

Labor Party member of Parliament since 1982, Gordon Brown held major opposition posts on trade and economic affairs under the Conservative government. As chancellor of the Exchequer since 1997 under Prime Minister Tony Blair, he has taken a tough stance on government spending.

In this interview, Gordon Brown discusses the emerging world economic order, the role of individual governments in ensuring prosperity and stability, and the economic outcome of the Thatcher years in Britain.

Globalization, Its Benefits, and How to Manage It

GORDON BROWN: We used to simply have national markets, national capital markets, national competition, and companies protected against global forces. Now we have global, not national, markets. We have global, not national, competition. And for every government, it means that policy has got to be different. You're operating in a world economy. For every company it means they are no longer sheltered, they are exposed to international competition in just about everything they do. And of course it means a great difference to people's lives because although people have more opportunities, people at the same time feel more insecure. They are subject to a greater international division of labor. So the big changes that have taken place over the last 50 years and more make people far more exposed to what's happening in other countries around the world for both their livelihood and for their chances.

INTERVIEWER: But why has this happened?

GORDON BROWN: What we've had is a vast opening up of global capital markets, where capital can move between countries instantaneously. Forty years ago, you could only take £250 out of the United Kingdom if you went abroad. Now money is flowing around the world at such speed, and with such magnitude. Equally, of course, we've got the global sourcing of products, and therefore companies are transnational and multinational. They operate in many different countries, and you have an international division of labor. That has huge implications. First of all for government, because governments have a duty now to create stability in what is now a far more volatile environment. It's a big change for companies, because companies were protected against competition in the past and they're now subject to global competition. And of course it's got implications for individuals, because individuals can see the greater

opportunities that are open to them, they can move around the world as individuals, they can go everywhere and they can get products from every country. But [they're] equally subject to this international division of labor. They're far more insecure about where their livelihood is going to come in future and what opportunities may or may not be available to them as a result of the impact on their wealth.

INTERVIEWER: How far do you think this will go?

GORDON BROWN: I believe we're going to see more changes in the next 20 years than perhaps we've seen in the last 100 years. It's partly the speed at which things are changing as a result of information technology. It's partly the opening up of competition in all areas of the world. So, service sectors in national economies [are] pretty well protected at the moment because they're not the international competitors in some areas; that is bound to change, and therefore all areas of the economy are going to be opened up to international competition. And people's expectations are changing as [they] can see what's happening. [In] all countries of the world, many people, particularly the poorest of the world, are not going to be prepared to accept their fate. They will want governments to intervene, to make life fairer, but they will also want governments to intervene to make more opportunities for them and their children.

INTERVIEWER: Do you see that a force for good or evil?

GORDON BROWN: Globalization properly managed is a force for good. Globalization can either work to increase prosperity for all or simply for some. The challenge for a politician like me, [and] the challenge also for countries around the world, is to make sure that nobody is excluded from the benefits of globalization. Those people who try to turn the clock back and say that global economic cooperation has failed would force us back into the isolationism of the past, or even the protectionism of the past. What I would say to all those critics of globalization is that the only way we are going to minimize poverty, tackle injustice, tackle the inequalities that exist in the global economy is by greater, not less, cooperation around the world, by strengthening, not weakening, the global international institutions.

If you look back to 1945, the days when the IMF and the World Bank were actually created, the high hopes and the lofty ideals that greeted the creation of these institutions showed that

the purpose of these institutions [was] global cooperation for the wider purpose of prosperity, employment, and growth for all countries of the world. The people who created the IMF and the World Bank said that prosperity was indivisible. They said that prosperity, to be sustained, had to be shared. They said that prosperity had to be opened up to every country. Now, they were operating in a different economic context. They were operating in local, not global, markets. Capital mobility was restricted. They were essentially dealing with problems of balance, of payments, and exchange rates.

