

# David Cameron (Leader of the Conservative Party): “Innovation must be at the heart of public policy”.

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*David Cameron Spoke at NESTA today (the 3<sup>rd</sup> of April). This is some of what he had to say:*

"I passionately believe that if we are to take on and beat the great challenges of our time, we need the culture of public policy-making to have innovation at its heart. That's the way to get the best results. And that's the way to get value for taxpayers' money. We will follow private sector best practice which is to introduce **'open standards'** that enables IT contracts to be split up into modular components. So never again could there be projects like Labour's hubristic NHS supercomputer. And we will create a level playing field for open source software in IT procurement and open up the procurement system to small and innovative companies.

We're going to move from a top-down system to a bottom-up one. Where money follows the needs and wishes of individuals and the users of services - not the priorities of the bureaucracy. Where we don't ask, where does the voluntary sector fit in? - but rather: where doesn't the voluntary sector fit in? Where we in government concentrate on the results that public services deliver, not prescribe the processes they have to follow."

In 1991 Gordon Roddick, co-chairman of the Body Shop, visited New York where he saw a magazine called Street News handed out by homeless people. Back in Britain he got together with John Bird, a former prisoner who had been homeless himself. And so the two of them started The Big Issue - one of the most successful social enterprises of the last two decades. Its editions appear all over Britain and thousands of people are being helped every day because of it. And my point is simply this. Who could have predicted the Big Issue? How could anyone have identified in advance what a huge impact the partnership of Gordon Roddick and John Bird would have on Britain? The word for what they did is innovation, and that's what I want to talk about today.

I want to talk about innovation and its role in public policy. Science and economy - As this story suggests, when I say innovation I don't just mean science and technology. Of course I'm hugely excited about the way technology has changed our lives. In terms of computers and the internet, my generation has seen this in pretty sharp relief. There were no computers in classrooms when I was at school. When I first started work, it was still "word processors" not computers - and not everyone had one. But today the

Cameron household's weekly shop is done online. And the Cameron family holiday tends to get booked on the internet. More seriously, I take a close interest in the new disciplines such as biotechnology that scientists are using to fight illness and disease. Science is also crucial to our economy, which is why I asked my colleague Ian Taylor to review the way in which scientific research can lead to profitable business. There is a role for government here - not least, as I said in my speech in the City of London last week, in promoting the skills and the infrastructure that innovative businesses depend on. In this country too we should strive to raise the esteem in which applied researchers are held to the level already achieved by basic researchers.

But these are topics for another day.

I think that innovation should not be limited to science and the economy - as it overwhelmingly is in the Government's recent innovation strategy. They say their strategy is about innovation in general, but the weblink to it is actually "scienceinnovation.pdf", and the bulk of the document is about promoting innovation in the economy. I want to talk this morning about innovation in its broadest sense. Most of all, I mean innovation in public policy - what might be called social innovation.

Britain has social problems which have been around for generations ... high crime rates, poor public health, rising family breakdown to name three ... and many of them keep getting worse. Clearly, current policy isn't working. Take education. Yes, there are hundreds of other factors which make teaching kids difficult - so much of what goes on in the classroom has causes beyond the school gates. But we know what a good school can do and we know what a good school looks like - so why aren't all schools good? It's a simple question - but government after government hasn't been able to answer it. The same goes for almost all our social problems, from obesity to crime to pollution. We need new thinking - we need innovation. New solutions to old problems. A different way of doing things. Different ways of looking at things. Turning the old ways on their head.

Like Boris Johnson's idea for improving recycling in London - quite simply turning current policy on its head. Rather than expecting people to recycle and punishing them if they don't, he's going to pay them to recycle by letting them keep some of the savings it generates. A simple idea from someone thinking afresh about society's problems. I passionately believe that if we are to take on and beat the great challenges of our time, we need the culture of public policy-making to have innovation at its heart.

That's the way to get the best results. And that's the way to get value for taxpayers' money. Now, you may have heard this sort of sentiment before. Before New Labour came to power they talked about social innovation and social enterprise too. And I think many people - perhaps many of you - were impressed and prepared to be pleased by what they'd do in office. Ten years on, I think there's a sense of disappointment. Too often, as so often in the past, top-down government has stifled innovation rather than stimulated it. It reminds me of Harold Wilson and the famous white heat of technology. The phrase sounded good, but what it meant in practice was putting Tony Benn in charge of the Ministry of Technology. You can see a similar approach today in the social sector. Indeed, the odd thing about the Government's innovation policy is how un-innovative it is. More spending, more state control, more reliance on the levers of bureaucratic intervention.

