

# *The DENNY CENTER for Democratic Capitalism*

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GEORGETOWN LAW

## DENNY CENTER CONVERSATIONS

A Q&A with Heather McGregor and Caroline Howitt  
Edinburgh Business School and Adam Smith's Panmure House

**Professor Heather McGregor** is Executive Dean of Edinburgh Business School, the School of Business of Heriot-Watt University. She has a PhD from the University of Hong Kong in Structured Finance and is an experienced writer and broadcaster, including writing for the Financial Times for 17 years. She is also the founder of the Taylor Bennett Foundation, which works to promote diversity in the communications industry, and a founding member of the 30% Club, which is working to raise the representation of women at senior levels within the U.K.'s publicly listed companies. In June 2015, Professor McGregor was made a Commander of the British Empire for her services to diversity and employment. In February 2017, she was appointed by the UK Government to be a member of the Honours Committee for the Economy.

**Dr Caroline Howitt** is Programme Director of Adam Smith's Panmure House. Like Smith many years before her, Caroline attended the University of Glasgow before undertaking postgraduate study at Balliol College, Oxford. She later wrote her PhD at the University of St Andrews, where she taught in the field of English Literature. Dedicated to educational advancement in all its forms, Caroline is experienced not only in research and teaching, but in development. Since 2014 she has worked on several multi-million pound educational development projects across the school and university sectors, and now brings that experience to bear in delivering the Panmure House mission. Caroline hails originally from the Isle of Mull in the north-west of Scotland, and off-duty is most likely to be found walking the hills of her beloved homeland.

**Panmure House** is the final remaining home of Adam Smith, philosopher and 'father of modern economics.' Originally built in 1691, Smith occupied the House between 1778 and 1790, during which time he completed the final editions of his master works: *The Theory of Moral Sentiments* and *The Wealth of Nations*. Other great luminaries and thinkers of the Scottish Enlightenment visited Smith regularly at the House across this period. In 2008, Edinburgh Business School & Heriot-Watt University undertook to rescue this historic building from dereliction. Following a 10-year, £5.6m renovation, Panmure was formally opened in November 2018. The mission of Panmure House is to provide a world-class 21<sup>st</sup>-century center for social and economic debate and research, convening in the name of Adam Smith to effect positive change and forge global, future-focused networks. This is in service of its vision: a world in

which businesses and governments serve the long-term common good; where policies and public discourse are inclusive, well-reasoned and founded on research.

*This interview has been edited for length and clarity.*

**Denny Center:** Before telling us about Panmure House and related work at Edinburgh Business School, you each describe your path to your current roles? With everything you could be pursuing, why this?

**Heather McGregor (“HMG”):** I have wanted to be an academic since I first left university. I did start a PhD when I was 22 years old, at the University of Bradford. I dropped out after a year because I realized I had a much stronger calling to the private sector, but I knew I would come back to an academic life one day. I believe that there is a much closer relationship between business and higher education than maybe people realize. So, for me, it was a very natural move from a successful career in the private sector to stepping into high education. I joined Heriot-Watt University and its business school, Edinburgh Business School, in 2016 and that was my first appointment as a full time academic.

**Caroline Howitt (“CAH”):** Growing up, I always wanted to be an academic because I believed (and still do) that education is the best and most successful way to change the world. After my PhD I spent several years in educational development working on projects that I thought would benefit society, and that’s how I found my way to Heriot-Watt University. When I arrived in 2017, there was this unparalleled opportunity to help complete the restoration taking place on Adam Smith’s former home. I happen to be a graduate of Balliol College, Oxford where I held the Snell Scholarship - lo and behold, 250 years prior to me, Adam Smith held that very same scholarship! So it seemed very fitting that I was helping to revitalize his final home in Edinburgh. (It also shows the far-reaching impact of long-term finance – that scholarship was founded all the way back in 1677 and is still going today). Now in my role as Programme Director, I work to ensure that our vision is commensurate with the history of the House. I cannot think of anywhere else I’d rather be, or indeed many places as potentially impactful as the [Panmure House Project](#).

**Denny Center:** Why was Panmure House founded – and what’s its relationship with the business school? Was it difficult to get enough people (and money) on board to make it happen?