We're operating in a completely different world today, where we have international and not national financial markets. But at the same time, the high ideals of 1945, these enduring values expressed by the founders of the international institutions [that] the prosperity to be sustained has to be shared, these principles have now got to be applied in this new world, and I believe we can do it if we reform our institutions. I believe there should be codes of conduct that every country should subject themselves to for monetary, fiscal, and corporate standards. I believe that we have got to have an early warning system for financial volatility and potential financial crisis, and we should build up these institutions so that they are capable of yielding that system. I believe in a system of crisis prevention that is far more effective than the crisis resolution mechanisms that we have at the moment, and I believe in social codes of conduct. In other words, all countries should be prepared to subject themselves to a minimum set of social standards that they will abide by and that is a condition of their participation in the international economic system. So, yes, the high ideals of 1945 are still what most people [use] to see prosperity extended to all. But a new world of global competition requires us to do things in different ways. The proposals that we're putting forward for the reform of the international financial architecture are the best guarantee [to] the prosperity from which a billion people or more are excluded at the moment.

Distinguishing Public Interest from Public Ownership

INTERVIEWER: Traditionally, left-wing parties like your own have been distrustful of markets and capitalism. Why is that?

GORDON BROWN: What happened in the reaction to the 1930s, the Depression decade for America, for Britain, for the rest of Europe, is that people said that the public interest, the interest we all have in prosperity, employment opportunity, and justice for all, can only be

guaranteed by public ownership, by public bureaucracies, and by public management. There was a failure to distinguish between the public interest and the means by which the public interest is advanced. Therefore people believed that you equated public interest with public ownership, and I think that was probably the fundamental difficulty in the postwar years. Perhaps there was no other way to get the economies moving at that time; perhaps it was the right thing for that generation, but I think we've now got a far more sophisticated view: that you can have the public interest advanced, and therefore employment opportunity or prosperity, without having to have the public ownership and public regulation that seem today to be far more features of the Eastern European economies than of modern, advanced industrial economies in the West.

INTERVIEWER: What influenced your own thinking on this point?

GORDON BROWN: We saw in the 1970s and 1980s, when I first became involved in politics, the public reaction to what they saw as an excessive collectivism. In other words, people equated the actions of government with too much taxation, too much bureaucracy, too much collectivism, too much trade union power. They began to believe that government was the source of economic problems or challenges that they faced. It reflected the fact that we had failed to make that distinction between the public interest, which does not require public ownership, and the public ownership that we put forward. Equally, I think in the post-1945 age we were concerned [with establishing] social rights for individuals, and perhaps we distanced them from the responsibilities that people ought to meet when rights are guaranteed. Therefore, in the 1970s and '80s people were reacting against an over-centralization, which was in fact unnecessary, and equally they were reacting against us, probably concentrating too much on rights without responsibilities. In every civilized society that works, rights and responsibilities must go together. If you're getting help to find a job, you've got a duty to look for a job. These are rights that come with responsibilities and not without responsibilities.

INTERVIEWER: [Were] there specific circumstance[s] that made you take a second look at [politics]?

GORDON BROWN: I think it's when you realize that the values that you believe in are not being advanced by the policies that you're being asked to put forward. I came into politics as someone [who] saw in my own area very high unemployment and therefore was committed to full employment and employment opportunity for all. I came into politics as someone who lived in an old mining community, [one that] was changing around. Every part of it was changing, and there was a large amount of poverty and deprivation. My aim was prosperity not for a few, but for all. But I found that the policies that we were proposing, which were in a sense creatures of their own time, creatures of the 1940s, were not actually achieving the results that we intended. You had a situation where your policies did not reflect your values, and therefore your policies had to change [in order] to advance the enduring values, employment opportunities, equal opportunities for all. [Not just] privileges for the few, but equal opportunities for everyone. We had to review our policies and we had to understand that the distinction had to be made between the public interest and public ownership; that we had rights and responsibilities together, not simply rights without responsibilities; and policies for equality of opportunity so that people had the chance in employment, in education, and the economy. These policies for equal opportunity should not be confused with commitment to equality of outcome, which is in a sense unrealizable.

The Role of Government in Ensuring Equal Opportunity

INTERVIEWER: What would you see as the continuity of ideals between Labor of 1945 and Labor today?