The chapter on public sector innovation in Government's "science innovation" document,

has this as its centrepiece: the proposal to create a "Whitehall Hub for Innovation". Something about that doesn't ring true. Whitehall and innovation don't go together, for the simple reason that innovation is the product of many heads not a few, and free thinking not state control. Indeed, some of the best inventions of modern times come out of research which had a completely different intention - or none at all.

A few years ago a group of scientists working for Pfizer in Kent set out to find a cure for high blood pressure. They ended up inventing Viagra. And there's the story behind Post-It, one of the most successful inventions of recent decades. The company which came up with this new adhesive couldn't think of a commercial use for it. The idea sat around for five years until one of the scientists, who sang in a church choir, complained that his bookmarks kept falling out of his hymn book. He remembered the sticky stuff they'd developed at work and lo! the Post-It note was born.

Now, this doesn't mean the best way to find the future is to travel blind. But it does mean you can't plan innovation in a Whitehall Hub. The Big Issue would never have been founded by government. Nor would the Eastside Young Leaders Academy, one of my favourite organisations in Britain... ..where Ray Lewis prepares young black men for manhood with toughness and compassion. Ray set up the Academy when he realised that black boys need better life lessons than the ones they get in the schools and the courts and the prisons. What this means is that I can't stand here and tell you what new ideas, what new ways of thinking, what new solutions will emerge with a Conservative Government.

I can't tell you exactly how social problems will be solved once we're elected. But I can tell you that we won't be setting up new quangos and government units to find solutions to society's different problems. We'll be trusting the people who know best - those with experience, those who live close by, those with the commitment and the compassion to make a difference through their own efforts.

In a phrase, the people who break moulds. It's a very British thing - the habit of defying conventional wisdom and setting off on a new course. We are a nation of explorers and entrepreneurs. Indeed, there is a direct comparison between social innovation and the way the market works. The free market is the best mechanism there is for harnessing information without controlling it.....for making use of the ideas and expertise of millions of people without anyone telling anyone else what to do.

Conservatives have always stood for the spontaneous order of the free market against the forced order of the plan. And now more than ever we know we're right. We're living at the dawn of what I have called the post-bureaucratic age. Information and power are more diffused than ever before. People are taking more control of their lives ... because they can. The paradigm of social co-operation in the post-bureaucratic age is not the central bureaucracy but the local network, connected to a thousand other networks around the country or the world. It's the paradigm of the two friends who met in antenatal class and realised that the best source of information wasn't books or even doctors, but each other and the other mums in the class.

But they didn't know everything so they linked up with other antenatal groups on the internet - and that's the story of the phenomenon known as Mumsnet, a great web based service for young mums. That's innovation.

So let me set out how I believe we should promote stories like that - stories of innovation in the post-bureaucratic age. There are three principles that capture what I believe we need to do. Going with the grain The first principle is, in fact, an old insight and an instinctive one for Conservatives, but it has more relevance than ever in today's new world. It's called going with the grain of human nature.

Policy-making must always take into account how people actually behave - not how an artificial system would like them to behave. We need to stimulate precisely the sort of odd synergies that no plan could design - like the partnership of the physicist Francis Crick and the zoologist James Watson.

As Charles Leadbetter puts it in his recent book *We Think*, "Watson and Crick's work on the double helix was a case of one plus one equals 12". Innovation usually means collaboration - and this is itself a useful insight which gives us a particularly innovative policy idea. Robert Cialdini's work on social norms shows that people's actual behaviour is much more influenced by their peers' behaviour than policymakers have traditionally thought. For example, he found that if a household is shown that it uses more energy than comparable homes, its energy use tends to fall. So without any clunking new taxes or new regulations, this simple change can help encourage greater energy efficiency and lower carbon emissions.

I would like to see industry introduce this information on energy bills without any new regulations. Open source. That's an innovative social insight applied to public policy. And it leads me to the second principle for promoting innovation. It's do to with information - the vital currency of innovation. We should empower people by, as far as possible, setting data free. This approach - 'information liberation' you could call it - is inspired by some amazing stories in the world of business.

