to the way in which economies work and function. Recognising the role of discovery, recognising that we cannot know everything – and it would be a very boring and unproductive world if we did – is key to much of our understanding of the human condition, whether that be through literature, history or economics.

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What did you hope to do with economics?

Nick Stern

I should say that my interest in economics was not just about changing the world, although it was in a major part about that. It was also the fascination of trying to understand how we interact with each other in economic life. Why do some people get paid more than others? As Keynes said, if you want to buy a particular product at a particular time, on the whole you can do it; but what lies behind that whole process? What are the power relations within economic systems, and what do they imply? All those were fascinating questions for me. It was the intellectual fascination of the subject, along with the motivation of (to put it in rather banal terms) trying to make the world a better place.

I can give some examples of that from my own experience. In 1981-82, I was working on tax reform in India, particularly on the idea of value added taxation. About 20 years or so later, reforms in India were enacted, which led to something that is more or less a value added tax – not exactly with that title. Manmohan Singh, the current Prime Minister of India, who first brought me to India – he was a middle ranking civil servant in the Finance Ministry – very kindly gives some credit to my work in bringing that about. Sometimes these things happen with very long time lags.

Later on in the '80s, Tony Atkinson, Mervyn King² and I led a programme of work on taxation, incentives and the distribution of income, which in many ways influenced our subsequent careers. We were doing work on tax reform, which included the merits and demerits of switches from direct to indirect taxation. Before long, that was something that became an issue in relation to the political programme of the Conservative Government of the 1980s.

¹ Friedrich Hayek was elected a Fellow of the British Academy in 1944; Karl Popper was elected a Fellow of the British Academy in 1958.

² Sir Tony Atkinson was elected a Fellow of the British Academy in 1984; Lord Mervyn King was elected a Fellow of the British Academy in 1992.

I led the writing of the report for the Commission for Africa 2004-05, which was the main intellectual basis for the discussion at the Gleneagles G8 Summit of summer 2005, around the campaign to 'Make Poverty History'. That seemed to deliver – not by itself of course – part of the ideas that helped produce a substantial increase in aid for Africa.

Those are a few examples from India, UK and Africa where I have been fortunate to be involved. Much of what I have done has been closely involved in influencing public policy. Provided it is based on serious work and careful analysis – it is not just what you say, it is the analysis that supports it – you can have an influence, and with that comes a responsibility to do your work well.

I got to do the Stern Review in 2005-06, and that was something that seemed to have an impact on discussions of public policy.

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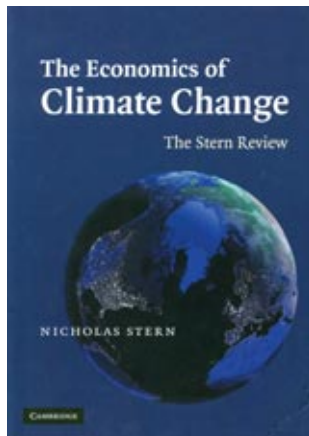
Could you tell us more about the Stern Review?

Nick Stern

For many of us the two defining problems of our century are managing climate change and overcoming world poverty. If we fail on one, we will fail on the other. If we fail to manage climate change, there is a probability – we



The Stern Review on the Economics of Climate Change was launched on 30 October 2006 in the presence of Chancellor Gordon Brown and Prime Minister Tony Blair (photo by Peter Macdiarmid/ Getty Images). Nicholas Stern has continued to publish on the subject since then.



do not know exactly: 30/40/50 per cent – that 100 years or so from now we could see global average surface temperatures increasing to 4-5°C above those of the middle of the 19th century (the usual benchmark), temperatures we have not seen on the planet for perhaps 30 million years. *Homo sapiens* has been here for perhaps 250,000 years. We risk – not just a remote risk, a substantial risk – redefining the relationships between human beings and the planet. We risk hundreds of millions, possibly billions, having to move. And if history tells us anything, that will involve severe and extended conflict. The reasons for that conflict could not just be switched off. You can't just make peace with the environment having distorted it in the kinds of ways that are now possible.

