GBIM

Gore Browne Investment Management

Summer 2021

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Hello & Welcome

This edition of our newsletter is focused upon choices and change, which brings to mind Robert Frost's well-known poem, The Road Not Taken:

Two roads diverged in a yellow wood,
And sorry I could not travel both
And be one traveler, long I stood
And looked down one as far as I could
To where it bent in the undergrowth;

Then took the other, as just as fair,
And having perhaps the better claim,
Because it was grassy and wanted wear;
Though as for that the passing there
Had worn them really about the same,

And both that morning equally lay
In leaves no step had trodden black.
Oh, I kept the first for another day!
Yet knowing how way leads on to way,
I doubted if I should ever come back.

I shall be telling this with a sigh
Somewhere ages and ages hence:
Two roads diverged in a wood, and I—
I took the one less traveled by,
And that has made all the difference.

The year began with the storming of the US Capitol, which abruptly brought home just how divided and angry America is. Can a new way forward be found under President Biden? The results of the US elections have brought forward new policy formation: the domestic issues of Covid, the economy and racism are the priority, but internationally the US is re-engaging on the democratic and environmental agendas.

2020 witnessed many shifts in the patterns of behaviour of many companies and households. Will these persist? How might we adjust our eating habits or our purchasing preferences?

The climates we enjoy or endure are causing changes in corporate priorities, and regulators are encouraging companies to be more aware of their environmental impact. After years of austerity governments are increasingly embracing fiscal intervention; will this stimulate inflation?

The disruption caused by data mining, machine learning and other forms of innovation is enabling growth for some and catastrophe for others; how should we navigate to invest successfully?

We have included precis of the four 2020 Reith Lectures. Former Governor of the Bank of England Mark Carney's lectures on "How We Get What We Value" provide academic and institutional authority, ancient and modern, for the need for change. Such intellectual leadership among policymakers has often been a pre-requisite for change in the past.

And there is one article on what is not changing, which is about how we continue to seek resilience for your portfolio.

There is also an interview with our colleague, Tom Hewitt, and an introduction to our newest recruit, Cate Monk. We hope you find something of interest.

The Reith Lectures 2020: How We Get What We Value

The investment world has begun to address the ways in which capital can affect and influence society and the environment to a degree which is unprecedented.

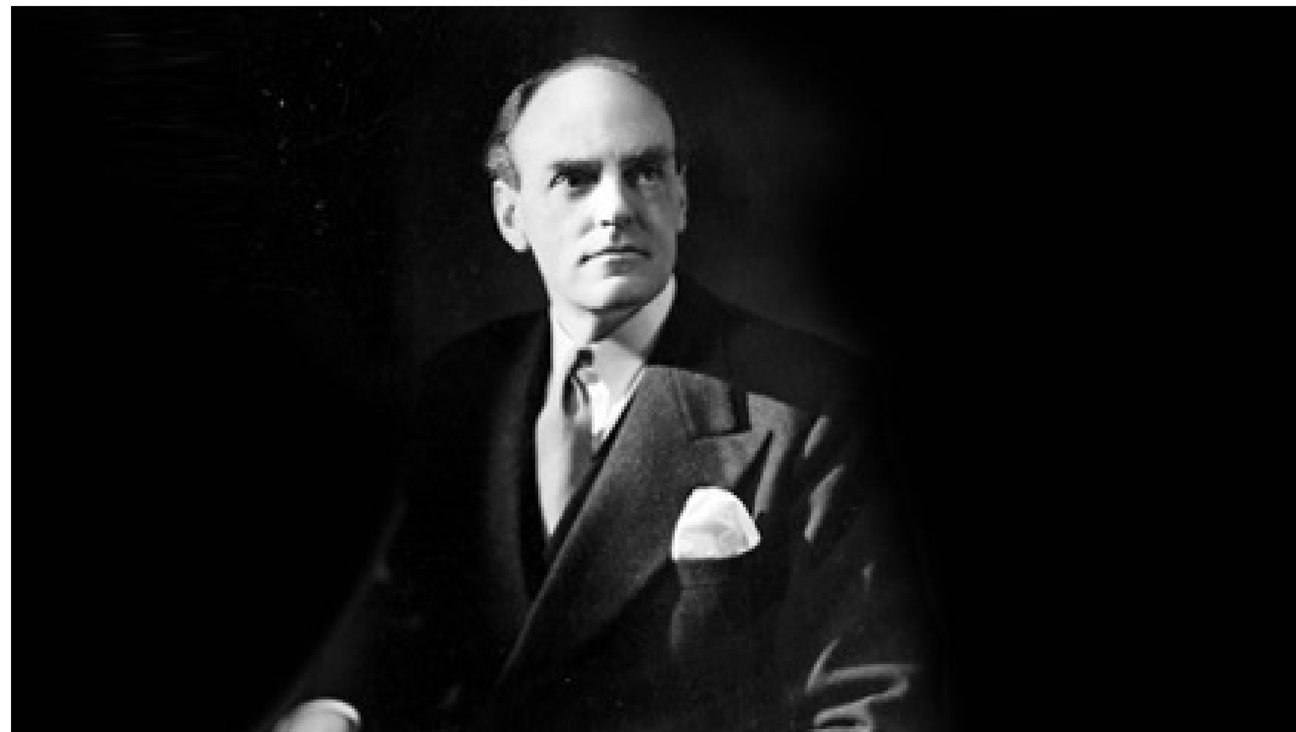
The sense that stewards of capital can support positive enhancements to life - human or otherwise - rather than simply seeking financial profit has gained significant traction. Increasingly, governments are regulating to encourage and support such shifts. This is happening not only domestically but also internationally. Young people protest that not enough action is being taken, and their grandparents agree. The media, epitomised by Sir David Attenborough, informs both mind and emotion.

These trends provide some context for the 2020 BBC Reith Lectures. The lectures add an intellectual voice to the widespread calls for change; the voice of a policy-making insider to public expressions of dissatisfaction.

Dr Mark Carney, having been until recently the Governor of the Bank of England, is well placed to understand the nexus of regulation and capital. In these lectures, he described how important this nexus is in influencing social norms and in driving behaviour, and how the development of knowledge and understanding can affect our priorities.

I believe these four lectures provide a clear and well-reasoned exposition of the context for changes in financial regulation and investment opportunities. They provide a context for appraising the Great Financial Crisis, the pandemic and fears about the environment.

In the lectures Dr Carney guided us through a historical and philosophical journey to the predicaments with which we have been confronted during the last decade.



He explained how Adam Smith's "moral sentiments" turned into "market sentiments", how from the time of Reagan and Thatcher societies' values became equated with financial value, and how this contributed to this century's crises of credit, Covid and climate, and how we can turn this around.

These issues are critical to our understanding of some of the changes which surround us. There are many others too which are driven by human ingenuity in data and gene sciences.

They are critical to understanding our investment choices.

The lectures contain a great deal of detail and many references to great thinkers of the past. I have edited them substantially with the aim of making the points more succinctly while trying to avoid losing his social and philosophical grounding.

At the risk of having omitted too many references, I refer readers to the BBC where both recordings and transcripts can be found.[1]

Sources:

[1] www.bbc.co.uk/programmes/articles/43GjCh72bxWVSqSB84ZDJw0/reith-lectures-2020-how-we-get-what-we-value

The Reith Lectures 2020:

1: From Moral to Market Sentiments

Dr Carney started by suggesting three paradoxes of value:

1. Why is water, which is essential for life, virtually free, but diamonds, which have limited utility beyond their beauty, so expensive?
2. Why do financial markets rate Amazon as one of the world's most valuable companies, while the value of the vast region of the Amazon appears on no ledger until it's stripped of its foliage and converted into farmland?
3. How can we reconcile our celebrations of the extraordinary values of public service dedication and the heroism of healthcare workers with their low wages and perilous working conditions?

The point of course is that *values* and *value* are not the same. Values represent principles or standards of behaviour, while value is the price put on something which is supposed to represent its importance, its worth, its usefulness. Value changes with time and situation, while values persist.

Essentially, the lectures are about this mismatch.

Over the centuries, there have been two broad schools of thought about what determines economic value. Objective and subjective.

> "Objective theories contend that the value of a product is derived from how it is produced."

Adam Smith was a proponent of this theory and argued that markets must be seen in their broader social context, embedded in the culture, practice and trust of their day. He believed, as did Marx later, that value is fundamentally derived from labour.

In the late 19th and early 20th centuries a group of economists known as the neo-classicists shifted the theory from factors of production, like labour, to the perceived value of goods to the consumer. According to this group, people value goods that satisfy their specific wants, and thus value is in the eye of the beholder, not in the sweat of the labourer.

Jumping forward to the present day, academics and policymakers are increasingly debating the meaning of value. The starting point is to find the right balance between the market and the state.

In recent decades markets have gained in stature and influence. The market has become the organising framework not only for economies, but also increasingly for broader human relations, its reach extending well into civic and family life. In parallel, the social constraints on unbridled capitalism - religion and the tacit social contract - have been steadily eroded.

The drift towards market driven solutions has meant that when markets suddenly collapse, small shocks can lead to widespread damage to asset prices, jobs and welfare. The Great Financial Crisis is a clear example of this.

Behavioural science demonstrates that we are far from perfectly rational when making decisions, and that we are irrationally impatient. Thus, if we value the present much more than the future, then we are less likely to make the necessary investments today to reduce risk tomorrow.

Arguably, this bias caused the deferral of decisions relating to managing the risks of epidemics and climate catastrophes.

Adam Smith's theory of moral sentiments argued that people form their values by wishing to be well thought of yet, increasingly in modern times, the value of something, some act or someone is equated with its monetary value. The logic of buying and selling no longer applies only to material goods, but increasingly to healthcare, education, public safety and environmental protection.

Carney did not refer to Oscar Wilde, but he did effectively say that markets *"know the price of everything and the value of nothing."*

Instead, he cited the celebrated study of how to incentivise children who are raising money for charity. Would students raise more money if they were paid? In fact, the group of children motivated only by charitable and civic virtue raised the most.

This observation will be familiar from the civic response to Covid. No-one paid the people who volunteered to sew and donate makeshift PPE or to help elderly neighbours or the homeless in their communities. Nobody instructed over one million people to volunteer for the NHS.

The spread of the market can undermine community, one of the most important determinants of wellbeing. This is reflected in standard GDP accounting, in which a government contributes nothing to the GDP calculation beyond public sector salaries.

But what captures performance or value during the crisis? The pay of the healthcare worker or their heroic efforts?

"If we value the present much more than the future, then we are less likely to make the necessary investments today to reduce risk tomorrow."

Carney argued that the assessment of value should become imbued with a greater sense of public purpose, and referred to two famous moral philosophers, Jeremy Bentham and John Stuart Mill.

Bentham defined utility as that attribute which tends either to produce benefit or happiness, or to prevent mischief, pain, or unhappiness. To this Mill added his welfarist approach of a sense of honour and personal dignity.

Mill's intuition is backed today by extensive research into the science of wellbeing which finds that a wide range of determinants of human happiness aren't priced; including mental and physical health, human relationships, community, dignity and the general social climate.

Finally, Carney argued that market pricing has taken hold to such a degree that this perspective has contributed to the recent crises of credit, Covid and climate. Each of these is addressed separately in the subsequent lectures.

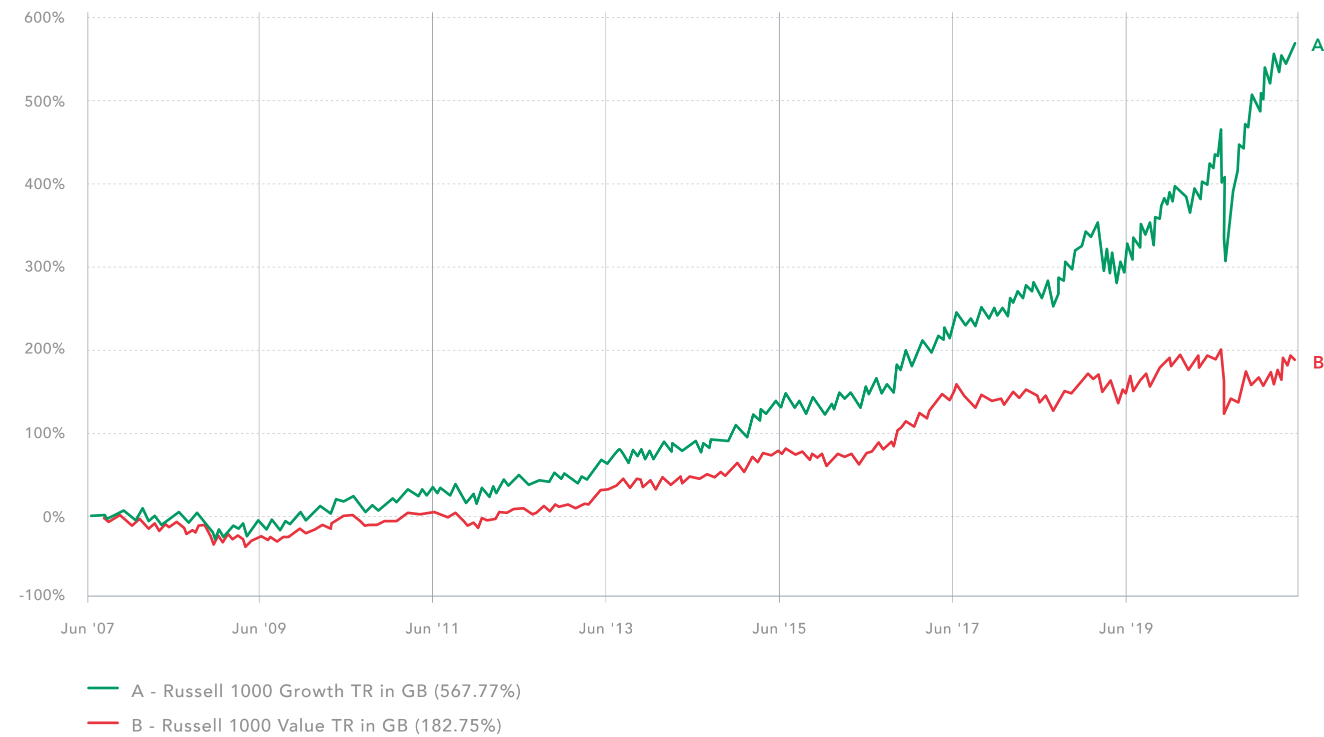
Quality Growth for Resilience

By Simon James

At GBIM we believe that a good investment needs to be well financed and have a good probability of positive free cash flows for the foreseeable future. This is true whether we are looking at company shares or other types of assets.

Typically, this requires a company to be a market leader, and often to be within a sector of the economy which is not only growing, but also benefiting from change. This tends to mean that they grow consistently even when times are hard (Growth). Many have found life surprisingly hard this year, but in the main they have done better than more cyclical businesses or those with a weaker financial position (Value).

The difference in performance between the two groups has been consistent for many years now, as can be seen in the chart below. The blue line is the Russell 1000 Growth Index and the red line is the Russell 1000 Value index.[1]



01/06/2007 - 31/12/2020 Data from FE fundinfo2021

Naturally, it becomes reasonable to ask whether all the benefits of investing in Growth are well understood, so that it may be time to invest in Value. If their relative corporate performance was similar, this would certainly be a fair question, but it has not been.