Take Goldcorp - the Canadian mining firm which put its geological surveys online and invited the world to help find gold. The world found deposits worth \$3 billion. Or look at the private sector's take-up of open source software, developed collectively by a community of individuals, universities and small and large firms from around the world. They build the product, suggest improvements, check the source code and critique each others' work. Linux, the open source pioneer, is now the fastest growing operating system in the world, and even IBM is basing their new hardware on it. Information liberation could be hugely beneficial in the new economy. After all, what are the great new giants of the internet - from Myspace to eBay - but information processing systems?

These companies have grown because people rely on them to transmit information quickly, easily, cheaply and securely. Imagine if the information that government controlled were available to the public too? I don't mean sensitive information - we don't want to see Revenue and Customs posting all our private records online, whether by accident or on purpose.

I mean information which will allow people themselves, expert and non-expert, to create innovative applications that serve the public benefit. We have already set out a series of policies that embrace this open approach to government information. They will enable both greater accountability and enable new services - that we can't predict - to emerge to benefit the public.

So our Spending Transparency Bill will require future governments to publish online, in

an open and standardised format, every item of government expenditure over £25,000. And our commitment to standardised local government information will for the first time enable people to compare performance between different councils.

This will put power properly in the hands of the local citizen. The same goes for our plans for crime mapping. This will mean crime statistics are published online in a standardised way, enabling new analyses and insights into neighbourhood crime patterns. And most important of all ... new and successful ways to cut crime. We also want to see how open source methods can help overcome the massive problems in government IT programmes.

The basic reason for these problems is Labour's addiction to the mainframe model -large, centralised systems for the management of information. From the NHS computer to the new Child Support Agency, they rely on 'closed' IT systems that reduce competitive pressures and lead to higher risks and higher costs.

A Conservative government will take a different approach. We will follow private sector best practice which is to introduce 'open standards' that enables IT contracts to be split up into modular components. So never again could there be projects like Labour's hubristic NHS supercomputer. And we will create a level playing field for open source software in IT procurement and open up the procurement system to small and innovative companies.

Society not the state. My final principle for public policy innovation - and the most important - is this: real innovation needs to take place in society, not the state. A government still wedded to the age of the mainframe doesn't just mean its own processes are slow and bureaucratic. It means it's not doing enough to liberate the innovation which is latent in British society - in the economy, in voluntary organisations, in local government, and in the innovative spirit of millions of British citizens. I want to see what we have called a supply-side revolution - a huge widening of the source of good ideas in the public services.

After all: the first nurseries, the first schools and universities, the first care homes... these were set up as non-profit, social institutions. We need more innovations in just these areas: childcare, education, care for the elderly. And we desperately need more innovative organisations to tackle entrenched social breakdown. Organisations like Fairbridge or St Mungos or Kids Company are great not just because they're driven by compassionate and committed people - the public sector has plenty of those too. They're great because they find new ways to treat the whole person. After all, a homeless man is often also an alcoholic, also involved in crime, also the father of children. That's at least four different government departments which are responsible for him.

But all that man might need is one social enterprise with the new ideas he needs to turn his life around - if only it had the money and the freedom to help him. And that also means the freedom to take risks. At the moment, in the way the government interacts with the voluntary sector, there is a culture of risk aversion - and punishing mistakes rather than rewarding success.

When it comes to contracts, the government tends to fund its own departments for the long term, but voluntary bodies for the short term. And when it comes to dealing with new or small voluntary bodies or charities ... the tendency is to play safe with the big organisations, rather than to take risks - and achieve real innovation - with the smaller

ones. It's the public sector version of the mantra I heard when working in the private sector: "no one ever got fired for hiring Pricewaterhouse"

Regulation can compound this problem. Public liability insurance, health and safety rules, financial accountability - these are all important elements of a properly regulated public sphere. But they mustn't be allowed to stifle innovation.

The challenge for government - Let me finish by introducing Adam Afriyie. Harold Wilson put Tony Benn - the arch-statist - in charge of technology. I am putting Adam - a entrepreneur and innovator himself - in charge of public policy innovation. Adam's task will be to find the great innovations of today and tomorrow from around the world, and be their champion inside government.