We are the first generation that, through our own neglect, has the ability to destroy that relationship between human beings and the planet. None of this can be predicted with certainty. But 200 years of science – and the

evidence is ever mounting – tell us that those risks are potentially immense. Of course, that could destroy the quite extraordinary advances we have made in the last 50 years or so in overcoming world poverty. The story of the changing international structure of the economy is the story, in large measure, of overcoming poverty in big parts of the world. That could be grossly undermined, and essentially turned backwards, by an incredibly destructive environment, which could well arise from unmanaged climate change.

If, on the other hand, we try to manage climate change by putting obstacles in the way of increases in standard of living of billions of poor people in the world, then we would not be able to put together the coalition we need to manage climate change. We have to be able to show through analysis, argument, and above all example, that there is a different way of doing things; that the transition to a low-carbon economy is full of Schumpeterian, Hayekian creativity, innovation, discovery, and investment. We need an energy-industrial revolution, and past industrial revolutions have seen exactly that: a few decades of creativity, innovation, investment, and growth.³

If we can do that then the coalition to manage climate change can be built. Increasingly, it is being built, but it is not easy, for two particularly strong reasons. One is that people really have not understood the extraordinary magnitude of the risks that we face. This is not a matter of getting a hat, sunglasses and taking your jacket off; this is a transformation of the relationship between human beings and the planet, and the environment in which they live. People haven't really understood the magnitude of those risks sufficiently well yet to foster the kinds of decisions that we need. And at the same time, I don't think there is sufficiently deep understanding of the attractiveness of the alternative path.

That intertwining between managing climate change and overcoming world poverty is a big part of my own research. As we think in planetary terms, I would also like to underline a piece of research that is very dear to me. I have been following one village in the Moradabad district of Uttar Pradesh in India for the last 40 years. I first went there in my late twenties; I am now in my late sixties; I have been following that one village for 40 years. We have a 100 per cent survey of that village, one for every decade since independence, because there was a survey in the '50s and '60s, one each, before we got there, and I have been directly involved in running surveys in the '70s, '80s, and '90s, and most recently 2008 and 2010. As I get involved in the planetary issues, I try to anchor my understanding of development in the experience of that one village, now about 1,300 people – the village of Palanpur in Moradabad district of Uttar Pradesh.

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It is interesting that the Stern Review was chaired by an economist, not a scientist.

³ Nicholas Stern & James Rydge, 'The New Energy-industrial Revolution and International Agreement on Climate Change', *Economics of Energy & Environmental Policy*, 1 (2012), 1-19; Mattia Romani, James Rydge & Nicholas Stern, *Recklessly slow or a rapid transition to a low-carbon economy? Time to decide* (Grantham Research Institute Policy Paper, December 2012); Nicholas Stern, *Ethics, Equity and the Economics of Climate Change*,

Nick Stern

It was about the economics of climate change, and I was very close to some of the world's leading climate scientists. I sat with them, I learned from them, I asked them questions, I challenged them, and I read the stuff. I was a consumer of the science; I tried to understand from the science the risks that we run. I am still a consumer of the science. I try to understand from them the risks that we run, and then see this as a problem of risk management, and see it as the problem of the economics of risk management. I do not think there is anything strange in thinking about the economics of climate change – it is exactly that, it is the economics of climate change.

This is economic history and understanding industrial revolutions and what people have done to their environments in the past. It is international relationships, it is ethics, it is politics, it is game theory, industrial economics – the whole gamut of economics, and of politics, philosophy and history. You have to bring everything to bear on this subject, because it is a subject that is all embracing.

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In issuing the Stern Review, did you feel you were sticking your head above the parapet?

Nick Stern

As Chief Economist of the World Bank I used to get shot at. On one day I had two letters from Commissioners of the European Union, to the press and the World Bank, complaining about me, because I had drawn attention to the fact that the average European cow got a subsidy of \$2 a day and a couple of billion people in the world had to live on less than \$2 a day. That was deemed by those European Commissioners to be unhelpful.

When I built the transition indicators as Chief Economist of the European Bank for Reconstruction and Development, I had Presidents of Republics of the former Soviet Union complain directly to the President of the Bank that I had underscored them, that I had not appreciated the wonderful advances that their countries had been making, and that perhaps I had suggested that they were corrupt. That comes with the territory.