My thanks go to T Rowe Price for their analysis of the average financial performance of the companies in these two indices.[2]

Russell 1000 Indices

	Revenue	Earnings	Free Cashflow
Growth 1000	60	103	183
Value 1000	16	-17	56

Period Analysed: 1st June 2007 to 31st December 2020

It is important to recognise that we are in an era of change, and that to invest successfully we should position our portfolios on the right side of change. If one is on the wrong side of change, then a lot of self-help is required to remedy any given company's problems. The combination of these factors means that a simple concept of "reversion to mean", which is the mantra of many "value" investors, is inadequate. During times of change, the strong get stronger.

Moreover, markets tend to underestimate the durability of the returns of strong companies, and to overestimate the durability of businesses whose positions are fundamentally disrupted.

This does not mean that quality growth companies will outperform over every shorter time period, but it does improve the probabilities over the longer term. It is also true that not all quality growth companies are valued at the same level at the same time, and thus active management is necessary.

These companies are intrinsically resilient, and resilience deserves to be at a premium in an environment as challenging as the current Covid-impaired one.

Sources:

[1] Source: FE Analytics

[2] Sources: T Rowe Price and Factset

What Do You Subscribe To?

By Fran Hamer

From food boxes to cloud storage, “subscription services” appear to be increasingly popular.

Though the days of having a paper delivered to the front door are long gone, monthly subscribers to online versions of The Times, The Guardian or The Financial Times are becoming important guardians of editorial independence.

A single monthly subscription for wine or beer has proved an easy way to top up the glass, can cost little more than a visit to the pub with friends, and when delivered can feel like a present. Food box or meal kit purchases from the likes of hellofresh and Riverford have increased in popularity, and may help make lighter work of meal preparation. But subscription models are about more than just simple convenience and go beyond replenishing the store cupboard.

There is nothing new about a monthly subscription scheme, as they were pioneered in the 17th Century, so why do they seem so special now? Choice, reliability, and speed of delivery are the most likely key components. The ability to return unwanted goods or to unsubscribe quickly helps too.

Over the last year, many businesses have reported a rise in e-commerce. Mobile devices, reliable deliveries and secure online payment systems such as PayPal have provided a straightforward method for transacting in this manner.

Lockdowns have clearly accelerated this trend and substantiated the method, which has allowed many companies to invite customers to sign up to a subscription model and receive regular deliveries without having to think about them.

Many households have relied on at least one subscription streaming service, such as Netflix, to see them through lockdown. The viewing choices available on demand drives a clear preference over the scheduled services, such as the BBC and ITV. Many families protect their computers with anti-virus software subscriptions and save their photos in the Cloud. This is unlikely to change because there is no alternative.

Alarms, lighting and other utility services can be delivered via a monthly subscription, and the regular feedback on usage and spending from the provider delivers a sense of knowledge and control. Arguably this is a simple improvement to a largely opaque service, but it aids the acceptance of online subscription.

So, will the trend persist? Are subscriptions really catering to our needs and appetite for experiences or are they just uncensored consumerism?

It is difficult to say, and no doubt the answer will vary from sector to sector, however, it does seem likely that a trend which has really accelerated during lockdown will not reverse easily.

One reason for optimism is the improvement in subscription software. Fewer processing errors reduce the probability of upset customers, and improved service helps retain customers and improve brand loyalty. We should also not underestimate the importance of an efficient delivery service. We know how exasperating it is when the driver gets lost. Massive investment in “last mile” logistics during lockdown has reaped huge gains in reliability and reputation. These improvements have caused the number of sectors employing the model to grow.

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"Subscriptions currently represent about 5% of consumer spending."

Nevertheless, despite the relative ease with which a new player can enter the market, successful incumbents can be hard to dislodge. A well-known example of a company which has excelled at this is Amazon. Building on its book selling skills, Amazon launched its Amazon Prime subscription service over a decade ago and has since added Prime Fresh for groceries and Prime Pantry for household goods. On the other hand, the travel industry has seen many online providers come and go. This last year has been brutal for them.

The model remains attractive for ambitious entrants. Barriers to entry are low, and companies can increase their customer base with regular, fixed price offers which bring in recurring revenues. A portion of the customer base will come and go, but flexible and responsive businesses will learn and thrive from this experience. Thereafter the key to maintaining success is to build a "competitive moat", which makes it difficult for others to make inroads into the client base. Incumbents need to use more than price to keep their customers. Increasing prices can be difficult. Good products and services are essential as alternatives are just a click away.

Subscriptions currently represent about 5% of consumer spending[1]. Some see this as a growth opportunity, while others are concerned with the level of consumer churn.

Companies have to work hard to retain their subscribers. One way that businesses are doing this is through the "curated model" which uses data for personalisation. This means understanding what the customer likes and then making recommendations based on that information. Managing customers' data allows insights into their behaviour and may help to tailor services for them or to identify new ways of engaging with them. A good example of this is the custom music playlist. Music streaming is the poster child of the subscription model.

Getting the right sound for a workout or study has been particularly popular through lockdown and there are options to download and customise playlists, enhancing the experience further.

Some consumers like the surprise element too, such as a coffee subscriber getting a new flavour to try each month. The curated model is mostly about the experience and when done well, with easy billing and seamless delivery, this kind of personalisation can be supportive to a long-term relationship.

Sources:

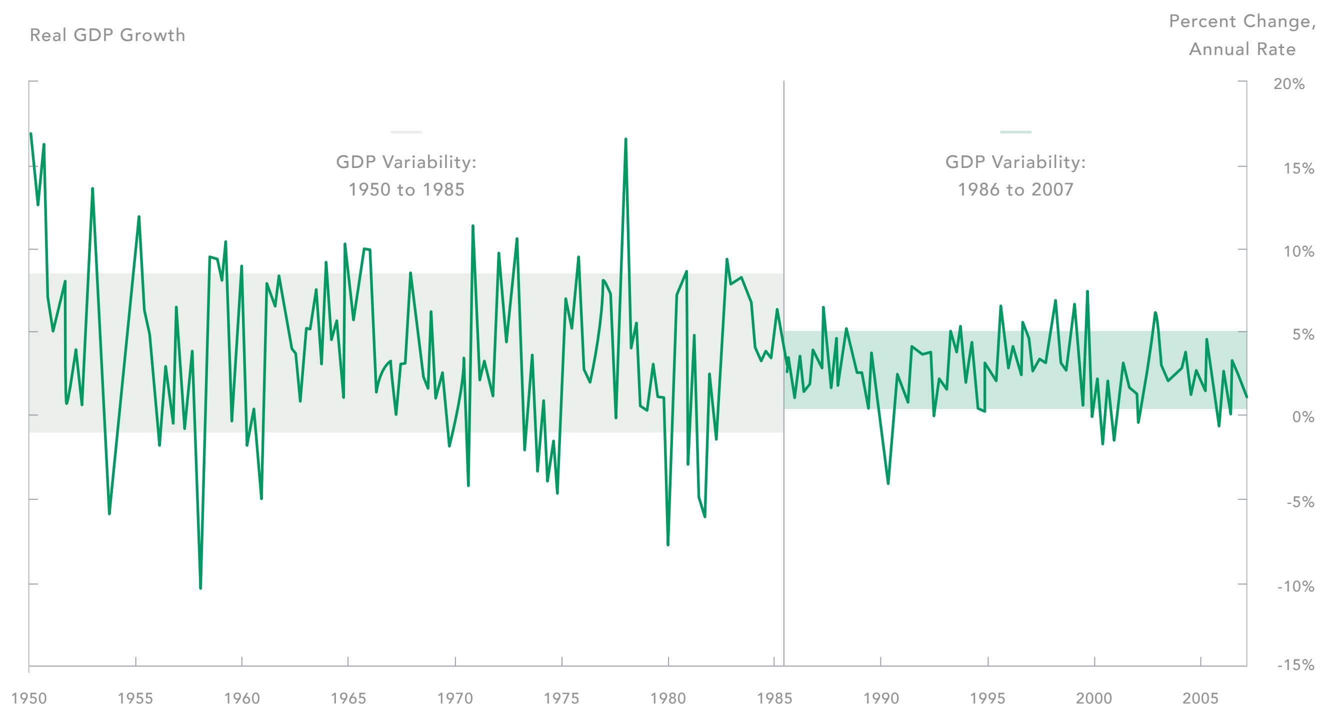
[1] ecommercenews.eu/europeans-spend-5-spending-subscriptions

The Reith Lectures 2020:

2: From Credit Crisis to Resilience

It's hard now to remember how different things were in August 2007. The New World Order promoted by the United States had delivered seemingly effortless prosperity. The Washington Consensus, centred on free markets, free trade and open capital markets, reigned supreme. The United Kingdom was in its fourteenth year of uninterrupted growth and Central Banks were congratulating themselves on delivering the Great Moderation.

The Variability of Real GPD Growth

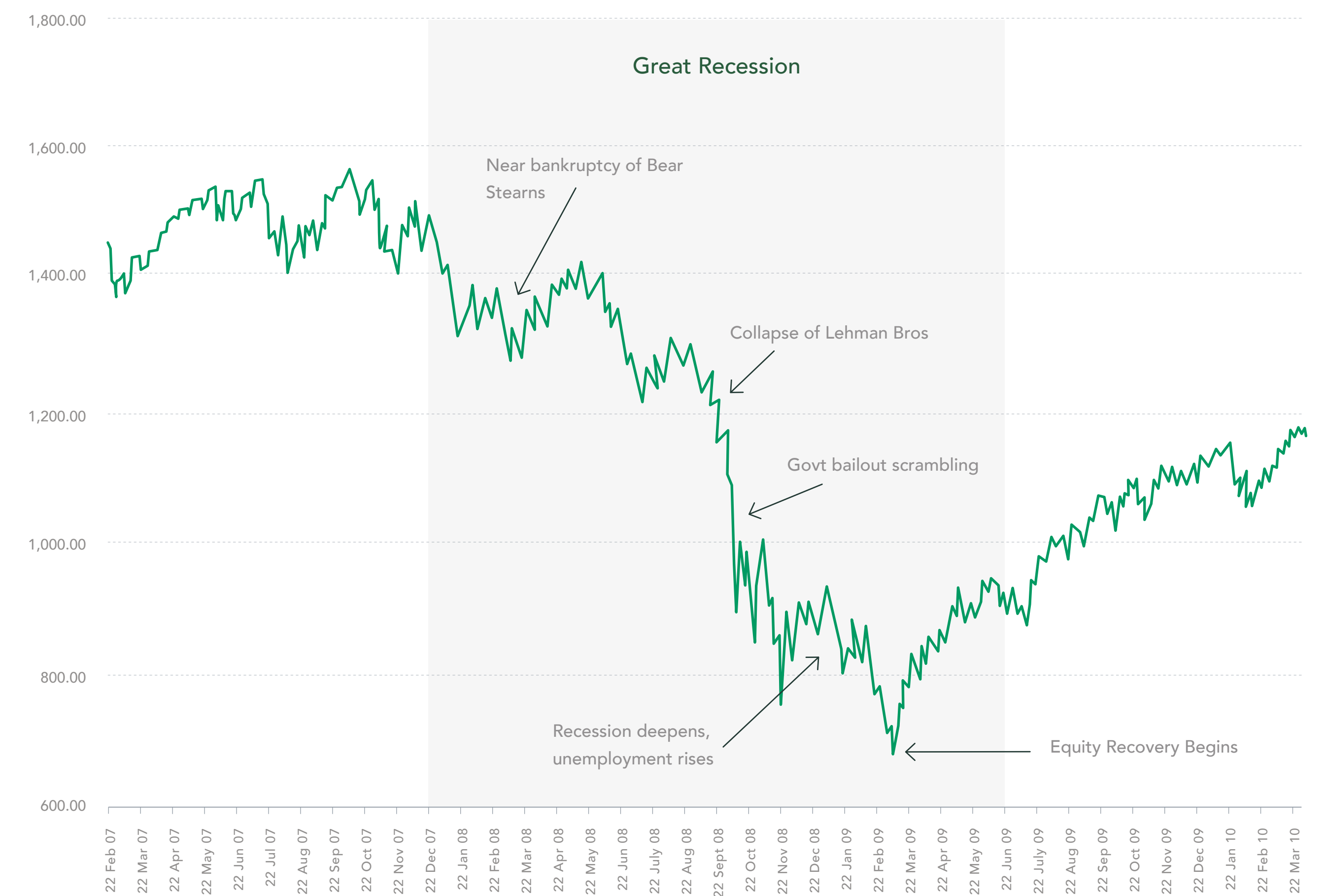


Note: Data are quarterly. The shaded areas of the chart show a common measure of data verifiability - plus and minus one standard deviation around the sample period of the data

Source: BEA

Then, starting with a couple of obscure European funds, the worst financial crisis since the Great Depression had begun. Within a year, a series of institutions, including Northern Rock and Lehman Brothers, had failed or been rescued by the State and the world economy was in freefall.

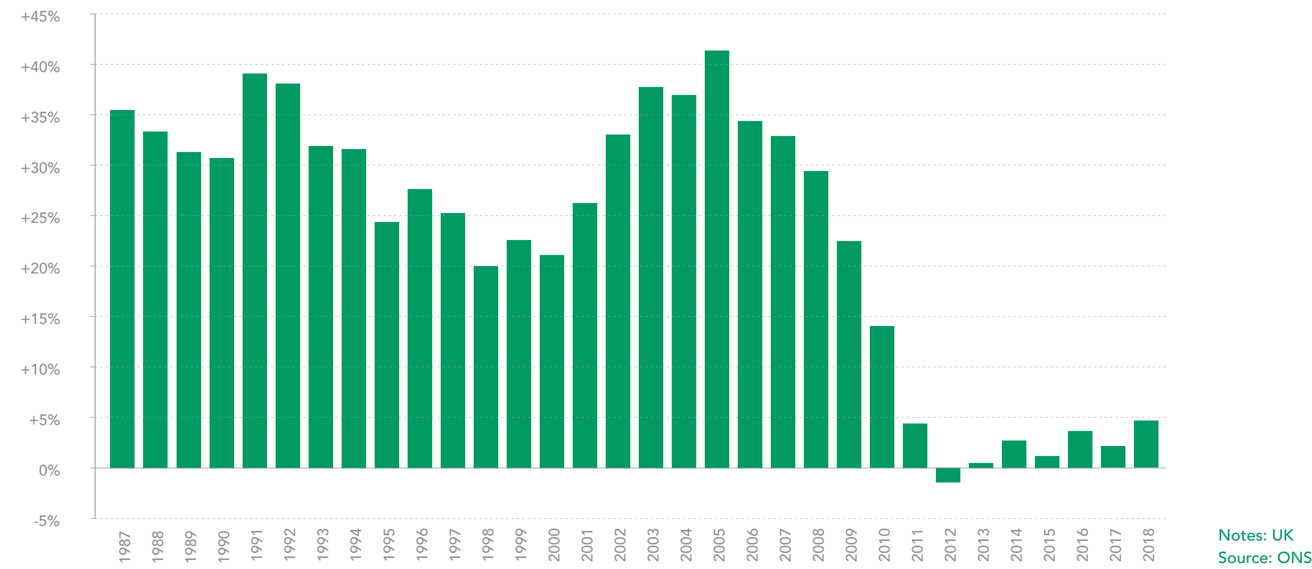
S&P 500 Daily Close, February 2007-March 2010



Clippingchains.com

The future arrived with a bang - from Great Moderation to Great Recession, from boom to bust, from confidence to mistrust - and the consequences were severe. A lost decade. Real household incomes in the United Kingdom did not grow at all over the following 10 years.