**HMG:** Panmure House was acquired by the Business School back in 2008 long before I joined the University. It was purchased using surplus funds that had been made commercially by the University with the commitment that it would be restored,

renovated and put to use as a center of thought leadership. The University therefore supported its acquisition. In fact, we weren't the highest bidder, we were the under bidder, but we were going to put it to better use - the other bidder was going to make it into a private residence. We then set out to raise money to renovate it, but unfortunately at that time they didn't raise enough money, and just got as far as making it water and wind tight. So, it sat in the center of Edinburgh, derelict inside, not finished, for many years until 2016 when I joined the University. I visited it on my second day at work and realized it was such a wasted opportunity and that we should set about organizing the money to restore it and put it to good use by making it a center for economic and social debate.

It was extremely difficult to persuade the University to back it at this point, since nothing had happened for so long. They saw it as a white elephant. So, it was really difficult to get internal support, and then I had to address getting external support. I started here on the 1<sup>st</sup> of September 2016, and we opened Panmure House in the summer of 2018, a 2-year exercise before anyone could walk into the door.

**CAH:** Panmure House is a site with an almost unparalleled intellectual history. A true seat of the Scottish Enlightenment – the debates and ideas exchanged here by Smith and his contemporaries were incredibly important to the foundation of our modern society. We believe not only that this should be protected and preserved for future generations, but that the House can and should continue to propel the legacy of Adam Smith through social & economic research and debate in the modern day. All our programs are designed to achieve this aim.

I arrived about a year after Heather, and set to work helping her complete the renovation. From a fundraising perspective it was not terribly difficult to write the case for support, given the strength of mission and the potential impact of the project. People immediately see the possible benefits to society, and we were lucky enough to win wonderful support from all over the world to complete the building restoration itself. That is not to say that there weren't hurdles to overcome - when you are undergoing any renovation project in a city like Edinburgh that's very ancient in its history, there are various heritage bodies that want to ensure things are done correctly. You're also excavating areas that have hundreds of years of history, and so you start unearthing things like medieval bread ovens which hold up the delivery of the project by months and sometimes years! In the end it had taken a full decade to bring the restoration to fruition, but it was certainly worth the struggle.

**Denny Center:** A key element of your mission, slightly paraphrased, is for businesses and governments to serve the long-term common good. In your view, what are the biggest obstacles to making change happen?

**HMG:** The biggest obstacle to making change happen is people's fixation on short term returns. Nothing is sorted out in a 3-month time period, and yet 3 months is the standard unit of measurement for any standard financial investment. This is the reason that some of the biggest advances have come through the efforts of people deploying private capital. For example, this week it has been announced that there is now a vaccination for malaria. The work on malaria has been largely funded by Bill Gates. It is no accident that long-term investment for the greater gain has in many cases been funded by people who are not counting quarterly returns. And yet all private investors are worried about quarterly returns. So, if we want people to get together and invest for the common good, they have to be able to invest over longer than, say, the lifetime of any parliament. Investors are looking at 3-month returns, governments are looking to get re-elected and so are only making decisions that are going affect at most, 3 years. We have to make decisions that have a 25, 50-year horizon if we want to save the planet for future generations, which everyone talks about, but then all they do is measure things in short time frames. So, this bigger issue of measurement is a massive problem. That's why we have teamed up with the think tank Focusing Capital on the Long Term ([FCLTGlobal](#)) because we think their mission and vision is completely aligned with ours.

**CAH:** As Heather mentioned, one of the biggest obstacles to making change happen is the way in which governments are structured and the terms that they serve; of necessity they promise relatively short-term gains in order to be elected. In order to be re-elected, they do the same again. This is problematic because it means policies are driven not by truly long-term thinking, but by the need to cleave to power. This is not to say that governments don't want to do social good and have positive long-term impact, but there is a vicious cycle where policies are generally made with an eye to staying in government, rather than an eye to improving society over the long-term. Unfortunately, difficult and often unpopular policy decisions have to be made in the here and now in order for things to work well decades in the future.

The other large obstacle is the way C-suites are run with short-term focus on financial returns. There are forward-thinking businesses and investment managers out there that do serve the long-term common good and Panmure House is involved with many of them, but their *modus operandi* needs to become more common at board level across businesses worldwide. This is a huge part of our mission.

**Denny Center:** You also make a point that your inclusive discussions of problems and potential solutions should be founded on research – why did you decide to make research a key part of your mission?

**HMG:** I think that people need to understand that what has happened in the past should help inform decisions about what happens in the future, and I think that data-driven decision making is always superior to any other kind of decision making. We should all be looking at data much more, and the other great thing is that there is always more data to look at because the world generates much more data. So, we need to research these things and debate them and look at the data before developing policy or making decisions for the long-term. At Panmure House we provide an opportunity for these things to happen.