I suspect in terms of the volume of things that have been shot, climate change is bigger than some of them. But it was not the first time.

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How would you describe the challenges that face us today?

Nick Stern

Looking back, it is hard to imagine a period where there was less confidence in, for example, what kind of economic systems we ought to be embracing. There has been reduced confidence in sense of community and sense

Paper 1: Science and Philosophy (Grantham Research Institute Working Paper 84a, November 2013); Nicholas Stern, *Ethics, Equity and the Economics of Climate Change, Paper 2: Economics and Politics* (Grantham Research Institute Working Paper 84b, November 2013). Lord Stern is the Chair of the Grantham Research Institute on Climate Change and the Environment (www.lse.ac.uk/GranthamInstitute).

of identity – all these applying, not only to the UK, but to many parts of the world.

There has been a struggling with confidence in institutions: political institutions, financial institutions, institutions more generally. There has been a struggling to understand the significance of the enormous changes in economic power that we have seen in the world, and what they will imply for political power, for social interactions, and so on. On all these crucial fronts, you are seeing a crisis of confidence, a crisis of understanding. It is right there that the humanities and social sciences make their contributions.

I do not use the language ‘solutions’, but the ‘response’ to those issues has to be led by the humanities and social sciences. These are not technical issues; there is no laser treatment or new drug. It has to be individuals, communities and nations working out how they want to run their affairs in this climate of loss of trust, in a very different geopolitical economic structure.

This is a period of difficulty and challenge, but also fascination. This is the moment when the social sciences and the humanities, which always had a strong role to play, have a particularly strong role to play.

The power of ideas is immense, and that is what influences people.

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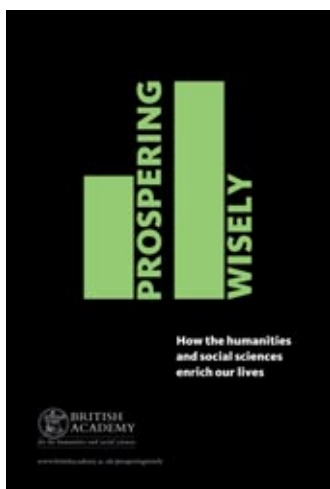
So, the humanities and social sciences can provide intellectual ammunition for politicians?

Nick Stern

The power of ideas is immense, and that is what influences people. But it is a two-way street. If you look back to the '80s and '90s, a lot of economists – I speak about my own subject – started to feed politicians what they wanted to hear, and that was a problem for our subject. At the same time, politicians were articulating what they thought economics said. There is a two-way relationship, but the responsibility for developing new ideas, for understanding the way in which things are changing, for understanding who we are – the notion of identity, the notion of community – lies primarily with those of us who work on society, as part of society itself.

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The British Academy is launching a booklet, a website with a series of videos (and this issue of the *British Academy Review*) on the theme of *Prospering Wisely*:



*How the humanities and social sciences enrich our lives.*⁴ Can you tell us what this is about?

Nick Stern

The idea of *Prospering Wisely* is to try to understand what some of the objects, not all, of public policy should be. Also to understand how those objects might be pursued. Immediately as you start phrasing the question that way, the whole humanities and social sciences come in.

Before we get too specific, it would be helpful to think of some of the contributions that Fellows of the British Academy have made.

I have already mentioned Friedrich Hayek, an extraordinarily influential economist and philosopher, who focused on discovery, the role of markets in discovery, the centrality of discovery to the human condition and the human purpose and, indeed, how economies worked.

Lionel Robbins,⁵ who was President of the British Academy – in fact, he was 50 years ago the last economist to be President of the British Academy and the last person from the LSE to be President of the British Academy – was deeply involved in the whole planning processes through the Second World War, which were delivering a Britain that functioned fairly well, as well as being a war economy. Levels of satisfaction, nutrition levels, were higher during that period than in some subsequent periods. He was an economist putting his tools to work in ways that may have eventually helped – he was only part of a bigger thing, of course – both with an overall sense of purpose and, for example, with nutrition; very different from the ideas of Hayek.