10-Year Growth Rates in Real Median Non-Retired Equivalised Household Disposable Income (Before Housing Costs), By Final Year of Period



Since then, growth in trade and capital flows has slowed sharply and the multilateral trading system has been unwinding. There has been growing mistrust of experts.

The financial system came crashing down on the heads of ordinary people, some of whom are still suffering the consequences. They, like Her Majesty, The Queen, wondered, "Why did no-one notice it?"

Most economists, financiers and policy makers missed these growing vulnerabilities because they were involved in the great project of completing the financial market universe with the precision of physicists. Economists generally suffer from physics envy. They covet its neat equations and crave its deterministic systems, and this inevitably leads to disappointment.

The economy isn't deterministic. People aren't always rational. Human creativity, frailty, exuberance and pessimism all contribute to economic and financial cycles.

And so it was in the run-up to the global financial crisis. The new era of thinking in the first decade of the Millennium was grounded in very real boosts to prosperity from global integration and technological innovation. Sadly, that initial success bred complacency and the infrastructure of markets didn't keep up with innovation.

Bankers' confidence caused them to allow their balance sheets to weaken. Few of these "masters of the universe" focused on the longer-term consequences of their actions. Market failures and human frailties were ignored. Moral sentiments turned into market sentiments.

This was not merely a technical failure. This was a crisis of values, as well as value. The pre-crisis era was an age of disembodied finance where markets grew far apart from the households and businesses they ultimately served.

Eight hundred years of economic history teaches that financial crises occur, roughly, once a decade. In finance, institutional memories are short. Lessons that are painfully learned during busts are gradually forgotten as new eras dawn and the cycle begins anew, and this is a depressing cycle of prudence, confidence, complacency, euphoria and despair.

It's a Cycle Which Reflects the Power of the Three Lies of Finance.

1. The first lie is the four most expensive words in the English language: "This time is different."

This misconception is usually the product of an initial success, with early progress gradually building into blind faith in a new era of effortless prosperity.

Several factors drove the debt super cycle in the run-up to the financial crisis, including demographics and the stagnation of middleclass real wages, which itself was a product of technology and globalisation. Households had to borrow to increase consumption.

Financial innovation made that easier and the ready supply of foreign capital made it cheaper.

Most importantly complacency amongst individuals and institutions, fed by a long period of macroeconomic stability and rising asset prices, made this remorseless borrowing seem sensible.

A deep-seated faith in markets lay behind the new era thinking of the Great Moderation. Captured by the myth that finance can regulate and correct itself spontaneously, authorities retreated from their regulatory and supervisory responsibilities.

2. This leads to the second lie: the belief that the market is always right.

This has two dangerous effects. First, the belief that if markets are efficient, we can identify bubbles or address their potential causes. Second, that markets should possess a natural stability, and any evidence to the contrary must be the product either of market distortions or incomplete markets, which can be corrected.

Such thinking dominated the practical indifference of policy makers to the housing and credit booms before the crisis.

Much financial innovation springs from the logic that the solution to market failures is to build new markets on old ones.

Such market fundamentalism relies on people being able to calculate the odds of each and every possible scenario.

A moment of introspection reveals the absurdity of these assumptions compared to the real world. More often than not, even describing the universe of possible outcomes is beyond the means of mere mortals, let alone ascribing subjective probabilities to each outcome.

S&P 500 (Operating Basis) April 1987 - Dec 1989

Source: FE Analytics

The swings of sentiment that result – pessimism one moment, exuberance the next – reflect not only nature's odds but also our assessments of those odds, and the volatility of human behaviour

3. The third lie, that markets are moral, takes for granted the social capital that markets need to fulfil their promise.

Repeated episodes of misconduct in the run-up to the global financial crisis called into question the social licence that markets need to innovate and grow. Financial market participants were found to have knowingly mis-sold to clients products that were inappropriate or even fraudulent.

Traders manipulated key interest rates and foreign exchange benchmarks to support their trading positions, while costing retail and corporate clients who relied on those benchmarks billions of pounds.

Even today for many people there remains a clear sense of injustice caused by the failure to hold these people adequately to account.

It is obviously vital that markets work well and that they are seen to do so.

So: this time is not different; markets are not always efficient; and we can suffer from their amorality. The question is what to do with such knowledge and how can we retain it so that financial history stops rhyming?

The answer starts with the radical programme of G20 reforms that are working to create a safer, simpler and fairer financial system. These pro-market reforms are vital, but they are not sufficient in and of themselves.

Regulation alone won't break an eight-century cycle of financial boom and bust. To resist the siren calls of the three lies, policy makers and market participants must recognise the limits of markets and rediscover their responsibilities for the system.

If the financial and COVID crises teach us anything, it's humility.

We cannot anticipate every risk or plan for every contingency, but we can and must plan for failure. That means creating an anti-fragile system, a system that can withstand both the risks we see and those we don't.

An anti-fragile system requires banks that can stand on their own, which is why banks are now required to hold ten times as much capital as they did before the crisis.

An anti-fragile system requires protection against major financial institutions being "too big to fail". Perhaps the most severe blow to public trust was the revelation that scores of banks operated in a "heads I win, tails you lose" bubble.

An anti-fragile system must also be as robust to operational failures as to financial ones. In our digital era, systemic shocks can come from nonfinancial sources, such as cyberattacks. So to improve firms' defences, the UK's largest banks are now subject to what are called "cyber penetration tests".

To re-establish the social licence of finance requires a combination of regulation and true cultural change. In the long history of scandal, the potential solutions have oscillated between the extremes of light-touch regulation and total regulation, and there are problems with each of these.

"There is no simple unifying formula to break the destructive cycle of financial history."

More comprehensive and lasting solutions combine public regulation with private standards to restore the accountability of individuals for their own actions and for the system, and there are three components of this: aligning pay with values; increasing senior management accountability; and renewing a sense of vocation in finance.

Ultimately though, social capital is not contractual. Integrity can neither be bought, nor regulated, it must come from within and it must be grounded in values.

All market participants should recognise that market integrity is essential to fair financial capitalism.

There is a need to recognise that financial capitalism is not an end in itself but a means to promote investment, innovation, growth and prosperity.

It also means that financial employees should be grounded in strong connections to their clients and their communities.

The G20 reforms since the crisis are intended to create a stronger, simpler and fairer financial system, and with time and continued service it can regain people's confidence.

But we must be vigilant, resist the three lies of finance and reinforce some core financial truths, because the next time won't be different.

Markets aren't always right and can overshoot in both directions; Central Banks need to return to their roles as lenders, not remain as buyers of last resort; and because markets aren't inherently moral, they can distort value and corrode values if they are left unattended.

There is no simple unifying formula to break the destructive cycle of financial history. Physics won't save finance. Promoting a system in which all its participants live society's core values will.

The UK Requires Companies To Report on Climate Change by 2025

As mentioned by Mark Carney in his final Reith Lecture, the UK is the first country to make corporate disclosures on climate change mandatory.

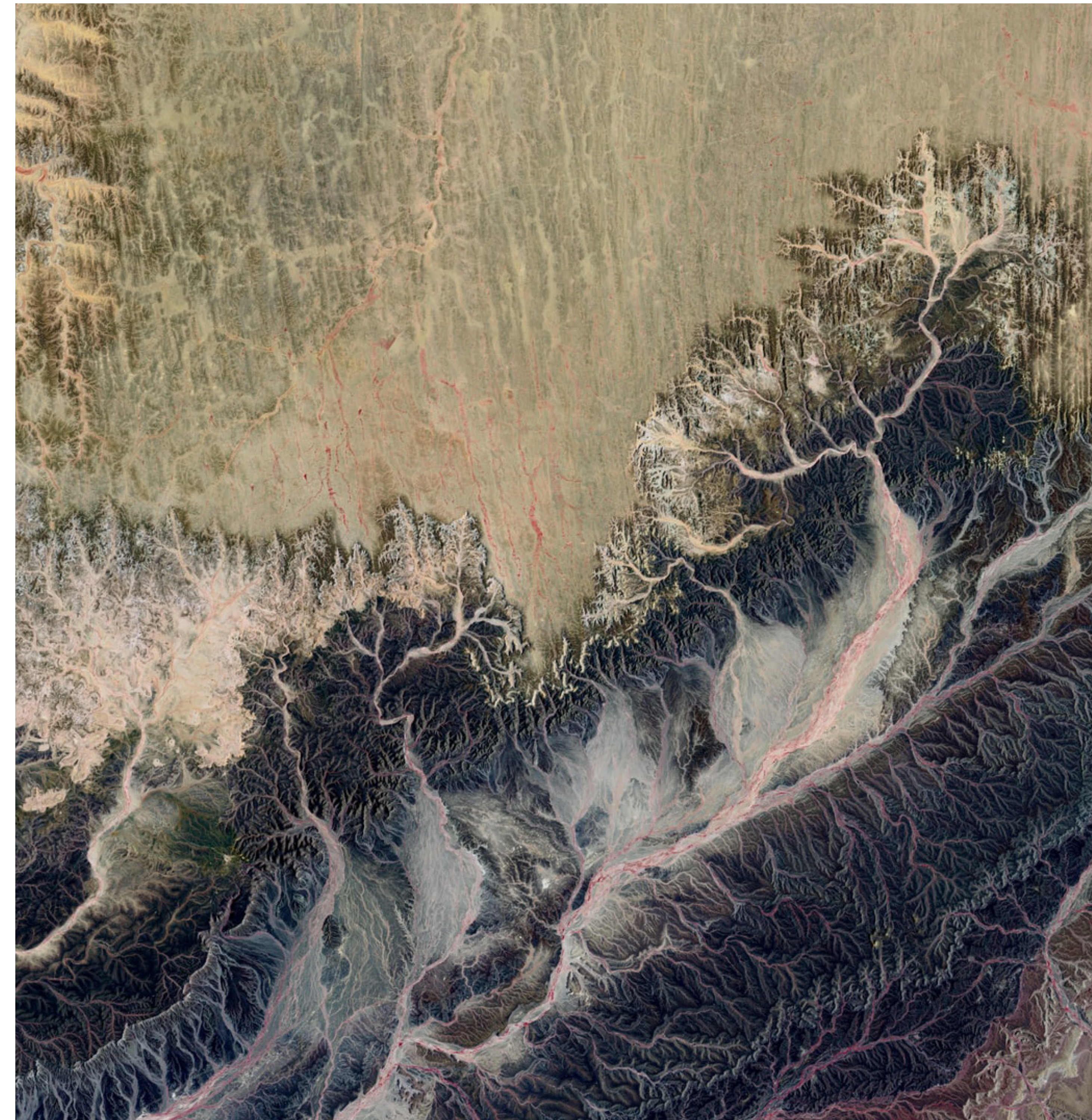
Companies will need to report the financial impacts of climate change on their businesses within the next five years as consumers, investors and governments demand they curb their greenhouse gas emissions.

Rishi Sunak announced[1] that the rule would apply to most of the economy, including listed companies, banks, large private businesses, insurers, asset managers and regulated pension funds.

"We are starting a new chapter in the history of financial services and renewing the UK's position as the world's pre-eminent financial centre," the Chancellor said. "We're doing what's right for the UK and providing firms with certainty and stability."

By 2025, he said, those groups must report in alignment with the Task Force on Climate-related Financial Disclosures (TCFD), an organization established in 2015 by the International Financial Stability Board to promote more informed decisions by companies.

The TCFD says companies should disclose in their financial reports how climate change could increase or reduce sales, among other issues. More than 1,500 organizations have expressed their support for the TCFD's recommendations according to the TCFD's 2020 status report[2]. The 1,500 TCFD supporters include companies representing a combined market capitalization of $12.6 trillion and financial firms responsible for assets of nearly $150 trillion.



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A roadmap for implementing TCFD has been set out by the Government's TCFD Taskforce[3].

The Taskforce has set out an indicative path, mostly occurring over the next three years, towards the disclosure of comprehensive information on how climate-related risks and opportunities are being managed across the UK economy. Coverage of disclosures should increase each year as potential new regulatory or legislative measures come into force. Consultation began in March 2021[4]. Mandatory reporting is expected to begin on 6th April 2022[5].

It presents a coordinated strategy for seven categories of organisation: listed commercial companies; UK-registered companies; banks and building societies; insurance companies; asset managers; life insurers; and occupational pension schemes.

"Open, honest, consistent and transparent disclosure is a fundamental precondition for the realignment of finance and capitalism," said Jenn-Hui Tan[6], global head of stewardship and sustainable investment at Fidelity International, a large global asset manager.

Regulators in the U.S. have voiced support for the TCFD, and the superintendent of the New York State Department of Financial Services (DFS) recommended that banks and insurers report through the TCFD. The DFS regulates around

1,500 banks, 1,800 insurers and other financial groups, with assets exceeding $7 trillion.

The U.S. could move closer to requiring environmental, social and governance disclosures from companies under President Biden.

New commissioners at the Securities and Exchange Commission would likely be supportive of mandating ESG disclosures by companies, and Biden would have an opportunity to replace Securities and Exchange Commission Chairman Jay Clayton, whose term expires in June.

Sustainable investing does not look like a fad, and GBIM has been working hard to understand which fund companies are making the most convincing progress towards implementing these processes in their investment management.

Sources:

[1] www.gov.uk/government/news/chancellor-sets-out-ambition-for-future-of-uk-financial-services
[2] assets.bbhub.io/company/sites/60/2020/10/TCFD-2020-Status-Report-Press-Release_FINAL.pdf
[3] assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/933783/FINAL_TCFD_ROADMAP.pdf
[4] www.gov.uk/government/consultations/mandatory-climate-related-financial-disclosures-by-publicly-quoted-companies-large-private-companies-and-llps
[5] esgclarity.com/uk-opens-consultation-into-mandatory-tcfd
[6] www.esgtoday.com/uk-becomes-first-country-in-the-world-to-make-tcfd-aligned-disclosure-mandatory

The Case for Stakeholder Capitalism

Company executives need to counter the widespread mistrust of capitalists and the corporate sector. The January 2020 Edelman Trust Barometer report, published in January before the pandemic struck, included a survey of 34,000 people, 56 percent of whom believed that capitalism was doing more harm than good globally, with majorities in 22 of 28 markets surveyed.[1]

The perceived failure to pay fair taxes, to treat employees of any culture or creed properly or to protect the world we live in needs changing. In many cases these are unfair perceptions, but swathes of industry can do better.

Levels of inequality of income and wealth have been rising for several decades. Encouraged by the free market reforms of the Thatcher and Reagan years, the sense of unfairness was exacerbated by the monetary solutions to the Great Financial Crisis (GFC), which have benefited the haves more than the have-nots as asset prices have soared.