GORDON BROWN: The central idea that dominates central and left-of-center politics is this very simple but powerful idea that each individual should have the chance to realize their potential to the full. We should bridge the gap between what people are and what people have in themselves to become. Policies that allow people to fulfil their potential demand equality of opportunity in education, in employment, and in the economy, generally including the chance to start a business—which should not be restricted to the few—or to be self-employed. That is the duty of a left-of-center party: to put forward an agenda where people are in a better position through equality of opportunity to fulfil their potential. Our problem was that in the '70s, '80s, and indeed in the early '90s, the policies that we had to realize these ambitions were simply out of date.

INTERVIEWER: In 1945, Labor had a slogan: "We planned the war; now let's plan the peace." Do you think it's possible to plan another economy like that?

GORDON BROWN: I think you've got to plan for stability, yes. In a global economy, some people say that the role and responsibility of governments is substantially diminished because of the powerful flows of international capital around the world. I believe that the duties of government are even greater, because we have a responsibility as individual governments and working with other governments to create the conditions in which there is financial and fiscal stability. In a global economy there is a premium on delivering domestic stability, and without that stability then investors will not put money into your country. The punishment of the markets will be very swift indeed if you pursue policies that lead to instability. Therefore, there is a duty on the part of governments to ensure stability [first], but it's greater than that. We've got a duty to help people balance the risks that they face in a global economy with the security that they obviously crave, and equally to ensure that there is opportunity for people to realize their potential. These are big responsibilities on the part of government. It does not require, as used to be thought in the past, a centralized state. In fact, even in the 1940s, the Labor government of the day talked about a bonfire of controls, such was the belief that we had to free up the market in certain areas. But the public interest can be advanced in a market economy by pursuing policies for both equality of opportunity and... security for all.

INTERVIEWER: What went wrong with Keynes and Keynesianism?

GORDON BROWN: I don't think a great deal went wrong with Keynes as a thinker. We got to a stage where we had a rather bastardized version of Keynesianism being enacted in practice. What Keynes essentially was telling us was that, as he put it, there were animal spirits at work in a free-enterprise economy that [were] a force for good. But of course, we had also to ensure these spirits were moving in the public interest. Therefore, he devised a set of policies for his day to deal with the Depression-hit economy, for ensuring that the public interest was advanced through government intervention, to ensure there was sufficient employment opportunity and prospects for growth in an economy. I believe that his general message—that the economy must work in the public interest, that markets are in the public interest but not automatically to be equated with the public interest—is valid for our day. But we've got to find [where that messages fits] in a global economy, because he was talking about a whole series

of individual national economies. We've got to find the best way forward, and that, in my view, requires each government to pursue policies for fiscal monetary stability in the way that we're doing in Britain with the independence of the Bank of England.

As far as public ownership is concerned, when the National Health Service was introduced in Britain in 1948, one of the cities in Britain, Glasgow, which was a Labor city, the medical students of the day unfurled the red flag. In the other city of Scotland, Edinburgh, which was then but not now a Conservative city, they held a memorial service for the voluntary charitable and private institutions, which had to make way for the National Health Service. So there [were] divided views even at the time about what good the National Health Service could do, but I believe the National Health Service still makes the case for public intervention being essential to ensure that there is security as well as opportunity for all.

As far as the running of what essentially used to be private industries in the public sector, I think we've learned a great deal. [We've learned] that it is not necessary to have public ownership in areas where there is a competitive market around the world. That was a means by which, in the 1940s, we protected vital national resources, but it is not necessary as the way forward for most of the industries that we're talking about now. The question comes back to this: What is in the public interest? It is not necessarily the case that public ownership of some of your key industries is in the public interest. Indeed, it may be in the public interest in most cases that these [industries] are in the private sector, where there is a danger of monopoly or there are externalities to proper regulation. We've learned to separate the need to advance the public interest from the need for public ownership. And I think increasingly governments play a role not as owners or managers or controllers of resources, but as empowerers, enablers, in some cases catalysts, partners with the private sector, or in some cases simply acting as the financier for particular projects. Therefore we've got a far more flexible view of what governments should do while respecting the idea that if you're going to have employment opportunity or prosperity, or if you're going to put people in a position where they can realize their potential to the full, the public interest must be safeguarded.