If you go forward to Isaiah Berlin,⁶ one of the great philosophers of our time, his influence in our thinking was around the idea of it being important to bring a number of different perspectives to bear on a problem: that there was not simply one ethical answer, we had to bring a number of strands to bear and do our best to form a judgment on the back of those different ways of looking at things. That idea of plurality in ideas, plurality in ethics, has been fundamental to our understanding of what life is about and what we should be doing.

If you go forward to historian Keith Thomas,⁷ again a predecessor as President of the British Academy, his wonderful book *The Ends of Life* looks back into history and asks, ‘What does it seem people were trying to do? What does it seem that moved people? What were their ends of life?’

I have given examples from economics, moral and political philosophy, history. I could go on to one of the current Vice-Presidents of the Academy, Jonathan Bate, the great Shakespearean scholar.⁸ Understanding the condition of people is one of the many things that Shakespeare is about: what people want, what they do, and

⁴ www.britishacademy.ac.uk/prosperingwisely

⁵ Lionel Robbins was elected a Fellow of the British Academy in 1942.

⁶ Isaiah Berlin was elected a Fellow of the British Academy in 1957.

⁷ Sir Keith Thomas was elected a Fellow of the British Academy in 1979.

⁸ For the interview with Jonathan Bate, see pp. 46-51 of this issue.

trying to understand and celebrate some of the mysteries. If you look right across the humanities and social sciences, they help us understand what ‘prospering’ means, and begin to help us understand how we can advance that notion of what ‘prospering’ means.

Prosperity is a very broad concept. It is way beyond material income, consumption or wealth. It is how we live, how we manage uncertainty and anxiety, how we interact with each other, what our sense of community and identity is.

I have already said enough to make it clear that prosperity is a very broad concept. It is obviously way beyond material income or material consumption – those are flows, of course – or material wealth as a stock. It is much more than that. It is how we live, how we manage and live with uncertainty and anxiety, how we interact with each other, what our sense of community and identity is. We must recognise both that insecurity and worry can make us less prosperous, and that uncertainty is a part of, and sometimes the spice of, life.

‘Prospering *wisely*’: well, you would not want to prosper unwisely, would you? The word ‘wisely’ forces us to think of the long term. It forces us to think what is sustainable in relation to the environment – something that has much concerned me on climate change – but also what is sustainable in terms of relationships with other people, relationships with other countries; what is sustainable in terms of the way markets are behaving. The word ‘wisely’ is also about risk. Much of what makes us feel worried, what makes us in that sense less prosperous, is worry about what might happen to us. In other words, we have to get explicit about risk, and so much of the measurement that we have in economics, and elsewhere, when we try to assess how well off societies are, does not focus on risk and what kinds of risks we are taking. In fact, we know that much of what makes for the lack of prosperity is worry and anxiety, and the perception of risk.

‘Wisely’ carries the notion of the long term, it carries sustainability, it carries interaction with others, and it carries risk. And the two words together – *Prospering Wisely* – chart a way of thinking, a research agenda, a way of organising things, at least a way of organising thought.

Q Couldn’t one argue that social scientists can and should make us *more* anxious by pointing out areas of life that *should be* a source of anxiety?

Nick Stern

The social sciences do have a role in challenging, in being awkward, in asking difficult questions, sometimes making us more uncertain. Indeed, making us more uncertain is often enormously important.

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Starting in spring 2014, the British Academy is going to be holding a series of *British Academy Debates*. What are the sorts of issues that will be addressed?

Nick Stern

Let me give three examples of debates that we are going to organise in the British Academy over the coming two years – three examples that would obviously command public attention as being very important issues for public policy, public discussion: migration/immigration, ageing, and the relationship between ideas of well-being and public policy.

Migration/immigration:⁹ if you were to ask people about their top three issues facing the UK today – and you would get similar answers outside the UK as well – it is remarkable that immigration would be in many people’s top three.

We can bring history, anthropology and literature to bear in understanding how our own cultures have arisen. London is a very important example of the way in which a mixing of cultures and people has shaped the identity of a city – that is one part of the humanities.

