

Building Societies Conference 2022 Day 1

BSA Chair and Chief Executive of the Family Building Society, Mark Bogard, welcome remarks

I joined the sector nearly ten years ago.

At my first few BSA conferences various very smart people stood up and forecast that interest rates would go up in about 18 months' time.

That went on for a few years.

It's what usually happened. It's what they thought.

When most people think the same thing, sometimes it's wrong.

In the late 80s, I'd worked in banking on London-Tokyo business.

I saw that when their interest rates went down, they stayed down.

Low interest rates were like opiates, very, very, very hard to get off.

So what's my point?

Well, I'm a pessimist by nature.

It's great; it means that I am rarely disappointed.

Pessimists have been useful to have around at various points in the last 25 years.

But even before what is happening in the Ukraine, I was more troubled about the future than I have ever been.

Why? Because the way we talk about things; the way we debate; the way that we express views has become constrained; limited.

We now struggle to disagree reasonably; without passing judgement.

If you like JK Rowling on Twitter, you then have to descend into a bunker.

Group think has become all consuming across many areas.

In some, the group think will be absolutely correct.

In others, it will doubtless look utterly foolish in time.

As that great modern philosopher Ricky Gervais said, "How arrogant are you to think that you deserve to go through life with no one ever saying anything that you don't agree with or like."

On September 11th, 1933, Lord Rutherford, the leading nuclear physicist of his day, gave a speech in Leicester.

At the end of it he was asked "if we might, in 25 or 30 years' time, unlock the energy of the atom?"

His answer was that "anyone who looks for a source of power in the transformation of atoms is talking moonshine."

The next morning, Leo Zilard, a Hungarian physicist and refugee, who was staying in that big hotel in Russell Square, just up from the BSA's offices, read about Rutherford's speech in the Times. He went for a walk.

At the traffic lights on Southampton Row, he thought of the neutron induced nuclear chain reaction.

In 24 hours, something truly fundamental had gone from being impossible, from moonshine, to changing civilisation. For ever.

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I have crossed at those lights but have yet to come up with any similarly game changing insights.

But here is perhaps one greater, more profound changer of group think.

Around 240BC, Eratosthenes had learned of a well in Aswan where, once a year on the summer solstice, the sun would illuminate the entire bottom of the well and tall buildings and other objects would not cast a shadow.

However, he noticed the following year that, miles away, on the same day, at the same time, shadows were being cast in Alexandria.

He measured the angle of the shadow and found it to be 7.2° .

Wells dug or towers built on an earth that was flat would not exhibit this characteristic; they must have been carved into or built on a curved surface. The earth had to be round. He was even able to estimate the circumference to within 1 or 2%.

In his seminal book in 1962, *The Structure of Scientific Revolutions*, Thomas Kuhn challenged the long standing linear notion of progress, arguing that transformative ideas don't arise out of the day to day, gradual process of experimentation and data accumulation, but breakthrough moments that disrupt.

Paradigm shifts that bring order to anomalies that amass over time.

They are hard emotionally for many to accept because, suddenly whole careers, are turned to dust. In the way that the events of the 18th February, 2022 turned nearly 25 years of German policy, the policy of Gerhard Schroder and Angela Merkel, completely on its head.

But there seems, troublingly, to be an ever increasing censorship or spinning of such anomalies.

It is sometimes stated that things are "settled" when, perhaps, they are not.

An example of such spin?

After they were taxed, and then their use was largely restricted, the 95% reduction in single use plastic bags that we have all heard is correct.

But that statistic does not include the sale of plastic bags for life.

We are all buying an average of 57 bags for life a year.

That seems about right for me – I either forget, or break a bag, at least once a week.

Given their different construction, a report on this for the Co-Op found that there had therefore actually been a 440% *increase* in the overall weight of plastic used as a result.

We had Gordon Brown directing people to buy diesel cars to reduce CO2 emissions.

Anyone, like me, who goes around London on two wheels, just knew that this was nonsense. Such nonsense that the FT even published a letter that I wrote them on the subject.

I'd much rather get stuck behind any number of petrol engined cars than one diesel one. The focus on one variable was to the exclusion of others that mattered more.

Right on CO2, but he failed the commonsense test.