This has driven the rise of the populist politicians whose rhetoric captured the angry hearts of the dispossessed. But now the populists are faltering. Trump in the US and Bolsonaro in Brazil simply failed to lead their countries with clarity, conviction or consistency through the Covid crisis. Johnson has lived to smile another day. The aforementioned Edelman Trust Barometer also reports a lack of trust in politicians.

> "Influential global management consultants have for some time been making the case for “stakeholder capitalism”, which is a way of describing many of the attributes of ESG or sustainable investing."

Now is the time to shake hands with neighbours over broken fences. The social agenda was uppermost throughout the world in 2020. Biden has re-joined the signatories of the Paris Agreement, even if he struggles to push all his green agenda through Congress; the EU and China have made huge commitments to investing in “net zero” goals. Trade discussions do not have to focus on rejection.

Economic policy is shifting towards fiscal, for which read social, objectives. This will also deliver more regulation for business to embrace.

Influential global management consultants have for some time been making the case for “stakeholder capitalism”, which is a way of describing many of the attributes of ESG or sustainable investing. They are embracing the opportunity to help senior managers engage with positive change.

In an excellent recent article[2], McKinsey summarise what corporate executives need to do in 5 Principles:

1. Get The Board on Board

   Appoint new board members with a diversity of experience, skills, and interests who can reflect the concerns and priorities of a wider range of stakeholders, and change corporate governance guidelines to clearly assert stakeholder, rather than explicitly shareholder, priority, where it is legally possible[3].

2. Set & Track Environmental Goals

   A core principle of business is that what gets measured, gets managed. So, companies should commit to putting their principles into practice by publishing concrete, achievable, and measurable goals. This approach is particularly apt in relation to the environment, where there are clear and readily measurable metrics to track; factors such as "community engagement" may be important but are also less empirical.

3. Work With Suppliers, Old & New, to Build Capabilities & Skills

   Even companies that are sincere in their efforts can cause social or environmental damage via their supply chains. One way to limit such damage is to leverage their expertise and economic clout to improve the practices of subcontractors and suppliers. The principle is clear—a company's sense of responsibility must go beyond its direct operations.

4. Serve Consumers' Long-Term Needs

   While business does not want to overstep its bounds, it also does not want to be indifferent to predictably bad outcomes. Recognizing how goods and products affect consumers and then taking action to reduce the negative consequences is part of stakeholder capitalism.

5. Treat Your Employees With Respect & Invest In Their Futures

   Workforces are not just costs to be managed. Employees are human beings and should be treated with dignity. In business terms, they are also an incredibly valuable resource, well worth tending to in the present and investing in for the future. Companies that do so could benefit in the long term, by being more attractive to possible hires, and inspiring greater loyalty and productivity among those they already employ.

The free-market economy is one of the most important reasons for the wealth creation and the improved quality of life humanity has enjoyed in recent generations.

In 1950, for example, Norway had the world's highest life expectancy (72.3 years). Now the global average is higher (72.6 years) and in Africa, where it is lowest, it is rising fastest.

In China and India alone, more than 1.2 billion people have lifted themselves out of extreme poverty since their countries began to shift their economic policies toward more market-oriented principles.

None of this could have been done without economic growth. Think of West Germany versus East Germany; South Korea versus North Korea; or Costa Rica versus Cuba. The US versus the USSR.

The success was attributable to attention to the end customer's interests and flexibility in catering to them. Stakeholder capitalism is the post-GFC, post-Covid expression of this.

Sources:

[1] www.edelman.com/trustbarometer

[2] www.mckinsey.com/industries/public-and-social-sector/our-insights/the-case-for-stakeholder-capitalism

[3] corpgov.law.harvard.edu/2020/11/15/shareholders-rights-shareholder-activism-2020/#more-134412

Ever Closer to Dependence Upon Fiscal Policy

We have written previously about the need for UK macroeconomic policy to shift towards fiscal expansion. The Covid crisis and the climate change agenda are reinforcing this shift.

There is ample evidence now that lower for longer interest rates benefit the "haves" more than the "have-nots", and the public has noticed too. Without fiscal policy intervention the inequalities will inevitably grow.

Let's assume therefore that sustained fiscal expansion in the UK is in the offing. What would happen to interest rates? Historically they would have risen under these circumstances, but I am not sure that they would in today's economic environment.

Long term economic stagnation seems to be more of a risk in the West than strong growth despite significant stimulus from central banks.

Prior to the pandemic, leading economists, Olivier Blanchard and Larry Summers, published "Evolution or Revolution? Rethinking Macroeconomic Policy after the Great Recession"[1].

They commented that:

"The notion that low rates were largely an after-effect of the financial crisis and would slowly rise has simply proven wrong.

"In Europe, in response to economic weakness, the authorities have pushed back the date at which interest rates will return to positive territory for several years. In both Germany and Japan indexed bonds suggest negative real rates as a feature of economic life for the next generation.

"At the same time, fiscal policy has continued to be expansionary—in Japan, the United States (strongly), and Europe (mildly)—without leading to anything like overheating. Despite this fiscal stimulus, inflation has barely reached the Fed's inflation target, and market expectations are for less than 2 percent inflation even for 30-year forecasts. In the euro area and Japan, inflation remains below target, with little indication that the target will be met any time soon. This weak inflation suggests that despite aggressive monetary and fiscal policies, either expected inflation is still below target, or output is still below potential, at least in these two economies.

These two developments lead to the inevitable conclusion that fiscal policy will have to play a much bigger role in the future than it has in the past."

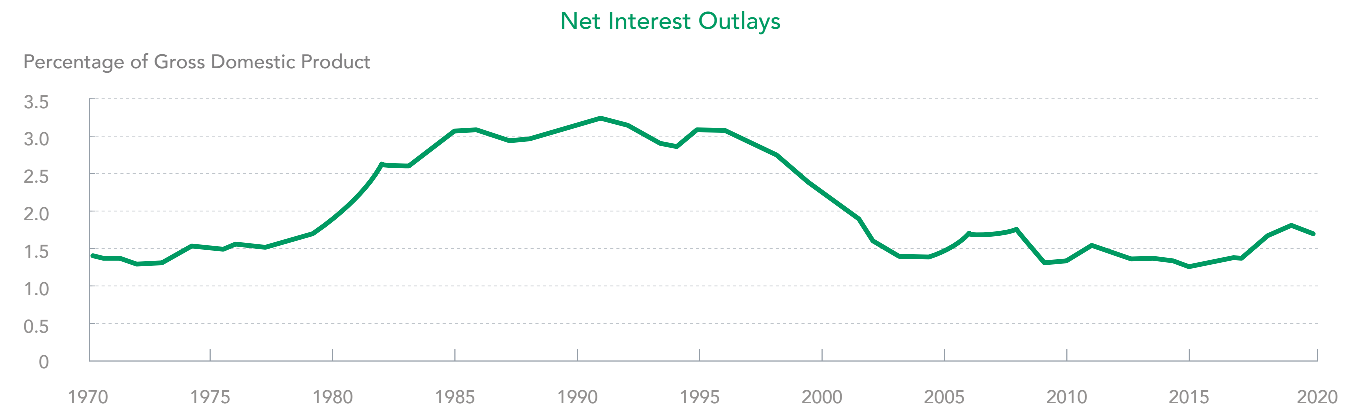
This was written before the outbreak of Covid-19, and so prior to the much greater levels of fiscal spending which are now taking place. As the economies recover the level of spending will fall again but will be likely to remain higher than in recent decades.

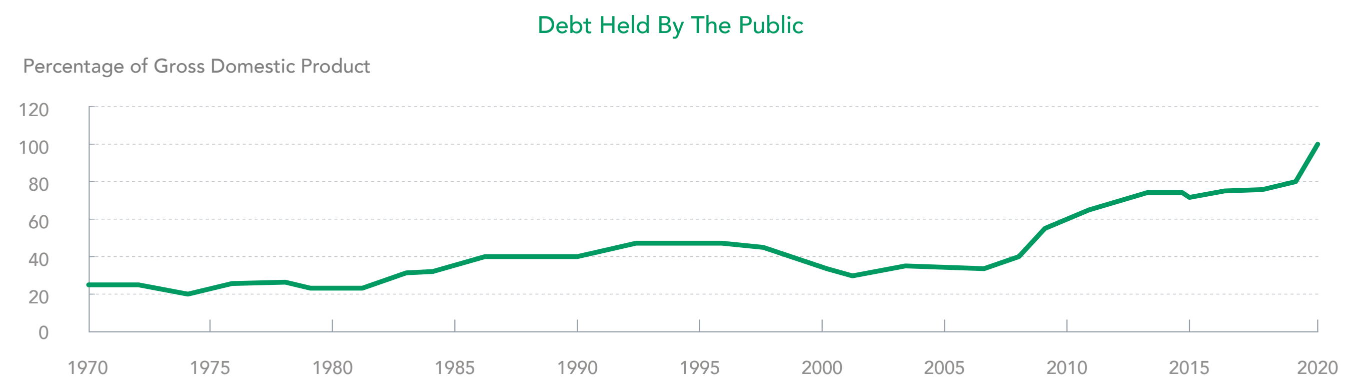
There will be an uplift in inflation during the second and third quarters of this year, but there is not yet much expectation that inflation will remain elevated. Concern about inflationary risk is unlikely therefore to cause a brake upon greater government largesse.

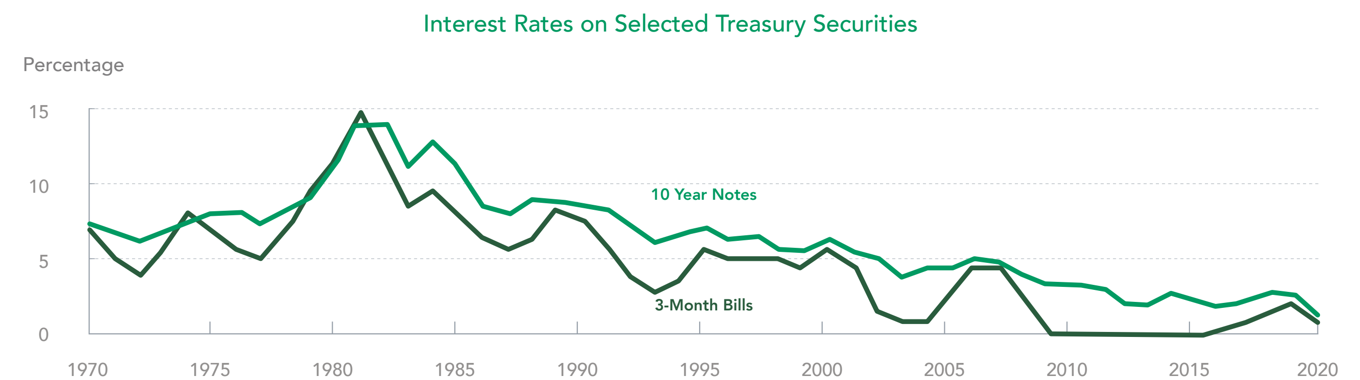
But who is going to pay for All This Debt?

A very good question, and one which nobody can answer fully today. Tax rates in the UK are to rise in future years, and President Biden wishes to see them at higher levels in the US. His Treasury Secretary, Janet Yellen, is trying to persuade leading nations of the merits of a shared minimum corporation tax level. We shall hear more of this.

However, despite a surge in the levels of borrowing in recent years the affordability of it has remained intact – at least for as long as interest rates remain at historically low levels[2].







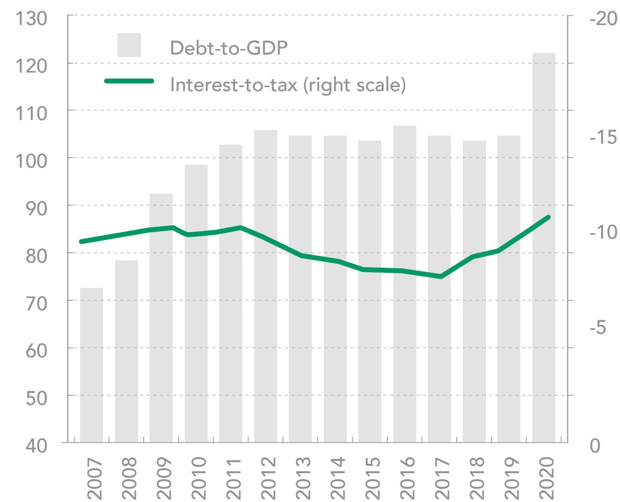
Sources: Congressional Budget Office. See www.cbo.gov/publication/56780#data

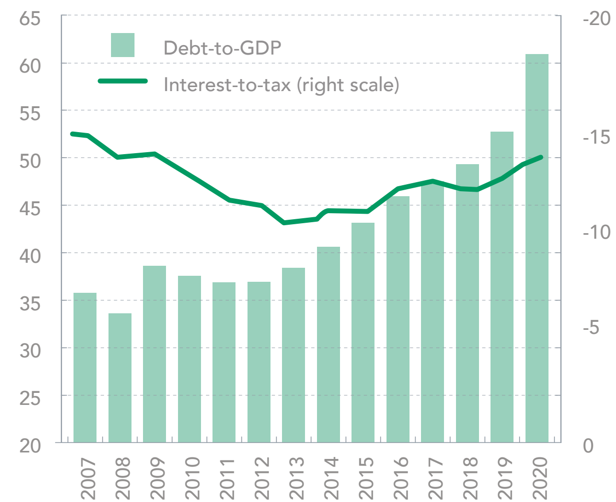
The share of national income which is required to make the interest payments is much lower than it was in the 80's and 90's.

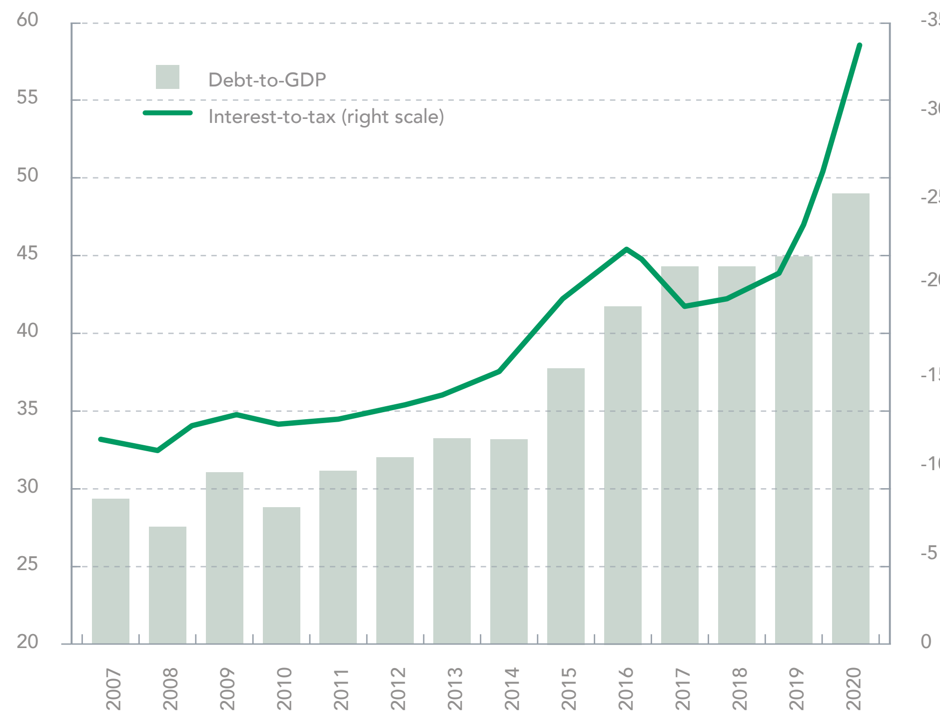
The situation is very similar across both developed and middle-income economies, although weaker developing economies may struggle:

General Government Gross-Debt-to-GDP and Interest-Expenditure-to-Tax-Revenue Ratios, 2007 -2020 (percent)[3]

Public debt vulnerabilities persist.