There is a big story in politics and ethics. Politically we know that immigration is high on people’s agenda. Why? What is it politically that drives that? How does that come to be? It is not quite as obvious as some people might want to suggest. There are constant ethical decisions around policies on immigration, and a lot of economics: is this



The series of ‘British Academy Debates’ on Ageing is being held in February–April 2014.

increasing competition for scarce resources? Is it young people coming to this country and contributing a lot, not getting sick very much, not drawing pensions, paying taxes, or at least VAT? Is that the economics, or is there some other part of the economics?

We are not driving to answers of these questions, but we are trying to put on the table serious analysis from across the spectrum of the humanities and social sciences. Discussions on this very important subject should have a much

firmer foundation in scholarship and organised ideas.

If you put *ageing* in all the sentences I have just articulated, instead of ‘immigration’, it would again be very clear to you that the humanities and social sciences across the board have a tremendous amount to contribute in helping us structure a discussion, so that when decisions come round, they are decisions with much more maturity

⁹ A series of *British Academy Debates* on this theme is planned for October and November 2014.

than you find in the usual cut-and-thrust and sloganising in which these subjects are discussed.¹⁰

Well-being and public policy are enormously interesting questions¹¹ – not just about what well-being is, which we discussed a little bit when we were talking about ‘prospering wisely’. There are also questions about what the relationship between well-being and public policy is.

Let me give you an example of where people have thought answers are obvious, which is surely not obvious, and that is the notion of ‘nudge’. Nudge is the idea that the way you put questions to people shapes their answers – no surprise there – but that you then put questions in a way that you think gets better answers, which is much more controversial. If you want people to save for the future you give them a pension scheme where they have to opt out rather than opt in – that is an example of nudge. It makes a very big difference to the decisions that people take. You can tell people that eating doughnuts is bad for their health, or you can make it more difficult to eat doughnuts. The first is information; the second is nudge. There are some quite difficult questions around what you should do. You are intervening in favour of the higher self against the lower self, or the longer-term self against the shorter-term self. Many of us would instinctively think, ‘Well, that is probably the right thing to do’. It is for the social scientists, the philosophers, to ask the question, ‘Is that obvious? Who are you to intervene in this way?’

When you get into what are very serious public policy decisions, you quickly run into these kinds of problems. And it is our duty, from the perspective of the humanities and social sciences, not only to help raise the questions, but also to help in structuring a discussion of responses.

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Given what you said earlier about people’s lack of confidence nowadays, the time for such debates could not be better.

Nick Stern

The duty could not be stronger, to initiate a discussion on these issues. There is a collapse of confidence in political parties, just measured by membership of political parties. There has been very bad economic performance across the last six years or so, predicated on what we now see as rash policies over the preceding 20 years or so. What do you do to try to find better ways of organising yourself? We are struggling with those ideas. One of our distinguished Fellows, Sir John Vickers,¹² has tried to set out some ideas on how to organise financial and banking institutions in ways that could generate more well-founded confidence. That is a rather technical side of the way in which the Fellows of the British Academy contribute to the discussion.

We need much more discussion of what it means to be part of a community, and what our responsibilities in a community are. We had a very long period in the UK and the US particularly, during the ‘80s and ‘90s, where it seemed that looking after yourself was your first and

perhaps overriding responsibility. Well, perhaps it is time to reflect a bit more on that, and ask whether we want our community, political and economic systems to run only on that fuel, or whether they should be organised in a way that gives a much broader perspective of who we are and how we want to live with each other.

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Does it go without saying that this kind of intellectual activity deserves public funding?

Nick Stern

You have got to be careful about the jump you just made. I probably would make that jump, but we have got to recognise that it is a jump: a jump from saying an activity is very important – indeed it is a fundamental responsibility to pursue it – and to say that the public should pay you for doing it. Most of these activities occur in universities, and there are many universities that function without much in the way of public money, particularly in North America, rather than in this country.

It is a step from saying something is of vital importance and there is a duty to pursue it if you can, to saying that other people have a duty to pay you for doing it. I think that what we do is of fundamental importance in understanding the big issues of the day, and understanding what a good society means, and understanding the dangers of a bad society, and challenging those who think they know and would insist that you go in a particular direction. That is of enormous value to the whole community, and there is therefore an argument for the community contributing to that activity. You have to make that argument.