The Legacy of the Thatcher Years

INTERVIEWER: Would you agree that Margaret Thatcher and Ronald Reagan were both ideological politicians?

GORDON BROWN: I think that Mrs. Thatcher in particular was reacting to people's sense that the British economy was in decline at the point at which she took office. She identified the failure of the British economy at that time with a failure of collectivism, and she said it was because Britain was overtaxed, over-bureaucratic, [and] there was too much trade union power. I believe the work that was done by that Conservative government was essentially negative because what they were doing was tearing down some of the postwar institutions. The policies that were being adopted did not reflect the original aims that people had for employment or security or prosperity being extended to all. The legacy of these Thatcher years was that the old institutions were torn down. We still have the challenge of building the new institutions for the future, [not only] a framework for the global economy, a new institutional economic architecture, but also the way that we could manage public services in the future, the way we could deal with the balance between local and central government, the way we can pursue policies that give people opportunity but also the security we need, as well. Most of these questions still remained unanswered after the Thatcher years, and it has been the responsibility of the later governments, particularly Tony Blair's government, to try to deal with these challenges.

INTERVIEWER: You've been quite critical of what Thatcher was doing. I don't quite understand your point.

GORDON BROWN: What happened was that in the 1940s, the Labor government nationalized [industries]. In the 1980s, Mrs. Thatcher moved these industries back into the private sector. We still did not have and we are still working on the proper relationship in a global economy between state and market, between public and private. We are still working on, because these are questions that remained unresolved at the end of the Thatcher years, how you manage public services to the best effect, to achieve the values that you set out [to achieve]. Each of the initiatives that she tried—one, classically, was a poll tax—the positive policies that were put forward in the Thatcher years ended in difficulty, and in some cases having to be reversed entirely. The way I put it is this: While she understood that we had to move from the over-regulated economy of the 1940s and 1950s, what she didn't understand was there were still problems—under-investment in education, under-investment in health, a transport infrastructure that was failing, lack of community spirit in our country, lack of opportunity for many groups—she still did not understand that these were problems that had to be addressed

if you were going to have a successful economy. And in the end, of course, the public rejected the Conservative government.

The Coal-Mining Strike of the Early '80s

INTERVIEWER: What was the coal miners' strike about? Was that a great clash of values?

GORDON BROWN: The coal-mining strike of the early 1980s was a tragedy for so many of the mining families that were involved in it. They were denied proper benefits for a year. Many were arrested. Many families never recovered from this dispute, and it was a human tragedy. It was always the case that the coal industry of the country had to reform and modernize. It was always the case that there were going to be [fewer] jobs in the coal industry in future years. But like it or not, the Thatcher government at the time gave people the impression that they didn't care whether there was a mining industry at all. They didn't care whether you had a balanced energy policy, or simply a policy for energy based on nuclear, gas, or oil without coal. And it was I suppose as a result of that, a clash of ideas because people felt that the government neither cared about the future of communities, nor did they care about there being a balanced policy towards energy, and that it was irrelevant to them whether there was a coal industry or not. I suppose that was how these problems arose.

INTERVIEWER: Now that the smoke of battle has cleared, what's happened to the miners? Are they out of work?

GORDON BROWN: In my county at the beginning of the century, there were 66 pits employing 30,000 workers. Even after nationalization, there were 33 pits employing 20,000 workers. My community has remained a mining community, but only with one pit, and less than 1,000 workers. You have essentially had a decimation of the industry from both its peak days and even the days of the time of the miners' strike in the early 1980s.

I myself have always taken the view that you need a balanced energy policy. You should not rule out one source of energy, but I also feel that the role of government in the modern world is to help people cope with change and to help people through a period of change. For a mining community, or a steel community, or a shipbuilding community, or, in the modern world facing global competition, a textile community, the role of government is to be on

people's side and say to them, "Look, we cannot stop the clock. We cannot prevent change, and we will not prevent change. Indeed, change is to the benefit of the whole community. But we will help you cope with change. Indeed, we will help you to master that change." That in my view is an essential role of government in a world where there is this huge international division of labor, where people certainly want the opportunities that come with a global economy. But people are subject to the insecurities that come with their lives being affected by decisions that are made in all sorts of different continents and not just in their own community. We should be helping the people cope with change, and that is, in most cases, giving people new skills. It is sometimes helping people be more mobile. It is certainly helping families deal with a loss of income as a result of the loss of a job or the loss of a number of jobs in their immediate family.