This goes some way to explaining why many economists argue that interest rates will remain low for many years yet. Of course, the situation is more complex than that, but it is a pragmatic rather than an ideological view.

It is likely that the debts will be "rolled over" when they fall due, and so the repayment periods will be extended rather than the debts repaid. Interest rates would need to remain low for the affordability to remain intact, and so central banks are likely to remain active buyers of government debt.

The alternatives are not attractive, and in a world which is weary of austerity this scenario gains credence.

Sources:

[1] nber.org/system/files/working_papers/w24179/w24179.pdf

[2] cbo.gov/publication/56910#_idTextAnchor020

[3] cbo.gov/publication/56910#_idTextAnchor020

The Reith Lectures 2020:
3: From Covid Crisis to Renaissance

Near the end of February 2020, people were familiar with the coronavirus, then thought to be confined to parts of Asia. Few were prepared for what would be required in just a few weeks in their own countries, and no one imagined how the professional and personal lives of everyone on the planet would be transformed.

So, how could this have happened?

In his classic treatise, Leviathan, Thomas Hobbes described back in 1651 how the fundamental duty of the state is to protect its citizens from violence.

Over the centuries, the government's role as protector has been extended to areas as varied as promoting financial stability, protecting the environment, maintaining data privacy, and yes, preparing for a pandemic. For some people, these are essential public goods. To others, this is the creep of the nanny state.

States failed in their duties to protect and now the COVID crisis is forcing us to confront questions of how we value health, wealth and opportunity.

Looking back at the initial response to the catastrophe, something is striking. Governments and citizens drew on their core values and made decisions based on human compassion, not financial optimisation. The economy was put on life support in order to save lives.

Governments have asserted a level of control over our everyday activities that has surpassed anything in modern history.

Staying at home during a lockdown or wearing a mask following government guidance is part of the Hobbesian bargain: obedience in exchange for protection.

Many are willing to comply with decrees of a legitimate and trusted power, but such state legitimacy must be continually earned. Compliance will be undercut if concerns develop about fairness, administrative competence or the validity of the strategic objectives themselves.

Most people across the globe have supported lockdown measures and massive government spending, even if they perceive little personal risk, and they've gone well beyond compliance to active charity.

This has come at great cost. Lockdowns deepen economic uncertainty, disrupt social lives, and bring about incalculable levels of stress and anxiety.

Solidarity in a pandemic is an example of positive behavioural contagion. If those around us obey lockdown rules or wear masks, we're more likely to do so as well.

This concept goes back to the moral sentiments of Adam Smith, and it reminds us that virtue is not a finite resource to be conserved, but a value that grows with use.

At the beginning of the pandemic, many said that this tragedy showed that we are all in the same storm. It quickly became apparent, however, that we were in very different boats.

COVID is fundamentally unequal in its impact and it has exposed deep inequalities in our society.

The virus particularly targets certain individuals:

1. The older population,
2. Those with pre-existing conditions like obesity, hypertension and diabetes.
3. In the UK, men in low-skilled jobs were found to be almost four times more likely to die from COVID-19 than professionals.
4. In England and Wales, the mortality rates for black, Pakistani and Bangladeshi people were nearly double that of white people, and the same grim ratio holds for African Americans.
5. The economic impacts of containment measures also fall differently across populations. Lockdowns have decimated jobs in service, hospitality and entertainment industries. In the UK, nearly half the jobs that were at risk of permanent layoffs were those with wages of less than 10 pounds an hour.
6. The increases in unemployment affect the young, minority ethnic communities and women to a materially greater degree. Closure of primary and secondary schools will undermine equality of opportunity in the years ahead.
7. Education under lockdown depends on parental guidance and access to computers and good broadband, reinforcing the structural advantages of children coming from richer households. At the height of the spring lockdown the UN estimated that approximately half of the 1.5 billion children out of school did not have access to a computer. The cost of these inequities will mean greater income disparities and higher unemployment in the future.
8. The young will pay a significant economic price, and that's even before the possibility of higher taxes over their lifetimes, to fund the current emergency. As the costs of preventative measures grow, so too does the imperative for a clearer strategy that values life, opportunity, fairness and sustainability.

"If we only cared about the financial security of survivors, we'd never spend any money to save the life of retirees or those permanently out of work."

Today, public policy decisions around the world use calculations of statistical life and the related concept of quality-adjusted life year as part of what has been termed the cost benefit revolution.

The attraction of doing so is that financial values encourage clear decisions. The question is whether this clarity is justified and whether it reflects the values of society.

There are four reasons why the value of life should not be assessed by the market.

1. Firstly, unlike consumer goods, no part of life's value stems from the ownership of comparable goods by others. Evidence also shows that people will support measures that increase their life expectancy, even if it increases the life expectancy of others by more. It may seem odd to have to state it, but life is different from Pepsi.
2. Secondly, estimates of the value of statistical life rely on assumptions about markets and human nature that are seldom realistic. It is difficult to believe that a person taking on a higher risk job knows the occupational probability of death and rationally analyses this probability against their wage premium. Would we be in our current predicament if we valued mortality consistently? The cost of pandemic preparedness was less than two days of lost output from the lockdown.
3. Thirdly, there are moral issues that transcend these methodological flaws. Methods of calculating the value of life place a higher value on those in their fifties than those in their twenties, and on people in advanced economies, relative to those in developing economies. Are we comfortable that policies should be made accordingly?
4. Finally, monetising life ends up trivialising our core values. Calculation can corrode. As weeks turned to months and the prospect of a return to normality receded, three things changed: the economic cost began to mount; prolonged inactivity began to erode the productive capacities of workers and companies; and the unequal impacts of the pandemic on women, minorities and the young, and on the broader welfare of the population, became increasingly apparent.

It is not clear that these issues are best answered by cost benefit analyses, flawed methodologies and hidden inequities.

We need to resist the siren call that there is a trade-off between the economy and our health. There's extensive cross-country evidence that these objectives are complementary.

Data from various countries indicate that more than 80% of the reduction in mobility has been voluntary. The fact is, people are reluctant to go back to work or to the office or to go out to spend, when they are concerned about their health. The lesson is that we need either to control the virus or credibly lessen its impact on people's health.

So how should we proceed? Ideally, we should define our core purpose first and then determine the most cost effective interventions to achieve this goal. Such cost effectiveness analysis explicitly seeks to achieve society's values.

During the pandemic people have prioritised the values of solidarity, fairness and responsibility. This suggests that COVID policy should be centred on health and social outcomes, minimising the risks of death, ensuring that the sick have adequate treatment and buying time for better treatments and vaccines.

A strategic approach to COVID is the best combination of policies to achieve the desired level of infection control at minimum economic cost, with due respect for inequality, mental health and other social consequences. Calculating those costs then provides guidance when considering different containment strategies. That means paying attention to the impact on fairness, education, inter-generational equity and economic dynamism.

In deciding which sectors of the economy to open or close, policy makers must weigh up the spill overs from one activity to another. Policy makers should restrict economic activities that have weak economic contributions but high infection risks, and open or even subsidise those with low infection risks and a high and positive economic contribution.

In the same vein, fair access to healthcare is essential. If it is compromised, the bonds between the state and citizens will be undermined.

Finally, we need to spend public money wisely; it is not unlimited. This is not about a return to austerity but, rather, about more effective spending by supporting education and skills, and the productive capacity of businesses. In short, we will need, in time, to begin to move from redistribution to regeneration.

Governments undervalued resilience in the years leading up to the crisis, failing in their duty to protect their citizens. People across the world rose to the occasion, displaying their values of solidarity, fairness and responsibility, but at the same time, the COVID crisis has revealed deep strains in our society. Essential workers have been undervalued.

After decades of risk being steadily downloaded onto individuals, the bill has arrived. Entire populations are experiencing the fears of the unemployed and sensing the anxiety that comes with inadequate or inaccessible healthcare. These developments have rightly raised expectations for fairness and greater equality in all spheres of life.

In recent decades we have been moving relentlessly from a market economy to a market society. Increasingly, to be valued, an asset or activity has had to be in the market, and this crisis could help reverse that so that public values help shape private value. When pushed, societies have prioritised health first and foremost, and then looked to address the economic consequences.

In this crisis, we know we need to act as an interdependent community, not as independent individuals. The values of economic dynamism and efficiency have been joined by those of solidarity, fairness, responsibility and compassion.

A New America in The New World?

By Simon James

Are we about to witness a major transition in America? The new President has an agenda which is dramatically different from that of the recently departed one.

After the divisiveness of the last administration, we can welcome President Biden's comments "to overcome these challenges, to restore the soul and secure the future of America, requires so much more than words, it requires the most elusive of all things in a democracy: unity".

The initial targets President Biden has identified are:

- An effective response to the pandemic
- A full engagement with the environmental agenda
- Bolstering the sluggish economic recovery
- The removal of anti-immigration policies
- Restoring federal efforts aimed at promoting diversity.

Even before Mr Biden's first day in office there was a series of firsts.

Kamala Harris has made history as the first female, first black and first Asian-American US vice-president. Raphael Warnock has been elected as a senator for Georgia, and will be the first black senator for Georgia, and the first black Democratic senator for a former slave state. The Democratic Party won the state of Georgia for the first time in a presidential election for nearly thirty years.

Since then, Janet Yellen has been appointed the first female US Treasury Secretary.

On his first day in office President Biden signed seventeen executive orders, which underline the importance of the initial challenges he has identified.

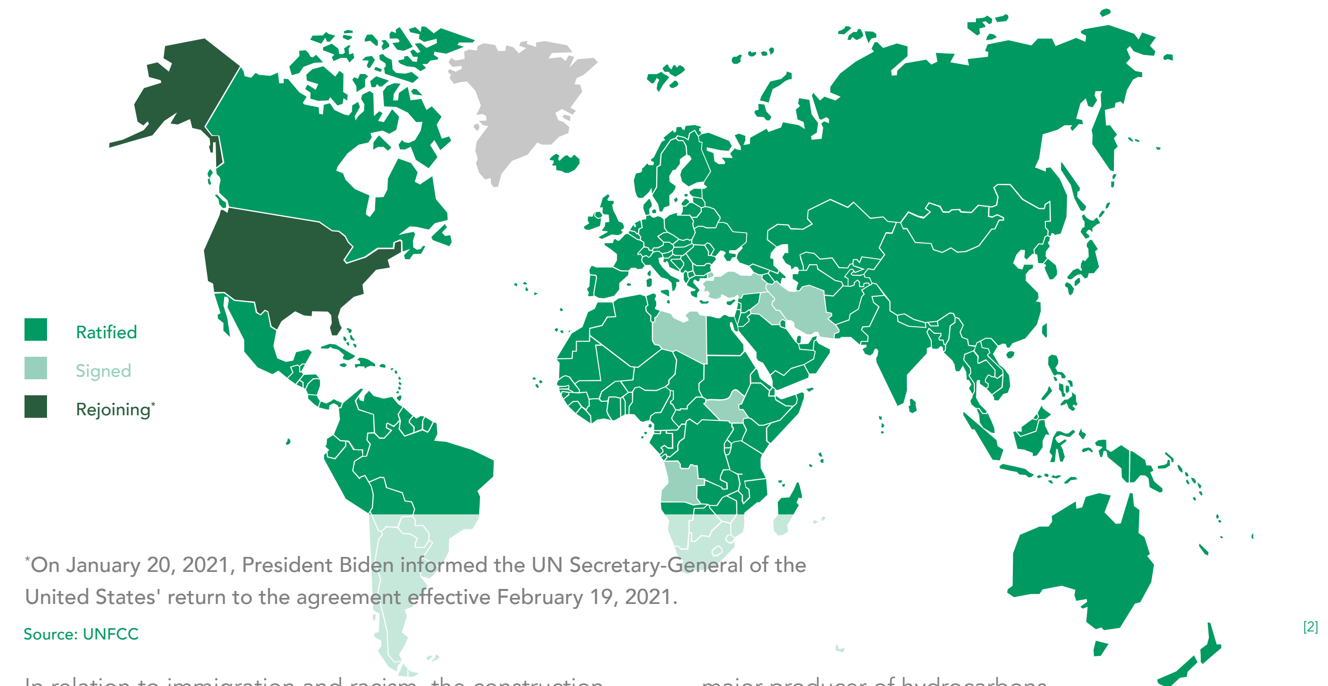
Executive orders are not legislation; they require no approval from Congress, and Congress cannot simply overturn them. Congress may pass legislation that might make it difficult, or even impossible, to carry out the order, such as removing funding, but only a sitting U.S. President may overturn an existing executive order by issuing another executive order to that effect[1].

As regards healthcare, Biden is reinstating ties with the World Health Organization after the Trump administration chose to withdraw the nation's membership and funding last year. Dr Anthony Fauci, who has been reappointed as Chief Medical Adviser to the President, will be the head of the U.S. delegation.

Biden also signed an executive order appointing an official Covid-19 response coordinator who will report to the President, in an effort to "aggressively" gear up the nation's response to the pandemic. The roll-out of vaccines is progressing well, and infection numbers are falling.

The State of The Paris Agreement

Countries by their participation in the Paris Agreement (as of January 21, 2021)



*On January 20, 2021, President Biden informed the UN Secretary-General of the United States' return to the agreement effective February 19, 2021.

Source: UNFCC

[2]

In relation to immigration and racism, the construction of Trump's border wall with Mexico has been halted. The travel ban on citizens from Muslim-majority countries has been ended. The Trump administration's 1776 Commission, which released a report which is considered to distort the role of slavery in the United States, has been dissolved. The new administration is engaging with Mexico.

The new President is also continuing a pause on federal student loan interest and principal payments and is being urged to go further and to cancel up to $50,000 in student debt per person. This issue of intergenerational inequality may also arise in the UK.

From an international perspective perhaps the most important immediate initiative was Biden's decision to sign a letter to re-enter the United States into the Paris climate accords.

This aligns the US with most of the rest of the World and could be a device for Americans to recover a place of global leadership, given the size of their economy, the level of their carbon emissions and their position as a major producer of hydrocarbons.

The first summit with the Chinese prompted some polemic headlines for the media, but it would be surprising if the talks behind closed doors were not setting a more constructive agenda for future progress.

This is exciting for US "progressives", but is it as good as it gets?