It is interesting that many philanthropists see, not simply a duty to help poor people, but a duty to try to help foster this kind of argument, because they think that either it makes a better society or the challenge to so-called intellectual authority is very important. I think that is a very healthy part of philanthropy. You can run universities partly on fees, you can run universities partly on philanthropy, and you can run universities partly on public funds, and there are powerful arguments for all three. That is the kind of system that I would favour. And in the UK the philanthropy side of it is a bit too small, and probably the public support side of it is a bit too small.

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How should we measure the success of academic activity?

Nick Stern

I do not think we should be too mechanical in measuring success. This kind of intellectual activity is not a simple input-output model. I have managed institutions all my life, some of them quite big institutions, when I was Chief Economist for the World Bank, and Chief Economist for the EBRD, and Second Permanent Secretary at the UK Treasury. I take management very seriously, because bad

¹⁰ The following *British Academy Debates* will be held on the theme of ‘Ageing’: 26 February 2014, ‘Benefit or Burden? Coming to terms with Ageing Britain’; 25 March 2014, ‘Too Old and Ugly to be Useful? Challenging Negative Representations of Older People’; 29 April 2014,

‘The Best Years of our Lives? Body, Brain and Well-Being’.

¹¹ A series of *British Academy Debates* on this theme is being planned for early 2015.

¹² Sir John Vickers was elected a Fellow of the British Academy in 1998.

management messes up all sorts of things. In our area of activity you can overdo the attempt to measure exactly what we have done, for example, in some of our research assessment exercises we have got too mechanical. This is not anti-assessment, it is anti-excessively mechanical assessment. We should be asking what kinds of contributions have been made with a healthy view of length of time.

At the time Isaiah Berlin was writing, I am not sure that people would have understood quite how long his intellectual shadow and his intellectual contribution would be. Hayek went up and down, and then up, in terms of celebration of and interest in his ideas. Assessment is important; challenging ourselves as to what we do and what we have done, challenging ourselves with the duty to spend public money wisely to the extent that we have it. That is all very important. But we need to take a broad view, and, indeed, a deep view, of what contribution is.

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What did you feel about becoming President of the British Academy in July 2013?

Nick Stern

I felt it was an enormous honour. The predecessors that I have described – such as Keith Thomas, Isaiah Berlin, and Lionel Robbins – have all been great people: those few examples show what an honour and responsibility it is to take on this job. So a first reaction was a feeling of an extraordinary lineage that I had the privilege of joining. And I am fortunate to build on the very strong foundations laid through the leadership of Adam Roberts¹³ and before that Onora O'Neill. So the Academy is in good spirits and a good state.

The second feeling is cheerful enthusiasm for what this is all about. There is nothing more important, and there is nothing more interesting, and no better way to spend your time, than pursuing these ideas, and encouraging and trying to help others to pursue those ideas. After the feeling of heavy responsibility, you feel the cheerfulness of wanting to get involved, and, indeed, having to get involved, in subjects that you have always had some interest in, and always had some involvement in, but you get a chance to make that deeper.

I am not an economist only anymore – well, I hope I have not ever been just an economist – but I have to go far further outside my professional area than I would have done, and that will be a great joy, and I am looking forward to that very much. I am already interacting with people from different disciplines in those seminars that we were just discussing on migration, ageing, and well-being. That, for me, is going to be a big part of the pleasure.

Lastly, I feel that interaction with Government on these issues is of fundamental importance. It is so easy for people to think that science, technology, engineering and mathematics are where the wealth comes from. I celebrate those subjects and will walk arm in arm with our

neighbours in the Royal Society, and the engineers and medics, and so on. However, at the same time we should recognise the enormous productivity of our own subjects in the humanities and social sciences. We are half of the teaching faculty, and at least half of the students, of the UK. At least half of the students coming to the UK, with enormous benefit to the British economy, are in our subjects. It is not just their education now, which is the service we provide this year or next year, it is also the deep relationship that we forge with people from around the world, which will be of enormous value to us politically, emotionally, and economically in all sorts of ways in the future.