INTERVIEWER: Is that what's happened to the miners?

GORDON BROWN: I think many miners have moved into new jobs. Many miners have simply ceased working. Many are subject to incapacity as a result of some of the mining diseases, and we've got to help people through that. I myself believe that if the difficulties of the mining industry in the early 1980s had been better handled, then we would have more of the miners who lost their jobs still in work in another industry [rather] than simply out of work at the moment. But it does reflect to me the important responsibility of government. You might call it the Third Way, because you are not saying to people there is no change, and you are not saying to people let's go back to the old ways where we simply provided social security benefits and let you stay unemployed. We're saying to people, we'll help you get the skills, we'll invest in your future. We may even be able to help you start a business, or become self-employed. We'll certainly help your whole family. That is a modern role for government that recognizes that if we are to put people in a position where they are able to realize their potential to the full, we've got to take on board that yes, people want all the opportunities that the opening up of a global economy provides. But yes, also they are far more subject to the insecurities that arise from the vulnerability to financial shocks and to massive industrial restructuring as a result of the international division of labor. And therefore, it is our duty to equip people to cope with that change.

Finding the Balance Between the State and the Market

INTERVIEWER: The general perception was that Mrs. Thatcher was harsh, but in the end she turned the British economy around.

GORDON BROWN: I think the problems that the British economy [has] faced, almost since 1945, have been problems first of low productivity. We essentially industrialized early and then we did not make the re-investments that were necessary at the appropriate times so that we had both high productivity in the existing sectors and were able to move into the new industries. Secondly, there was a battle [for] over 50 years in the British economy, which was not resolved by Mrs. Thatcher, but I believe can be resolved in the next decade, between public and private sectors, between state and market, between labor and capital. It was a... battle for territory between those who believed in public being the only good and those who believed in private being the only way forward. I think we're getting to a far more sensible position: that the public interest does not require a battle between public and private. It requires them both to work together. It doesn't require us to say that nothing should be done by the state or everything should be done by the state. It requires us to say that we must get that balance right to meet the needs of investment in the future, and the demands... for opportunity and security. So I believe we are now in a better position to resolve these conflicts that were partly ideological, partly the result of vested interest that, to some extent, held back our productivity, prosperity, and growth in the British economy for far too long in the last half of the last century.

INTERVIEWER: Is it true that under Thatcher's legacy, and the legacies of similar programs in other countries, there's a widening gap between rich and poor? Is that true in your view, and acceptable?

GORDON BROWN: In the 1980s and the early 1990s, the right-of-center politicians were completely unconcerned about the issue of inequality, or, as some people might put it, injustice. In other words, while they talked about a trickle-down theory, they were completely unconcerned as to whether the gap between rich and poor grew massively, even if that gap growing was at the expense of the poor. We ought to be concerned about the gap between rich and poor. There are certain things in the modern world that governments can't do, and there are certain things that governments can do. What you can't do as a national government

is change the whole pattern of reward that has essentially been built up in a global economy. But what you can do as a government is raise the earning potential of the lowest paid, of people who haven't got skills, by giving them skills. And what you can do, as we've done with what's called a tax and benefit integration, through what we call the Working Families' Tax Credit, is make sure that people in work are paid and rewarded properly for what they do. So, yes I believe the gap between rich and poor is a problem. I think it will be increasing the problem between the richer countries and the poor countries. I believe there are certain things you can do, and there are certain things that the right-of-center governments did because they were unconcerned about inequality and justice. ... [S]ocial justice was a mirage, therefore they did nothing about it. We are in a position to do certain things about it, but the key thing is equipping people so that they themselves can be beneficiaries of the global economy. The more skills they have, and the more opportunities we can deliver to them, the better will be their position in the income and wealth distribution league in the future.