We accept that innovation requires a culture of risk-taking, of trial and error, of flexibility in thinking and often of collaborative effort. So I have also asked Adam to identify ways a Conservative government could tackle the corrosive sense of risk-aversion which holds back innovation within our society Some people often say to me that the parties are all the same nowadays, how will you lot be different?

What's going to change? When looking at these vital questions I've been discussing this morning - what drives your thinking? How will you increase innovation? How will you run your government? - I am tempted to say: everything will change. We're going to move from a top-down system to a bottom-up one. Where money follows the needs and wishes of individuals and the users of services - not the priorities of the bureaucracy. Where we don't ask, where does the voluntary sector fit in? - but rather: where doesn't the voluntary sector fit in? Where we in government concentrate on the results that public services deliver, not prescribe the processes they have to follow.

Don't underestimate the impact of these changes. And understand why we want to make them. Not because we have an ideological hatred of government. We don't. But because we know that we have to widen the supply of ideas, widen the supply of talent and energy and compassion - and that means trusting society not the state."

## **YOUR COMMENT? WELL HERE ARE A FEW OF MINE**

- ***Moving from a top-down system to a bottom-up one*** – DC spoke of the value of people-driven ‘bottom-up’ innovation, and the dangers of government-led ‘top-down’ innovation. The two are not mutually exclusive or necessarily antithetical. An individual (or a collection of individuals) cannot do what the Diamond Synchrotron (based on the Harwell science and innovation campus) is doing concerning practical research into fusion power. It is about getting the right balance; I agree with DC – we need more ‘bottom-up’ innovation and less (wasteful) government-led ‘top-down’ innovation. But not all top-down Government supported innovation is ‘bad’. I look forward to reading the views of the Conservative Party on this matter!
- ***Innovation in policy-making AND implementation*** – DC was asked a question about the ways and means of promoting innovation in public policy. He clearly stated that your Party wishes to ensure that policy-making has innovation at its heart, and that you want to widen the source of good ideas in the public services. Excellent goals. How are they to be delivered? Web2.0 potentially allows for the construction of a

post-bureaucratic (and more inclusive) world. Whilst Web 2.0 can help, innovation in public policy and implementation may only be possible with a different type of leader within local, regional and even central government able to nurture innovation throughout their organisation because of who they are, *and* because the incentive structures within which they work have been restructured (no more irrelevant targets and milestones??). I look forward to hearing how the Conservative Party will tackle this thorny issue.

- ***People matter, so does place*** – The Greater South East (GSE) generates income for UK Plc, and the North tends to consume public funds. The north south divide is well known, and seems intractable. For UK Plc to ‘win’ in international markets we must invest in success and support the innovation economy of the GSE, but we must find ways to maximise the ‘spill-over’ effects to other areas and ensure that the GSE (and London in particular) irrigates other areas of the UK rather than ‘drains’ them. I look forward to hearing how the Conservative Party will address the north-south divide in a way that benefits the whole of UK Plc, and, in particular, protects and nurtures the success of the GSE innovation economy.
- ***Not all innovations are ‘good’*** – Some are toxic (collateralised debt obligations may be one example). Many of these toxic innovations are generated within the service sector, the dominant segment of our economy, and are often less immediately visible than a ‘faulty product’. Vigorously encouraging innovation in the service sector is vital, but does protection against toxic innovation means that we must accommodate yet more regulation? How can we use the market mechanism to highlight and neutralise toxic innovations? I look forward to reading the views of the Conservative Party on this matter.
- ***Innovation usually means collaboration*** – DC stated that collaboration is extremely important; between people, universities and firms, and within clusters of economic activity (such as are found in and around Oxford). I agree. Further, I believe that the UK must promote collaboration within functional areas (such as the Oxford to Cambridge [O2C] Arc and the Harwell science and innovation campus) in order to generate critical mass within the global economy and secure defensible positions in global industrial innovation platforms. But this is easier said than done. Universities compete (for funds) as often as they collaborate and functional areas are often bedevilled by territorial politics, a myriad of organisations purporting to assist the economy, and a veritable policy jungle associated with economic regeneration and development, and the promotion of the innovation economy. Recent Government initiatives such as multi-area agreements and the lead position given to the TSB (Technology Strategy Board) may help, but perhaps more radical (innovative) action is required....?? I look forward to hearing how the Conservative Party will address this issue.

## WHAT’S YOUR VIEW?