The balance of Congress, and so the future US legislative agenda, depends entirely upon having legislation approved in Congress. The Senate is tied 50-50, and so the key constitutional role of the US Vice-President, to exercise the casting vote in the event of a tied vote on any legislation seems important. Kamala Harris, in her role as President of the Senate, may technically be able to exercise this prerogative especially on economic packages, but other issues may be stymied.

Much will depend upon the degree of partisan behaviour in the Senate, and on the rules of filibuster and cloture. Filibuster is used frequently to stymie a president's legislative agenda[3].

Summer 2021

At this stage it is difficult to know what direction the Republicans will take. Will Trumpism fade without Trump in office, will someone else pick up that torch, or will the Republicans seek a more moderate future?

More Americans voted in the 2020 election — two-thirds of the voting eligible population — than in any other in 120 years[4]. It was the highest turnout since 1900, when 73.7% of eligible Americans cast ballots. Records since 1980 were surpassed in 42 states and Washington DC (State-level data from earlier than 1980 was not available).

Joe Biden defeated Donald Trump by about 4.45 percentage points, according to Pew Research Center's tabulation of final or near-final returns from all 50 states and the District of Columbia. Biden received nearly 81.3 million votes, or 51.3% of all votes cast – a record, and more than 7 million more votes than Trump[5].

But Trump's support was the second highest ever, and thus the divisions across America will not fade easily. The historically narrow margin of victory is seen in the chart below, both by proportion of popular vote and percentage of the electoral college.

As a consequence, the future path of the Republican party (GOP) is not simple to discern.

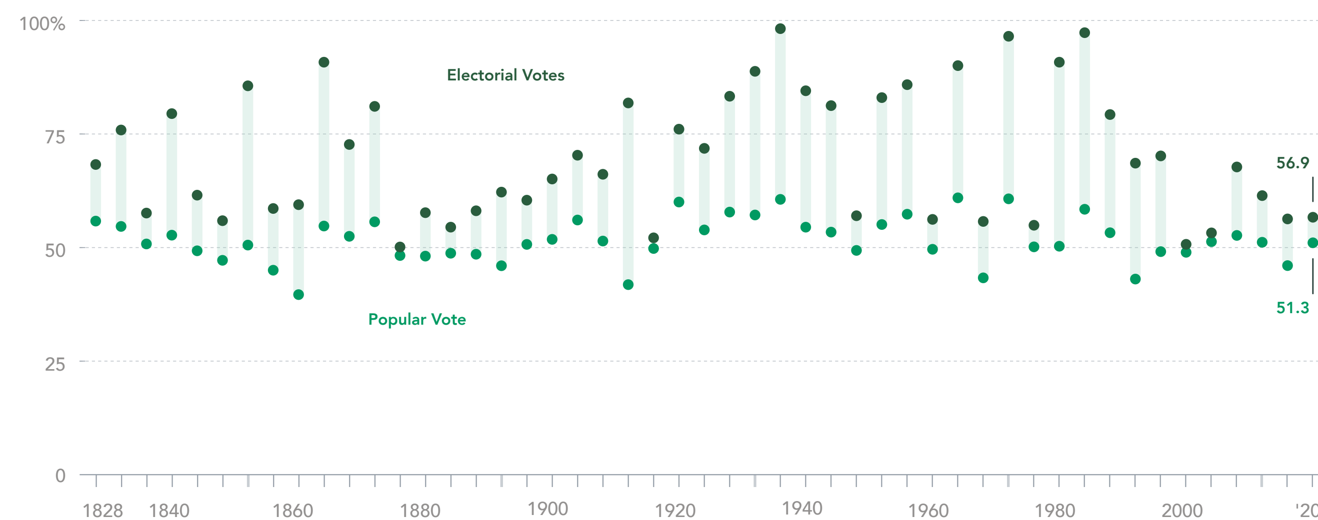
It is not clear how pragmatic GOP senators will be, and the Democrats know that they need positive outcomes to repay the groundswell of support they received. The appointment of Janet Yellen, until recently Governor of the Federal Reserve, as Treasury Secretary suggests that the White House hopes to cooperate closely with the Fed.

They will be trying to restore trust in government, and to rebuild the recognition of the value of expertise. Many appointees have served in government previously. The reappointment of Anthony Fauci may be an example of expertise being recognised.

Senior cabinet appointments reflect a commitment to diversity but might have gone further[6].

The Electoral College Can Magnify a Win Into a Landslide

President-elect's share of electoral and popular votes



Sources: National Archives (1828-2016 electoral vote data); Dave Leif's Atlas of U.S. Presidential Elections and U.S. House Clerk's office (1828-2012 popular vote data); Pew Research Center tabulations of official state election results (2016 and 2020); The Washington Pot (2020 electoral vote totals and supplemental popular-vote date); Pew Research Center analysis.

There will be further votes in both the House and the Senate in two years' time, and thus it is important for Biden's team to make progress on many fronts as soon as they can.

The so-called "organisers" will be crucial for the elections in 2022 and 2024.

In the November election just under 5 million Georgians voted, which was a record and nearly 1 million more than in 2016. The architect of this is considered to be Stacey Abrams, the first African-American woman to run for governor. She lost that race narrowly in 2018, and since then has led a grassroots voter-registration movement, which has enabled hundreds of thousands of new voter registrations in recent years[7].

At an event at Chatham House in 2019, Ms Abrams explained how the workings of voter suppression make it harder for minorities to cast their votes. "Voter suppression is real. Voter suppression is insidious, but it is also seamless, because, typically, what happens is that we are taught to believe that a person can't vote because they made a mistake, as opposed to the fact that the system is designed to deny them agency and access."

Georgia has one of the strictest voter ID laws in the US. An "exact match" screening process means that registrations and ballots are not accepted if they don't precisely – down to accents, hyphens and even typos – match the records. A process that disproportionately flags up people of colour.

When he was Secretary of State for Georgia, the current Governor, Brian Kemp, oversaw a purge of 1.4 million registrations and the closing of 200 voting stations, largely in low-income or rural communities. Leading up to the election, the state put 53,000 voter registrations on hold due to non-match. Black voters made up 70% of the frozen registrations.

Electoral reform is in the minds of many Americans, but it would impair the prospects of many Republicans. Georgia's state legislature has recently moved to tighten voting rules with the "2021 Election Integrity Act"[8]. The legislature is controlled by Republicans.

Will this focus upon domestic issues preclude much needed restoration of international engagement? Perhaps they are not mutually exclusive, but we should probably not expect single-country free trade agreements. More likely is a commitment to multilateralism, as is already shown in the steps taken with the WHO and Paris Agreement. COP26 on climate change, NATO and democratic values are likely areas of focus.

A new president is not a panacea. It would be a mistake to allow the relief that has accompanied Joe Biden's victory in the US presidential election to become something close to euphoria and, consequently, burden the new US President with expectations that are unachievable.

The next decade is looking troubled and fractious even now that Donald Trump's hand is no longer on the tiller of the world's largest and most powerful economy.

Sources:

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[2] statista.com/chart/9656/the-state-of-the-paris-agreement/
[3] Please see the article on Filibuster.
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What is A Senate Filibuster?

By Simon James

A filibuster is something we may become increasingly familiar with, now that the US Senate is split 50/50 and the Biden Administration has ambitious legislative plans. Across America there is a debate on whether to end the right of the Senate to filibuster, but using the filibuster to delay or block legislative action has a long history.

President Biden has taken office with a policy agenda intended to support the rollout of COVID-19 vaccines, stimulate the economy, reduce inequality and combat climate change. While some progress on these issues is possible through executive power, Biden will also need to work with a partisan Congress where institutional obstacles like the cloture rule and the Senate filibuster could stand in his way.

The filibuster's origins go back to 1805, when then Vice President, Aaron Burr, recommended that the Senate drop a rule that limited debates on its floor. By the 1840s the use of the delaying tactic had become more common in the Senate[1].

The term filibuster – from a Dutch word meaning "pirate" – became particularly popular in the 1850s, when it was applied to efforts to hold the Senate floor in order to delay or prevent a vote on a bill[2].

In the Senate, but not in the larger House of Representatives, unlimited debate is allowed on the grounds that any senator should have the right to speak for as long as necessary on any issue.

The record for the longest individual speech goes to South Carolina's J. Strom Thurmond who filibustered for 24 hours and 18 minutes against the Civil Rights Act of 1957[3].

In 1917, senators adopted a rule (Rule 22), at the urging of President Woodrow Wilson, that allowed the Senate to end a debate with a two-thirds majority vote, a device known as "cloture".

If a cloture motion is not supported by the special majority of senators, then the measure has been "filibustered", a term given to the hours-long speeches senators have used over the decades to keep debate open. A successful filibuster prevents the Senate from voting on a bill.

Rule 22 was first put to the test in 1919, when the Senate invoked cloture to end a filibuster against the Treaty of Versailles. The treaty was never ratified[4].

Even with the cloture rule, filibusters remained an effective means of blocking legislation, since a two-thirds vote is difficult to obtain. Over the next five decades, the Senate occasionally tried to invoke cloture, but usually failed to gain the necessary two-thirds vote.

Filibusters were particularly useful to southern senators who sought to block civil rights legislation, including anti-lynching legislation, until cloture was invoked after a 60-day filibuster against the Civil Rights Act of 1964. In 1975 the Senate reduced the number of votes required

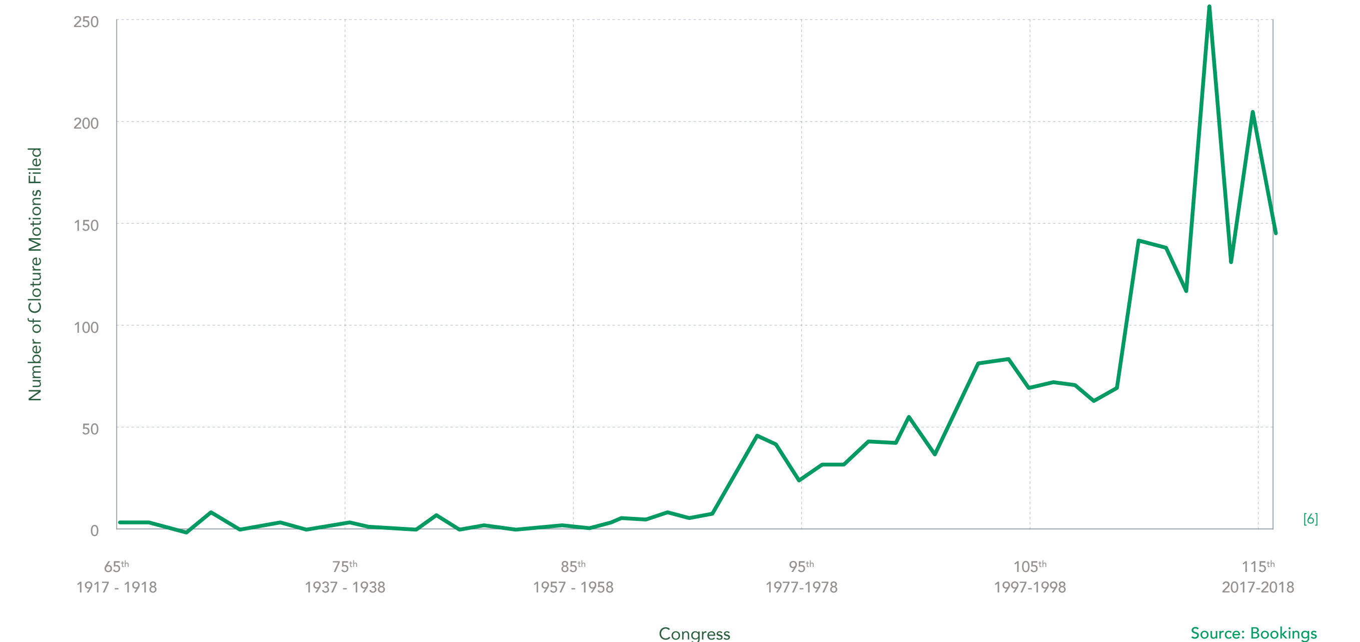
for cloture from two-thirds to three-fifths, or 60 of the current 100 senators.

The idea behind the filibuster is to force the majority to earn support from at least a few members of the other party and so build greater consensus[5].

However, as partisanship has increasingly stymied decision-making in Washington, the filibuster has been blamed for sending countless pieces of legislation to their political graves and the use of cloture has skyrocketed (see below).

Cloture Motions Filed

65th Congress - 116th Congress



While much of the Senate's business now requires the filing of cloture motions, there are some important exceptions.

One involves nominations to executive branch positions and federal judgeships on which, thanks to two procedural changes adopted in 2013 and 2017, only a simple majority is required to end debate.

A second includes certain types of legislation for which Congress has previously written into law special procedures that limit the amount time for debate. Because there is a specified amount of time for debate in these cases, there is no need to use cloture to cut off debate. Perhaps the best-known example of these are special budget rules, known as the budget reconciliation process, that allow a simple majority to adopt certain bills addressing entitlement spending and revenue provisions, thereby prohibiting a filibuster.

Calls to reform or abolish the filibuster gained traction on the 2020 campaign trail when it appeared Democrats could take control of the Senate. Now that the chamber is split 50-50, what are the chances we will see attempts to change to the filibuster in 2021?

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The Reith Lectures 2020:

4: From Climate Crisis to Real Prosperity

Climate change will be a test of this new solidarity within moral values. After all, climate change involves the entire world, from which no-one will be able to self-isolate. It's a risk today that's predicted by science to be the central scenario tomorrow, and it can only be addressed if we act in advance and in solidarity.

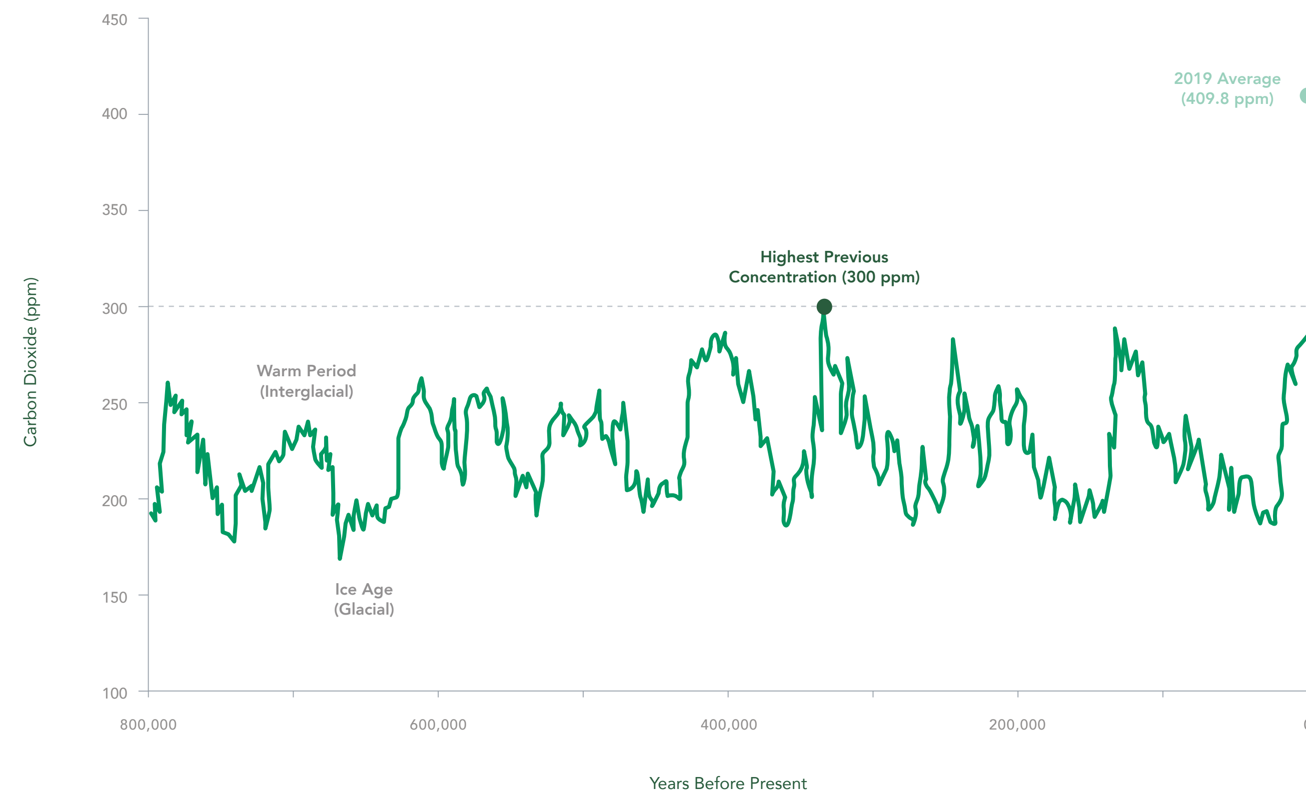
If we can come together to meet the biggest challenges in medical biology, so too we can come together to meet the challenge of climate physics.

