

# ‘Forget capitalism – profit will soon be a dirty word’

Sir Ronald Cohen has swapped private equity for social investment



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Not many revolutionaries have £250 million in the bank. But then, few are as riven with contradictions as Sir Ronald Cohen. The British-Egyptian boy who came penniless to Britain at the age of 11 won a place at Oxford then Harvard before making his fortune by founding the private equity firm Apax when he was 26. He was knighted for his services to the industry but has now set his sights on overthrowing capitalism. Or at least the capitalism that won him his fortune.

He pulls no punches, with talk of “curtains of fire” coming between communities estranged by poverty, drugs and unemployment. He warns of a divided Britain where many feel left behind by globalisation. And while he laughs as he describes himself as “a 1960s kid”, he also admits it has taken 50 years to realise that the way in which he and his generation went about trying to create equality of opportunity turned the whole thing into an empty slogan.

“I don’t lament the current backlash against capitalism,” Sir Ronald, 72, says. “I want to work with it. The 20th-century idea of capitalism that says all you need to do is maximise returns for investors no longer works.” What Sir Ronald wants is a new model based on “social

impact investing”, which calculates social returns (doing good for society) as well as financial ones (doing well in your back pocket). In 20 years, he predicts, “profit — on its own — will be seen as a dirty word”.

This is the vision that he’s selling to the great and good around the world. In the UK, his task force has just finished a report on the rise of social impact investment, which included 15 proposals to government and investors about what they could do. Chief among the recommendations is the idea of a £2 billion government fund, matched by investors, aimed at injecting money into communities that have witnessed decades of financial drought. It also suggests that “pensions with purpose” be offered to savers; a similar project in France led to €10 billion of pension money being invested in social impact causes.

Seventeen years ago Sir Ronald launched the first social impact bond, which raised £5 million for a programme at Peterborough prison, designed to stop a cycle of reoffending. Investors got their money in full, plus 3.1 per cent a year, and convictions fell by 9 per cent. These days there are 89 social impact bonds in 19 countries and the money raised for good causes is said to be about £150 billion.

“This is a movement driven by millennials who have inherited the idealism of the 1960s generation”, Sir Ronald says.

He says that it is clear that government cannot tackle today’s big social challenges alone. “If you just rely on government to fix everything, it is very unlikely to work.” He points to data from the OECD that describes a doubling of budgetary spending on health and education over the past half century. “How much more can governments spend? We need an approach that uses the power of the capital markets to solve issues.”

That is why Sir Ronald, a prominent Labour donor in the Blair and Brown years, says he rejects the ideas of Jeremy Corbyn. “Idealism alone can’t work. It has to be married to something that actually leads to the growth of the economy and the creation of jobs. And coming back with policies of nationalisation isn’t it.” Sir Ronald says “taxing people until the pips squeak” will ultimately lead to a retrenchment in investment and economic prosperity. “The extremism of political ideology, whether the far left or the far right, leads us down ideological rabbit holes. It doesn’t help society.”

He is unapologetic about his days in private equity. “I think the reason the industry got a bad name was that it seemed to be making a lot of money, often out of other people’s misfortunes. But when I look back, I don’t feel I would have done anything differently. I simply think the world has moved on,” he says of his 30 years at the helm of Apax. Under his aegis the firm invested in start-ups including PPL Therapeutics, which cloned Dolly the sheep, and the computing group Autonomy as well as the Virgin Radio and Waterstones buyouts, but also faced criticism from the GMB union over pensions.

He readily admits the era of cheap credit allowed his industry to become filthy rich. There came a point, though, when he had to say “enough”, he says. “Globalisation, the high-tech revolution and cheap finance have led to huge differences in earnings that helped create the

current feeling of inequity in the system.

“I now want to devote my efforts and some of my resources to making the world a better place.”

- Helia Ebrahimi is Economics Correspondent, Channel 4 News

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