INTERVIEWER: Do you think [intellectuals and thinkers were] a malign influence on people like Thatcher?

GORDON BROWN: I think it's difficult to talk about intellectuals or thinkers in that way. The question is not what they wrote. The question is how those people who read these works applied them, and I think politicians must in the end accept responsibilities for their own actions.

I think ideas—the idea that markets must work in the public interest, the idea that governments have a responsibility for the level of employment and prosperity in the economy, the idea that governments must intervene on occasions—these are increasingly the ideas of our time. We went through a period where we had the thesis that the state was the means by which prosperity might be guaranteed—or at least that's what people thought the thesis was. Then we had the antithesis, and that was, leave everything to the free market, to dogma. I think we're now approaching a better synthesis, and that is if you are to achieve both for individuals and your communities the best outcomes—in other words, that everybody's in a position compatible with their being equal liberties for people to realize their potential to the full—then the public interest in achieving that is best advanced by the public and private sector working together, by markets and state coming to a new relationship between each

other. But the way forward is neither to say that everything should be done by government—that has been rejected—[nor] to say that government should do nothing; that right-wing view has also been rejected. I believe it has been rejected not simply in the national stage, where the era of absentee government is, in my view, over, but it's also true that that idea is being rejected on the international stage, where I think we are trying to reform, modernize, and strengthen our institutions of economic cooperation internationally in a way that makes for a public being realized by the action of these institutions.

The Thatcher "Prescription" and Its Outcome

INTERVIEWER: Mrs. Thatcher is described again and again as the savior of the British economy.

GORDON BROWN: What Mrs. Thatcher essentially did was tear down the old institutions that had outdone their usefulness, but what she failed to do was to build the new institutions, the new practices that were going to guarantee prosperity for people in the future. So she privatized and deregulated and she liberalized. I agree that she was right to emphasize the importance of enterprise, but what she didn't do was extend enterprise to all. What she created was a relatively unstable and volatile economy, and we had to come in and make the Bank of England independent. All major problems that British people faced—the public services and their quality, the infrastructure for transport, under-investment in education, lack of community, an increasing sense of unfairness, Britain's role in Europe and the world unresolved, had not in the end been resolved by the Thatcher leadership. Other governments in future have had to face up to all of them and try and work out the best way forward.

INTERVIEWER: Would you say Mrs. Thatcher inflicted unnecessary suffering on the country?

GORDON BROWN: The problem with the Thatcher prescription is not only did she leave a volatile and unstable economy, which had two of the worst recessions since the war, but she left a society where people felt the public services were undervalued. The health service, investment was not taking place in education, and there was a general sense that issues of fairness were of no consequence to the Thatcherites. When she said there was no such thing as society, what she meant was that the attention that should have been given to the institutions of society, like the health service, like education, was simply not devoted to them

during these Thatcher years. So almost every major problem that Britain had faced—its poor performances in economy, the lack of stability in its macroeconomic management, the underinvestment in education, a poor transport infrastructure, a health service that needed both reform and money, and inequalities, particularly in the poor communities that left people out of the mainstream of the economy—all these problems remained unaddressed, even as Mrs. Thatcher left office. And they have had to be addressed by future governments.

Ensuring Stability in a Volatile Global Economy

INTERVIEWER: What was the most worrying moment for you during the 1997 crisis?

GORDON BROWN: I think it was when people found that Korea was going to go bankrupt on Christmas Eve if no action was taken. Following other events that happened—the Russian crisis as well as the Asian crisis—that made us realize that we had to reform the institutions of the world economy. That process is as yet incomplete, but that process is on the way. [First we have] to understand that for participation in a global economy, as you move from simply a set of national economies to a global economy, all countries must abide by rules of engagement. That's why we need codes of conduct for monetary, fiscal, and corporate standards of behavior. Equally, we realized that we didn't have proper mechanisms for crisis prevention and crisis resolution, and that's why we've now created a financial stability forum. That's why we've now got a new facility that would help avoid contagion in the event of financial crisis. But we realized that the attention that has been given in a global economy to liberalization and deregulation has not been matched by the attention that has to be given in such a volatile economy to financial supervision and to creating the proper systems of both global and national financial management. Now, these are big changes that we've had to make, and they are still in the process of being made. But I keep saying to people when the next crisis arises—and undoubtedly there will be in decades ahead financial or banking problems in individual countries—people will not ask who was at which meeting. They will ask why did we or didn't we address the big problems that we saw emerging from the Russian/Asian crisis. I think we've started to do it. I think there's a lot more still to do.