The human race has thrived during an eleven thousand year era of extraordinary climate stability, known as the Holocene.

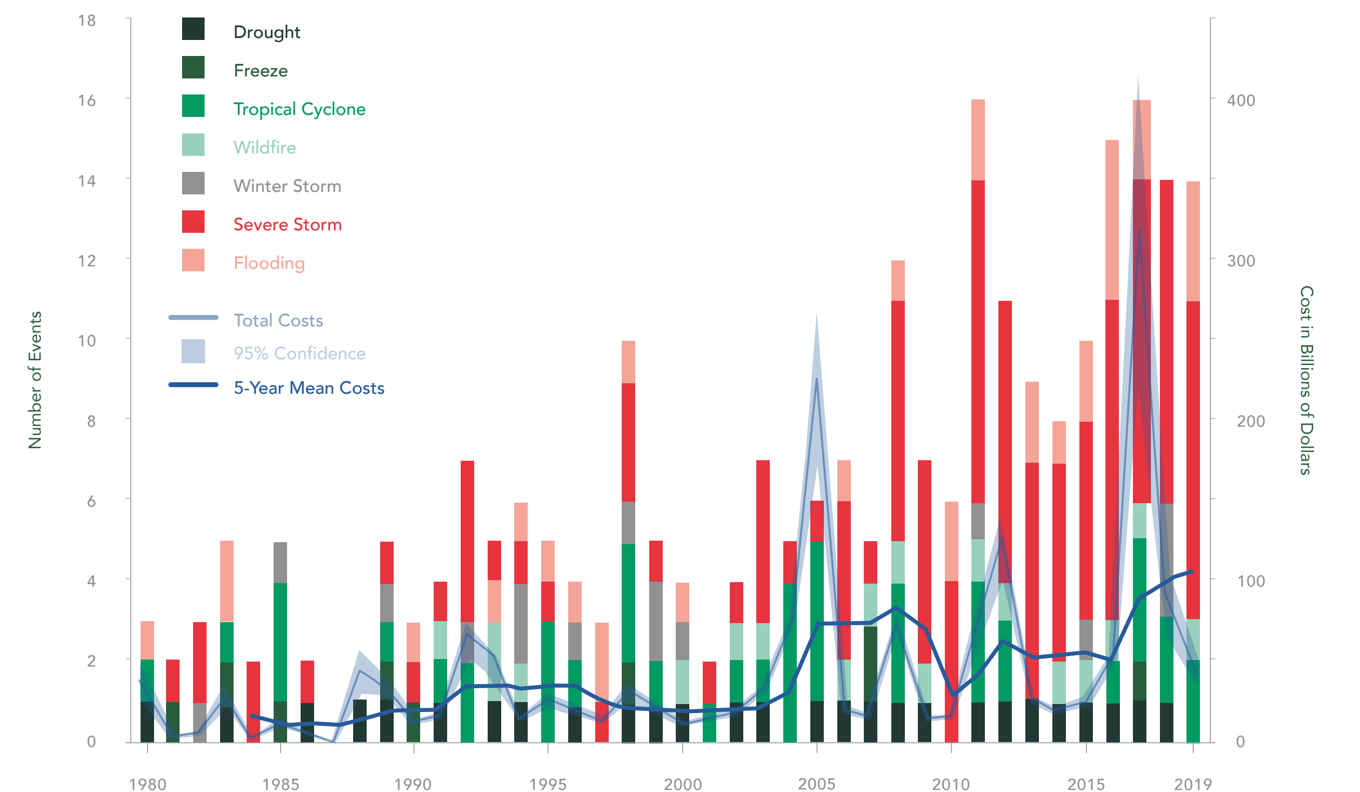
Now that stability is shattering. We've created a new era, the Anthropocene, in which our Earth's climate is driven not solely by the geological rhythms of nature, but also by the frenzied activity of humans.

As the Industrial Revolution spread, the Earth's climate began to change. Since the publication of Smith's Wealth of Nations, carbon dioxide in the atmosphere has risen to its highest levels in over 800,000 years. Our planet's average temperature is already 1 degree Celsius warmer. In fact, the last five years have been the warmest on record.

Carbon Dioxide Over 800,000 Years



Billion-Dollar Disasters by Type, From 1980-2019



Source: NOAA Climate.gov
Data: NCEI

The impacts on our planet's finely tuned ecosystems are intensified. Our oceans have become 30% more acidic since the Industrial Revolution. Sea levels have risen 20 centimetres over the past century, with the rate of increase doubling in the past two decades. The pace of ice loss in the Arctic and Antarctic has tripled over the last decade. Extreme climate events, hurricanes, wildfires and flash flooding are multiplying. What had been Biblical is becoming commonplace.

These effects began to eliminate individual species and are now destroying entire habitats. Scientists estimate that there have been five mass extinctions in the history of our planet, but human activity is now driving the sixth, with extinction rates 100 times the average of the past several million years. Over my lifetime, the population of mammals, birds, fish, reptiles and amphibians is estimated to have fallen by 70%.

Perhaps because they were not financially valued, these losses were initially downplayed, and their cause was treated as an issue for another day. But now the effects of climate change are beginning to affect assets, which have a market price, making the scale of the looming calamity more tangible.

And now with the COVID crisis exposing the tragic folly of undervaluing resilience, and ignoring systematic risk, society is beginning to place greater value on sustainability, which is a pre-condition to solving the climate crisis.

So, what needs to be done?

We must first understand the causes of the climate crisis.

Scientists have concluded that the pace of global warming is roughly proportional to the amount of carbon dioxide in the atmosphere. From this we can derive a carbon budget, which is the remaining amount of carbon dioxide and other gases that can still be released before our climate becomes even more volatile and destructive.

To stabilise temperature rises at any level, we must reach net zero, which is where the amount of carbon emitted and the amount taken out of the atmosphere, are equal. So, it is important to recognise that net zero isn't a slogan, it's an imperative of climate physics.

Thus far, efforts to address climate change have struggled between urgency and complacency. The urgency of carbon budgets that could be consumed within a decade and the complacency of continuing to add new committed carbon in our new cars, homes, machines and power plants.

The urgency of the looming mass extinction, and the complacency of not valuing the loss of individual species and the destruction of entire habitats. The urgency to reorient the financial system for the massive investment needed to create a sustainable economy, and the complacency of many in finance, who don't know their own carbon budgets despite asking others to achieve net zero.

These tensions reflect the common challenges of value that we have seen in previous lectures, namely human frailties, market failures and the flattening of values.

Human frailties create a tragedy of the horizon. That means the catastrophic impacts of climate change will fall largely on future generations. The current generation, with our horizon fixated on the current news, business and political cycles, has few direct incentives to solve the issue, even though the sooner we act, the less costly it will be.

Market failures create the tragedy of the commons, and this arises when individuals, acting in their own self-interest, undermine the common good by depleting a shared resource, such as the ongoing deforestation of the Amazon.

The solution lies in pollution pricing.

It is essential, but so far carbon prices - that is, taxes on carbon emissions - have been applied only sparingly.

They are also set far too low, averaging $3 per tonne globally, well short of the estimated $75 level needed by the end of this decade, to get us on track towards net zero.

And while it is effective to assign a monetary value to a scarce resource, you might well ask why companies stay knowingly on a path inconsistent with net zero goals.

Again this points to the flattening of values. We've been trading the planet off against profit, living for today and leaving it to others to pay tomorrow.

There is a way out

The Nobel economist, Elinor Ostrom, has documented how a community can cooperate to manage a scarce resource. And this is exactly what this year's COP26 Glasgow summit is about.

It's about bringing companies, communities and countries together to manage our global ecosystem by developing a consensus for sustainability.

If we can unleash the dynamism of the private sector to put value in the service of values, and if society sets a clear goal, it will become profitable to be part of the solution, and costly to remain part of the problem.

If, as it is beginning to appear, society's values are being redefined, prioritising resilience, solidarity and sustainability, the tensions between urgency and complacency can be resolved.

The challenge of shifting our economies to net zero is an enormous opportunity, and it's one that will have to involve every company in every sector in every country.

Building a sustainable future will be capital-intensive after a long period when there has been too little investment.

It will be job-heavy when unemployment is soaring. It will be global when we are being pulled to the local.

To seize this opportunity and solve the climate crisis, we must address three challenges: engineering, political and financial. All are within our grasp.

We need to electrify everything and turn electricity generation green. Existing technologies, when applied at scale, can economically reduce about 60% of emissions, keeping the world on track to net zero consistent with 1 and a half degrees warming.

However, we don't yet have commercial technology to cut around 25% of man-made greenhouse gas emissions. We need greater investment and innovation in critical technologies, such as hydrogen, carbon capture and storage, and sustainable aviation fuels.

These challenges disguise enormous opportunities. In all cases, speed and scale will be critical, and that is why someone like Bill Gates is leading a multibillion-dollar breakthrough energy fund, to help drive these technologies to competitive scale, in short order.

The more credible our governments' commitment to net zero is, the more investors will pour money in, and the more a virtuous circle of large scale and greater efficiency will operate.

We need a strong consensus to break the tragedies of the horizon and the commons. So far, over 126 countries have set net zero targets, and subnational governments are making pledges and enacting plans. Increasingly, industrial groups and financial institutions are beginning to commit to do their part.

Greater consumer demand for sustainable products increased the economic returns to green technologies and the political returns to green policies, and this is how a path to a more sustainable world begins to appear.

In this context, finance can play a decisive role. The more the financial sector focuses on the transition to net zero, the more new technologies will be financed.

Investors will be able to track whether their investments are consistent with their values, and if not, the easier it will be to move those savings somewhere else. Sustainable investing can shift from the fringes to the mainstream, driving the transformation. This is how values drive value.

And that is why our objective for COP 26 is to put in place the foundation for every financial decision to take climate change into account. A financial system in which climate change is as much a determinant of a company's value as changes in credit worthiness or interest rates or technology, so that value reflects values.

To bring climate risks and opportunities into the heart of financial decision-making requires three Rs: reporting, risk and returns.

These lectures have argued that a common cause of the three crises of Credit, Climate and COVID is how we measure value. Indeed, past crises have usually forced improvements on how we measure the impacts of companies and the risks that they face.

"The solutions to the climate crisis are intimately tied to our fiscal, economic and social wellbeing."

Since what gets measured gets managed, every major company should disclose how climate change affects its current business and how it could affect their strategies. Large companies should also develop and disclose their plans to move to net zero.

Now the gold standard for this reporting has been created by something called the TCFD (the Taskforce on Climate-related Financial Disclosures), which is a private sector standard now backed by financial institutions, controlling 150 trillion dollars of assets.

That sounds like a lot and now is the time for the G20 to make the TCFD mandatory for all large companies. In November 2020, the UK Government announced its intention to make TCFD-aligned disclosures mandatory across the economy by 2025, with a significant portion of mandatory requirements in place by 2023.

Secondly, climate risk management must be transformed. Climate risks are different from conventional financial risks because they are unprecedented, so the past isn't a good predictor of the future.

As climate risks will ultimately affect every sector of the economy, the financial system cannot diversify out of them.

Banks and insurers must help break the tragedy of the horizon by understanding the carbon emissions that they are financing, developing strategies for managing them down, and disclosing their plans to align with the transition to net zero. Now seventy central banks from countries responsible for three quarters of the world's emissions are working to help make this happen.

Thirdly, on returns. Addressing climate change is ultimately about delivering what society values. We need to mobilise mainstream finance to help all companies get on track to net zero.

Today, investors have a say on executive pay packets, but they should also have a say on transition. They should have a vote on whether a company is taking the necessary steps to transition to a net zero world. This would embed a critical link between responsibility and accountability.

Investors too should disclose how closely their portfolios are aligned with the transition. Current calculations suggest that the financial system as a whole is funding temperature increases of over three degrees centigrade. That is a striking gap between what society wants and what the market values.

But exposing this gap should help close it.

The more investors help portfolio companies and assets move towards net zero, the more they will reinforce the emerging engineering and political momentum.

It is important to recognise that a whole economy transition isn't only about funding deep green activities or blacklisting dark brown ones.

We need fifty shades of green to catalyse and support all companies moving towards net zero. To conserve our carbon budget, companies will seek to meet their net zero targets through an appropriate mix of emission reductions and credible carbon offsets, including nature-based solutions, such as reforestation and the switch from brown to green power.

To unlock that market, a new private sector taskforce is working to create this critical market in time for the COP26 Glasgow summit.

Ultimately, the private sector needs effective public policies. These include tax and spending measures, such as carbon prices and targeted investments in emerging sectors, and it also means new rules, including mandates for clean fuels and greater energy efficiency. A critical point is that the more credible and predictable climate policies are, the more the financial system will anticipate future measures, and encourage companies to start adjusting today.

The solutions to the climate crisis are intimately tied to our fiscal, economic and social wellbeing.

We will not get to net zero without innovation, investment and profit. Continued growth is not a fairy tale, it is a necessity.

A market in the transition to net zero is now being built on these foundations of reporting risk management and returns. It is funding the initiatives and innovations of the private sector and it can amplify the effectiveness of climate policies of governments, which will accelerate the transition to that low carbon economy.

It is turning an existential risk into one of the greatest commercial opportunities of our time.

It is now within our grasp to create a virtuous cycle of innovation and investment for the net zero world that people are demanding, and that future generations deserve. In this way, private finance can bend the arc of history towards climate justice, value can serve values, moral sentiments can rebalance market sentiments, and the Glasgow of COP 26 can be reunited with the Glasgow of Adam Smith.