It is important to remind government, and remind those who make decisions or allocate resources across society and the economy, just what a powerful resource we are; just how much our activities matter. I have already underlined the intellectual challenge, the understanding of policy, all those that we bring – the difficulty, the awkward squad – all that matters fundamentally, but in addition to that we have a fundamental role to play in the economy and the future economy of the country. That's a case that gets lost; it gets lost in shallow thinking, and old-fashioned thinking, where it is only if you can weigh it or give a formula for it that it has substance. There's not much difference between making a television and making a television programme, and we have to think of economic activity much more in those terms. We have got 70-75 per cent of the economy in the service sector in the UK. Personal and business services were the most important drivers of productivity growth in the UK in the 10 years up to 2007 – that is one thing we showed in the LSE Growth Commission, which I was part of and which published its report in January 2013.¹⁴



We should, in a very cheerful and positive way, continue to point out how much we matter to the

¹³ For the interview with Adam Roberts, see pp. 62-66 of this issue.

¹⁴ *Investing for Prosperity: Skills, Infrastructure and Innovation. Report of the LSE Growth Commission* (2013) www.lse.ac.uk/growthcommission

economy of this country and its future; this is critical to understanding resource allocation. But I should emphasise that, important though they are, the points related to effects on output constitute the second argument; the first argument is the inherent importance of these subjects in understanding who we are and how we interact and organise ourselves.

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What is your experience of how politicians and policy-makers respond to the work of humanities and social sciences scholars?

Nick Stern

We are the people who try to develop the ideas and the insights, and do the research that underpins the more detailed immediate public policy process.

Many of the Fellows of the British Academy do that, and are very effective. I have already mentioned the example of Sir John Vickers, who wrote this important and influential report on banking and finance. That is getting involved in the nitty-gritty of the detail of policy. But he is also a person who has done fundamental work on oligopoly theory, regulation, and so on, which underpins a lot of the work that policy-makers do on regulation.

The good politicians want to get engaged in discussion of these issues, and I am directly involved in such discussions. On the straight line from the British Academy – where we are sitting now – to the House of Lords, you will find HM Treasury. That is where I spent three and a half cheerful years, some of it working on the reform of tax policy and bringing Revenue and Customs together, some of it on writing the report for the Commission of Africa, and some of it on doing the Stern Review on the Economics of Climate Change. As someone who had worked an intellectual lifetime on public policy, growth and development, being asked to do this illustrates that some politicians want to listen and work with the people who are having the ideas.

There are so many examples of other people who not only think hard about the fundamentals, but get involved

directly in policy. John Maynard Keynes is perhaps the most outstanding example of all of somebody who was directly involved in transforming the intellectual side of his subject, in creating policy and institutions – particularly the Bretton Woods Institutions – and in helping to create a whole system of national income statistics, working with James Meade and Richard Stone.¹⁵

You can see that there is a wonderful tradition in the British Academy of people involved all the way from the fundamentals to direct involvement in policy, some of them involved in all steps of the way, some of them involved in some of the steps of the way.

The humanities and social sciences are all about trying to make the difficult and the complex simple enough in terms of principles and ideas that we can find a way forward.

Q

If you had a magic wand and could do anything, what would you do?

Nick Stern

The humanities and social sciences are all about *not* being able to wave a wand. They are about how you deal with understanding the issues of our time – identity, community, interactions, public policy – when it's difficult. It is trying to make the difficult and the complex simple enough in terms of principles and ideas that we can find a way forward.

If you insist on the magic wand metaphor, I think I would like people to understand the purpose and intellectual challenge, and the excitement of the humanities and social sciences still better than perhaps they do currently. I hope that by putting them to work in public discussion, people will see not only their contribution, but also their fascination.

¹⁵ John Maynard Keynes was elected a Fellow of the British Academy in 1929: see Donald Winch, 'Keynes and the British Academy', *British Academy Review*, 22 (Summer 2013), 70-4. James Meade was elected a Fellow of the British Academy in 1951; Richard Stone was elected a Fellow of the British Academy in 1956.