**CAH:** It's appropriate historically speaking that research is a large part of what Panmure House does because Adam Smith himself was a great educator. Smith is someone that engaged very deeply in long-term, interdisciplinary research so in terms of preserving the intellectual heritage of the House, that feels very appropriate. Plus, of course, research lies at the heart of knowledge creation and innovation, and has done for hundreds of years.

**Denny Center:** If you had 30 minutes to spend with a corporate board of directors that's a bit behind the curve on thinking more broadly about corporate profit and purpose, what might you suggest they do as a first step?

**HMG:** Right now, they should go and have an offsite with the corporate board of GSK who have recognized that they are not going to price their malaria vaccine in order to recover their development cost. Why have they done that? Normally people spend hundreds of millions of dollars to develop science, and then they have to price the technology to recover the development cost. I believe that there are some development costs that need to be forgiven in order to advance the world, because people can't necessarily afford to pay for things when they are priced on that basis. GSK are going to write off the development costs, so effectively their shareholders have paid for this and if you are a shareholder, you have made that contribution. And I would take examples where companies have followed a purpose driven path, and I would suggest that boards of directors that are behind the curve would spend a day with those that are forward thinking.

**CAH:** I suggest they read some academic work by William Lazonick (they can start [here](#)). The next step would be to read the research done by the [inaugural winner of the 2021 Panmure House Prize](#) on the positive benefits of long-term thinking within businesses and the financial return that they can generate (due for completion in 2022).

**Denny Center:** What's a good example of work you've already accomplished that's helping bring more light to the short-comings of our current economic system? If you could wave a magic wand, what might you accomplish or change right now?

**HMG:** The biggest thing we have achieved at Panmure House so far is the launch of the [Panmure House Prize](#) which has been funded very generously by Baillie Gifford and is run in conjunction with FCLTGlobal. This is a prize to pay for research into investing for the long-term and funding for innovation -- with the intent that innovation will help move mankind further forward and literally develop the wealth of nations. We have been able to convene an exceptional [panel of international judges](#), including very senior people from places like South Africa, Japan, New Zealand, the US, and this has brought together a global community of prominent thought leaders and scholars to encourage people to put forward ideas for long-term investing. Through this we have changed the nature of the debate and this isn't a one-off prize, it is annual for at least the next 5 years, and hopefully we can find another funder to continue after that. So, the quality of the applications that came from all over the world was excellent and the more we can do this the more we can focus on the long-term. I think we already have made quite a big impact even though it has only been a year.

If I had a magic wand, I would make possible to educate everybody on the importance of the long-term horizons and the importance of investment into long-term scientific development. And although I can't do that, what we are doing is instigating a program in primary schools (the [Smith Schools' Series](#)). By reaching children at a very formative stage of their education and explaining the importance of these ideas and getting them to engage with that, we can make a big impact on how people view long-term investment.

**CAH:** The Panmure House Prize is our most internationally impactful program so far, but there are exciting times on the horizon as we are poised to instate a new professorial Chair in Sustainable Capitalism. This will be a huge step in recoupling Smith's economic thinking with his work as a moral philosopher – an approach that is sorely lacking in certain areas of our current economic system.

My magic wand would make people recognize that failure is a part of a process, rather than a singular end-point to be discouraged or ashamed of. This would enable greater creativity and innovation through the ability to fail, pick yourself up and try again whether that be in an educational, corporate, or technical setting. I think great things can be achieved over the long-term in most walks of life if people buy in to this kind of positive growth mindset.

**Denny Center:** How can the Denny Center and/or readers of our discussion help you? What advice do you have for individuals who want to make a difference?

**HMG:** If you would like to help us to make a difference what we would really love is if you joined the Society of Panmure House. We are asking for people to contribute £200 a year to Panmure House, supporting our engagement with scholars, and our development of long-term thinking and particularly thinking on the debate around purpose. We want to make sure that Adam Smith is remembered as much for his work as a moral philosopher and his authorship of *The Theory of Moral Sentiments* as he is as an economist and his authorship of *The Wealth of Nations*. If you would like to participate in that, we would love to hear from you.

**CAH:** Like Heather, I'd encourage you to join the Society of Panmure House and become a part of our worldwide network of supporters, taking part in our events and spreading the good word! Go to [www.panmurehouse.org](http://www.panmurehouse.org) to find out more.