Let me perhaps foresee another one such mistake?

In the 1970s, James Lovelock developed the Gaia hypothesis. He proposed that living organisms interact with their inorganic surroundings on Earth to form a synergistic and self-

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regulating, complex system that helps to maintain and perpetuate the conditions for life on the planet.

Since life started on Earth, the energy provided by the Sun has increased by 25 to 30% - however, the surface temperature has remained within the levels of habitability with changes in the atmosphere.

Brilliantly captured in the breath-taking BBC TV series *the Edge of Darkness*, was the idea that the earth, troubled by the huge growth in humanity and humanity's impact, would increase the number of black flowers at the poles to absorb more sunlight and melt the polar ice caps wiping out a swath of the population.

Well maybe the Earth doesn't have to.

At university I was lucky enough to study atmosphere, weather and climate.

I don't yet know if my lecturer, who helped write the leading book on the subject at the time, imaginatively called *Atmosphere, Weather and Climate* will turn out to be Lord Rutherford or Leo Zilard?

If I went back to university today, I'd do a PHD on the impact of solar panels on global temperature.

I don't know what the answer would be but I very much suspect that it would turn out to be like it was with buying diesel cars.

So all around where we live in Wilshire, many of the largest fields are being replaced by solar farms. Leave aside, for now, the simple fact of our need for food, what were summer fields of yellow or green, are now completely covered in black panels absorbing the sun's radiation. We all know that a black surface gets much hotter in the sun than a yellow one. There's a reason that Heathrow is quite often the hottest place in Britain on hot sunny days.

Absorption and reflection are really important factors in the interconnected and interrelated system that is our atmosphere, weather and climate. After 9/11, when all aircraft were grounded in North America for three days, there was a measurable impact on the temperature. It went up. Why? Because of the removal of the white vapour trails that commercial aircraft leave high up that reflect back sunlight.

Actually, of course, it is all rather more complicated than the earth being round; in 1543 Copernicus developed the model of the earth and the planets revolving around the sun.

Galileo observed it with his new telescope in 1615 but in February 1616, the Spanish Inquisition assembled a committee of theologians, known as qualifiers, who delivered their unanimous report condemning the notion as "foolish and absurd in philosophy, and formally heretical". Galileo was ordered to "abstain completely from teaching or defending the doctrine or from discussing it and to abandon completely the opinion that the sun stands still at the centre of the world and the earth moves, and henceforth not to hold, teach, or defend it in any way whatever, either orally or in writing". Cancel culture is nothing new.

So what's my point?

Today, I make no case for anything, other than to listen to the opposing thought.

To be open to being completely wrong about things that you hold dear or believe to be self-evident. To embrace the possibilities of the alternative view.

That at least it is something well to reflect upon.

I believe that the dangers of group think matter generally and specifically.

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On the specific, I have worked in a number of large banks, with a range of Chief Executives. At the time of the 2007 financial crash, I saw a significant correlation between the openness of the Chief Executive to different ideas and ultimately the state taking ownership in their bank. The best Chief Executives are interested in the different viewpoint, even if they then completely ignore it; at another bank, the CEO actually told me that "I couldn't even think that", when what I told him was simply a matter of fact in relation to a regulatory matter – the state duly took their stake in due course.

Well heh, no one saw that coming?

But they did. In December 2006, I went to see the largest shareholder in the small listed financial services business that I was working in at the time. He said sorry, nothing to do with you but I'm selling all my financial stocks and buying a big put on the sector. "There's a banking crash coming." I remember walking back to the office perplexed by this insight and then, by the next morning, I ignored it. He rang us next in 2010 and asked us to pop round. He was in again. In between he'd made his investors a great deal of money.

The mutual sector has, by and large, earned the right to have its say.

We don't always get it right but we start from a base that is member focused.

We have a moral compass – we really mostly do not need lecturing on the green agenda or diversity, for example.

Perhaps too often, we may think that it is easier not to have our say?

We know that our societies and credit unions provide an important service to savers and borrowers.

We do have the freedom to challenge.

I'm sure that this conference will demonstrate our continued resolve to be independent, thoughtful and add to the vibrancy and diversity of the financial services sector.

And if you disagree with me - I look forward to debating it with you.