INTERVIEWER: Do you feel any world economy is inherently unstable?

GORDON BROWN: I think we can make that world economy, just as we can make globalization generally work for people if we make the right decisions. The issue for me is not whether there is globalization. There is a global economy, and there is increasing speed in the movements of capital between countries, and we all can benefit from the opportunities that come from that fast-moving, fast-changing global economy. So there is globalization. The question is can we manage it in the interests of a few or in the interests, as I want it to be, of all the people of the world. And that demands we recognize that while the enduring values that underlay the world institutions we've created in 1945 are still the right ones, these high ideals of prosperity being open to all, the institutions themselves have got to modernize to meet these ideals in a new age of global and not national competition, of international and not local financial markets. That's why we've got to bring into play the changes that will certainly change the relationship between public and private sectors and state and market. But these are the right changes to apply [to] the enduring values of those great architects of the postwar institutions. But to apply these enduring values to a new age by reforming, modernizing, and indeed, in my view, strengthening the institutions of international economic cooperation, so we can genuinely say that in our generation we did reduce poverty. We did open up the chances of education to every child in every country of the world. We did tackle the problems of global health, particularly AIDS, TB, and malaria. And we did make it possible for all countries, and not just some, to be participants in the global prosperity we're creating.

INTERVIEWER: So you don't see 1997 as part of a future pattern?

GORDON BROWN: There is a more volatile global economy, and I think the challenge for us is to make sure our institutions are capable both [of] preventing crisis and resolving this crisis. To be able to do that, we've got to recognize that there are greater financial vulnerabilities than before. Whereas we used to think that the things that a nation needed to be successful [were] a good supply of labor, raw materials, and capital, [it's now true that] they also need good systems of financial supervision and the management of the financial resources. We've got to make it possible for there not only to be local and national systems of financial supervision, but in my view we [must also] have a global early warning system so that we can meet together where necessary, or those participants can meet together with the regulators so that we can know where the vulnerabilities are, what the risks are, and take early

preemptive action to avoid the sort of things that happened in 1997 [from] happening in the future.

INTERVIEWER: What was your diagnosis of what went wrong in '97?

GORDON BROWN: Well, in 1997 you had a series of financial difficulties in individual countries, but they arose from a lack of financial supervision. In other words, we have a fast-moving global capital market; investors are willing to provide money at the right terms to countries in all parts of the world, but you did not have in place sufficiently adequate systems of financial supervision so that either we had early warning of problems as they arose or we had a means of resolving these problems quickly enough. Therefore what happened in Korea, Thailand, Indonesia, and other countries in Asia, but also [what] happened in Russia, there were also follow-through problems in Latin America as well, and there had been with the Mexican crisis earlier on in the 1990s. We have got to learn all these lessons. The lessons for me are first of all each country to participate in the world economy must abide by basic rules of the game. There must be monetary, fiscal, and corporate standards that each country is prepared to follow so that we can avoid the risk that comes by a country simply opting out of what is the right thing to do in the world economy. Secondly, we need better measures for crisis prevention and crisis resolution, particularly in the area which has been neglected in the last 50 years, and that is where there [are] vulnerabilities in the financial systems themselves.

Establishing "Rules of the Game" for Global Cooperation

INTERVIEWER: Some countries fear harmonization, that new rules of the game are simply the Americanization of global markets.