A Shift to Sustainable Investing

By Simon James

There is a good chance, when we emerge from the current crises of health and economics, that the greater sense of social responsibility which many of us are embracing, will cause a shift in many investors' approach to their portfolios.

Call it "socially responsible investing", "ESG", "ethical", "impact", "engagement" or "sustainable", at least at the margins this is surely going to happen.

Social distancing has changed our behaviour, but will these changes persist?

It is difficult to answer the question, but there are some things that have changed for the longer term.

1. The single most important change for the global economy is the shift of dependence from monetary policy to fiscal policy, which will be made affordable by central banks buying substantial volumes of sovereign and corporate assets. The shift to fiscal dependence means that governments will be paying greater heed to the demands of their electorates and spending more as a result. It may also entail tax increases.
2. A significant part of future national investments will be in infrastructure. Renewable energy, smarter transport and buildings, and upgraded educational and healthcare systems are likely to benefit.

There are some other things which have become more obvious, including:

3. Quality investing makes sense. Investing in assets with good finances means they are durable. If the management is good, then they look after their clients and their staff.
4. Austerity is dead. More popular policies are in vogue.
5. Those businesses which could shift further online have done so. They will rarely return whence they came.
6. The commitments which were made by politicians to spend more on environmentally friendly investments prior to the pandemic have been increased as a consequence of needing to boost economic growth when we emerge from the lock downs.

And then there are some norms which may change:

7. Companies and households may choose to source more of their purchases from local suppliers.
8. Should shareholders expect that workers will receive a greater share of the corporate cake? Will diversity be embraced more than today?
9. Might share buybacks be banned?
10. How much might taxes go up under a Conservative government?
11. Consumers may increasingly consider that fewer goods are quickly disposable.
12. Will consumers or business people fly as much as they did? Will we commute differently?
13. Will more people work from home more often? Will we all embrace "hybrid" working practices?
14. Will leisure habits change?
15. Have we made a distinct shift to a cashless society?
16. And so on

I don't know the answer to all these things, but I do believe that, more or less consciously, investors will embrace "ESG" (Environmental, Social and Governance):

- Environmental sectors because they represent a source of growth opportunities, as well as mitigating climate change.
- Social because there has been a reassessment of how we should lead our lives and look after others.
- Governance because it combines quality management and strong finances with a commitment to treating customers and colleagues fairly.

It seems to make sense.

Changing Our Eating Habits

By Simon James

Will we look back on 2020 as the time when many people chose to change their eating habits? It is too early to say, but we have certainly eaten out less, and so have become more aware of what we have in the fridge or the larder.

A natural consequence of this is that many more of us have become more conscious of the sources of our food, of what tastes good and what doesn't, and of how we feel after eating certain types of food. Home baking has reputedly taken off, and sourdough bread is now eaten in many more homes.

The news has also driven concern about the provenance of food. Talk of chlorine-washed chicken from America, of the use of antibiotics in the mass production of meat, and of the high incidence of coronavirus infection in meat processing plants have all raised concerns, and as work and travel have been interrupted so supply chains have been impaired.

All this sits within the context of the continuing rapid growth of the human population, and of the fact of widespread malnutrition around the world. Don't just think of rural Asia or Africa, think of Britain's school meals too.

Simply trying to find more land for agriculture does not appear to be the way forward. Do we really wish to cut down more rainforests? Quite apart from the climate change impact, we need to consider zoonotics.

Zoonotics – there's a word most of us had never heard of before 2020, but scientists have been discussing it since the turn of the century.

Zoonotic diseases are those which normally exist in animals, but which infect humans too. Covid-19 is the most serious in a list that includes SARS, MERS, Ebola and Zika.

While there is a case for stating that we should have been better prepared for Covid-19[1], the development of a range of vaccines in such a short space of time shows we now have clear methodologies and technologies which can save lives and money in the long run.

Nevertheless, concern about the transmission of zoonotic diseases has caused scientists to explore links between deforestation and the spread of diseases. "The more we're disturbing this natural habitat, the more we're shaking the pot," says Amy Vittor, an epidemiologist at the University of Florida's Emerging Pathogens Institute. With a range of diseases, "the links are becoming clear that disturbance leads to downstream emergence events in humans."[2]

But broad studies suggest the links are complex, vary according to the disease, and may be variable with the passage of time.[3],[4]

Despite this, people make intuitive links. One reason for deforestation in Brazil is the expansion of beef cattle farming. Whether or not there is a logical link to slaughterhouses or meat processing businesses, there was a high incidence of Covid-19 infections in such factories in a number of countries[5]. Will this cause people to eat less meat, or to be more conscious of the origins of their meat?

The other area where action is needed is the overuse and misuse of antibiotics in animals. Factory farming is the number one user of antibiotics worldwide. Pork, poultry and livestock farmers routinely feed antibiotics to healthy animals, putting the long-term efficacy of these vital drugs at risk.

Research from the Coller FAIRR Protein Producer Index[6] found that of 60 of the world's largest meat, fish and dairy companies, 70 per cent have extremely poor levels of antibiotic stewardship, contributing to the growth of antimicrobial resistance (AMR).

They argue that AMR is an urgent public health challenge, responsible for at least 700,000 deaths every year, and set to rise to 10 million by 2050, which is anticipated to cost $100 trillion in global economic losses. The threat of AMR is driven by the overuse and over-prescription of antibiotics across multiple industries, from animal agriculture to pharmaceuticals for human use.

They believe that with better antibiotic stewardship, the animal agriculture industry can build more sustainable supply chains, benefiting economic growth and animal welfare.

A new state of the art institute for antimicrobial research is to open at Oxford University, the birthplace of penicillin development, thanks to a £100 million donation. Researchers will seek to develop new drugs for animals and humans, as well as promote more responsible use of the antibiotics we have. This follows their recent success in finding a vaccine for Covid-19.

But many people don't want to wait. The number of vegans in Great Britain quadrupled between 2014 and 2019, and vegans and vegetarians look set to make up a quarter of the British population in 2025, and flexitarians just under half of all UK consumers.[7]

"Meat and dairy have played an integral part in feeding the world population to date, and it is difficult to imagine a world where this is not the case."

Large numbers of people are simply reducing the amount of meat they eat, without any intention of becoming vegan.

People have become much more concerned about the amounts of sugar[8] in processed foods, about obesity in general and of the risks of diabetes.

"Tackling obesity is one of the greatest long-term health challenges this country faces. Today, around two-thirds of adults are above a healthy weight and of these, half are living with obesity. We have 1 in 3 children leaving primary school who are already overweight or living with obesity.

Obesity prevalence is highest amongst the most deprived groups in society. Children in the most deprived parts of the country are more than twice as likely to be obese as their peers living in the richest areas. This is sowing the seeds of adult diseases and health inequalities in early childhood.

Obesity is associated with reduced life expectancy. It is a risk factor for a range of chronic diseases, including cardiovascular disease, type 2 diabetes, at least 12 kinds of cancer, liver and respiratory disease, and obesity can impact on mental health."[9]

Studies have also shown a strong link between obesity and Covid-19.[10]

Allied with concerns that livestock and deforestation contribute to climate change, it is easy to see why growing numbers of people are questioning their dietary habits.

A T Kearney, the management consultant, estimates that by 2040 cultured meat and novel vegan meat replacements will together account for a greater market share than conventional meat.[11]

Recently Singapore has given the world's first approval for the sale of lab-grown meat.[12] So-called clean or cultured meat is grown from animal muscle cells in a lab. Singapore currently only produces about 10% of its food but has set out ambitious plans to raise that over the next decade by supporting high-tech farming and new means of food production.

The growing consumer demand for plant-based products that are perceived as healthy and sustainable presents a profitable opportunity for food producers, restaurants and retailers. Companies weighted towards meat and dairy products, which fail to diversify or re-orientate their product portfolios not only miss the potential opportunity

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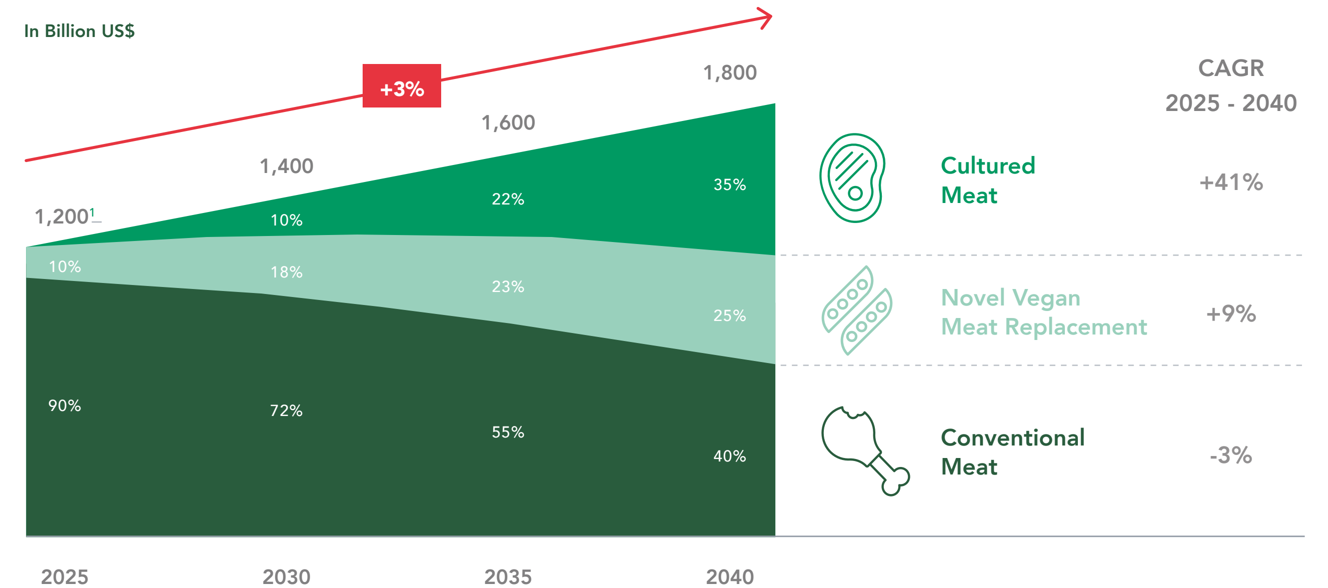
Global Meat Consumption: By 2040, Conventional Meat Supply Will Drop By More Than 33%



¹ Numbers are rounded to hundred billions.
Sources: United Nations, World Bank, Expert Interviews; A.T. Kearney analysis

for revenue growth but risk declining sales volumes. This is why traditional meat and dairy companies are diversifying through acquisitions and new product launches.

It is important to note that meat and dairy have played an integral part in feeding the world population to date, and it is difficult to imagine a world where this is not the case. Nonetheless, an impactful number of consumers want the taste and feel of meat and dairy products but without the health and environmental implications associated with them and this is particularly prevalent in developed markets. Therefore, food companies operating in these markets must adopt a pragmatic approach to veganism.[13]

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Meet The Managers:

A Q&A with Investment Manager and co-manager of the Capital Preservation Mandate, Tom Hewitt.

Tell us a bit about yourself…

I am married with 3 boys between the ages of 5 and 11 and live on a farm south of Winchester with some Hereford Cattle. I have been working at GBIM for 3 ½ years having spent the previous 14 years working in London at Lloyds Bank.

What do get up to in your spare time?

Having three young boys and living on a farm means that my weekends are normally pretty busy. I really enjoy the outdoors and keeping fit so whether it be playing football with the boys or chasing after cattle there are lots of opportunities to take a bit of exercise.

Reading is a relaxing part of my day and as my wife is a member of a book club, the book always get passed on to me. It is a great way of broadening my choices as many of the books, I would not have naturally picked myself. I also enjoy cooking, although I probably do not do as much as I should because I have a wife who is an extremely good cook. (Hopefully, she might read this!)

What did you want to be when you were younger?

Well apart from an investment manager... I have always enjoyed the outdoors and working with animals so for some time I liked the idea of becoming a vet. When I became aware of the number of years that the training required, I think that this made my mind wander towards other careers.

Who would you say is someone who has inspired you in your life?

I always find that this sort of question is a hard one to answer. I would say that there is no single individual, but many people who have impacted my thinking. When I read about what so many individuals achieve (and in many circumstances really against the odds) it stops me in my tracks. At present, one hears daily stories about how hard people are working and the sacrifices they are making to help support people and it does give you a real sense of pride in the country.

What did you do before investment management?

For 14 years, I worked at Bank of Scotland followed by Lloyds Bank in their corporate division in London. I had a fascinating time at the Bank working in three very separate areas: firstly, Leverage Finance (supporting Private Equity firms buy business companies through the provision of debt). Secondly, I spent 5 years from 2008 to 2012 in what was called the Business Support Unit. This was helping restructure companies the Bank had lent to but who needed additional support due to the Financial Crisis. The last part of my career at Lloyds was working in the Bank's mid-market area helping to support management grow their companies.

What made you switch from Banking to Investment Management?

I really enjoyed my time spent in banking, meeting some interesting people, working with great colleagues and at times working in extremely challenging circumstances. Toward the end of my time, I felt that the Bank had changed significantly, and it became very difficult to look after clients in the way which I wanted to. In addition, working for a large Bank has its complications around getting things done. I realised that the parts which I enjoyed the most: looking after clients, finding the right solutions for them, along with the analysis of companies was something which I could use effectively in Investment management. I was also keen to work in a smaller company.

As co-manager on the Capital Preservation portfolio, what do you enjoy most about that part of your role at GBIM?

The Capital Preservation portfolio has a simple message (as the title suggests!) but not necessarily one which is always easy to put into practice. I most enjoy working with John MacMahon (who founded the portfolio) in reviewing the portfolio, discussing the current positioning and sharing ideas on ways we can seek to reduce the correlation.

We are both ex Bankers and so are both naturally quite cautious which helps in the outlook and what we are seeking to achieve. The portfolio has been going for over 10 years and has achieved what it has set out to. Undeniably 2020 was an extremely challenging year which we thankfully managed to navigate, ending up with a positive contribution for the year.

What do you enjoy most about working at GBIM?

Without a shadow of doubt, it is the clients and my colleagues. Getting to know both has been great fun as every individual has a different story, experiences, and something to teach one. Another bonus is that I have also not worked in an office with so many fellow Southampton football club supporters! structural growth changes, so it would be somewhere which enables technological advancement in a core industry. Technology will change many of the traditional professions.

New to The Team: Catherine Monk

We are delighted to announce that Catherine Monk joined GBIM in August last year, working alongside Bertie and Lizzie. Sadly rather a difficult time to start a new job as she is yet to meet 50% of the GBIM staff team but at least it has made it easy for her to learn the names of the few people she has met!

After leaving Sheffield University Catherine travelled around South America prior to joining Goldman Sachs, London where she worked for almost 20 years in a variety of support roles including heading up their graduate recruitment for the ever-expanding Technology Division and then taking over and developing their Internal Communications function. Meanwhile, at home in Salisbury, her three children were nurtured by a delightful nanny. However in 2011 Catherine decided it was time to give up the four hour daily commute and spend more time with her family and to develop her local interests. Now that the children are all established in secondary education she felt a part-time role at GBIM might be an interesting challenge!

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