GORDON BROWN: I think what was called the "Washington consensus," which was essentially something that emerged in the 1980s and applied in the 1990s, we had to move on from that. The Washington consensus emphasized deregulation, liberalization, and the importance of concentrating on low inflation. That was absolutely right, but it wasn't enough. Where there is liberalization, there's also got to be financial supervision and regulation. Where there is privatization, there has got to be attention to competition, because you can replace a state monopoly by a private monopoly very easily unless there is attention to competition. And we have got to take on board that while the solution [to] the problems of inflation through

independent banks like we have in Britain is absolutely critical and a precondition of success, there is more to success. It requires an attention to policies for full employment and for high growth, and for high levels of productivity, but it also requires a sense of what is equitable and what is environmentally sustainable. To that extent, what was said about the 1980s and 1990s we have now moved on, and we've recognized that the world is perhaps more complex, that the world requires us, if we're going to meet these high ideals that we've always subscribed to—that every country should enjoy the prosperity that is available around the world, that prosperity to be sustained has got to be shared in a sense that it's indivisible—we've got to make these policy changes to achieve it.

When I talk about codes of conduct, I don't just mean the poorest countries having to apply monetary, fiscal, and corporate disciplines. I mean the richest countries as well, and the sense that the rich are imposing their version of development on the poor is in my view qualified, indeed minimized, by the fact that this is a world decision. Every country should follow these rules of the game. In fact, I think I can prove to the poorest countries [that] it's in their interest if they are going to tackle the problems of poverty and injustice to have codes of conduct where there is proper monetary and fiscal policy. Of course, it requires them to get rid of corrupt practices. It requires a transparency and openness. It requires a proper disclosure of what is happening to your budget as well as to your monetary policy. But surely that is in the interests not just of them as a whole, that is in the interests of the poorest members of their communities.

INTERVIEWER: Why do you think so many people are so afraid of globalization?

GORDON BROWN: Globalization can work for the benefits of all, but it could easily work simply for the benefits of some. I think it's a failure to distinguish between globalization, which is a process that is at work as we open up markets around the world, as there is global sourcing of products around the world through an international division of labor. These things are happening, and these things are normally creating opportunities that people would never have had otherwise. It's a failure to distinguish between that and the potential consequences, which have got to be managed. We've got to make sure that globalization works in the interest of all, and the test of it will be whether the poorest citizens and the poorest countries in the next

decades can enjoy the benefits of that prosperity from globalization, or whether it's simply restricted to a few. The test for me is that all can benefit and not simply a few.

When I talk about stability, I mean policies for monetary and fiscal stability, low inflation, but [also] policies that can deliver the opportunity for high employment, for stable and sustainable growth, and therefore for prosperity for all. The lesson that we've learned from the postwar periods is that it is necessary as a precondition of growth and high levels of employment and prosperity to pursue policies for macroeconomic stability. In our case that has meant making the Bank of England independent, giving them an inflation target, following rules for fiscal discipline, and being very open with the public about what you're doing.

Where do the jobs come from to replace the mining jobs? They've got to come in the modern world from a far more diversified economic structure. You've got to have more small businesses. You've got to have more people prepared to take risks, becoming self-employed. You've got to have a diversified structure with electronics, information technology, as well as traditional industries. And you've got to be in a position to offer service sector jobs. I say to people in my area the best way that we can market ourselves in the future is to say that we want to be the skills capital of Europe. We want to have the most highly educated workforce. We want to be capable of attracting industries and technologies from all over the world simply because we can offer the best skills. And that's why governments now concentrate on education, on training, on building up the skills of the population, and that's why the vital economic resource of the future is not the coal beneath the ground, it's the potential in all our people.

The problem for the left in the past was they equated the public interest with public ownership and public regulation, and therefore they assumed that markets were not in the public interest. What we have had to explain, both to ourselves and to the country, and now I believe it's possible to explain this to the rest of the world as well, is that markets are in the public interest. They provide opportunities for prosperity, but equally they're not automatically equated with the public interest. In other words, markets must themselves be shown to work in the public interest. And that's why there will be certain occasions in which governments will have to intervene to create opportunities in the poorest areas to start businesses, to make sure that there is proper competition and not monopolies, to make sure that a service is being

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provided properly. And therefore there is a case, in some instances, for regulation, and we've got to intervene to ensure that people have the skills, the education, and the training to compete in this marketplace.