

# Chapter Three



The case for a new strategy

## Chapter summary

- The magnitude of Britain's economic challenges means that the task of the 2020s is to renew our economic strategy to tackle low growth and high inequality.

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- As well as being clear about the problems it must address, an effective strategy would start from the reality of our existing economy, identify real as well as surmountable constraints, be clear about trade offs, and be backed up by policies capable of moving the dial over the long term.

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- Elements of a way forward have been proposed, from the UK Government's focus on science, to the Labour Party's green investment plans, or the Welsh Government's prioritisation of social partnership. And we can learn from international examples of countries who have renewed their economic strategies: for example Germany after unification.

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- But we are not on course to renew our economic strategy. Partly because it is hard and partly because it is far from clear that policy makers are serious about doing so.

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- Some argue we don't need growth because it won't translate into gains for ordinary households, ignoring the reality that a lack of growth is the cause of flatlining wages. More common is to recognise that growth is necessary, or that inequality is too high, but to be deeply unserious about what it might take to change things. A manufacturing jobs revival is promised, with no engagement with the reality of declines in such jobs across the advanced world. Half of the debate about Brexit denies its costs, while the other half denies its reality.

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- There is a burning platform for a renewed economic strategy. People across the political spectrum are concerned about prolonged low growth and high inequality, but the task ahead is to be serious about the answers to it.

The previous chapters argued that the UK faces major challenges and changes in the 2020s. We now turn to how we should think about responding. The significance of the questions being asked means that the answers must amount to more than simple changes in policy here or there. Rather, the UK must renew its economic strategy and do so while focusing on the goals of sustainably higher growth, lower inequality, and successfully navigating change. We focus on the UK's economic strategy as a whole, although the analysis has significant implications for devolved nations and regions, who play important roles in supporting growth, reducing inequality and innovating on policy more generally.

### The UK requires a renewed economic strategy

The longer Britain's position as a stagnation nation persists, the more dire the consequences will be for the country. This is clear for households: over the entire 20-year period to 2025-26, real typical household income growth was forecast at the time of the March 2022 Spring Statement to be just 9 per cent, whereas incomes would have increased by almost 50 per cent if they had risen at 2 per cent a year, which not so long ago was the norm.<sup>1</sup> This is also true for the state: even trying to maintain existing levels of public service provision requires a higher tax burden. And, more broadly, it also holds for the country as a whole: our place in the world and even the quality of our democracy may be at risk if stagnation becomes the new normal in the decades ahead.

Some take the view that there are specific policy shifts that can unlock a brighter future. The Prime Minister has talked of lower migration as being the key to a new high-wage economy,<sup>2</sup> while others view significant change on housing (be that planning liberalisation or a land value tax) as something of a silver bullet.<sup>3</sup>

There may be occasions when a single shift can address the major challenges facing a nation – such as when a macroeconomic policy mistake needs to be reversed in the case of Britain's withdrawal from the Gold Standard in 1931.

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1 Calculated based on income projections as published in: T Bell et al., [Inflation Nation: Putting Spring Statement 2022 in context](#), Resolution Foundation, March 2022.

2 Conservatives, [Boris Johnson's keynote speech – We're getting on with the job](#), 6 October 2021.

3 S Bowman, J Myers & B Southwood, [The housing theory of everything](#), Works in progress, September 2021.

But the 2020s is not one of those occasions. A wider renewal of our economic strategy, or a new route map to economic success, is required for at least three reasons.

First, the challenges the UK faces are huge in scale and diverse in nature. A tweak to the benefits system will not end a situation where low-income Brits are 22 per cent poorer than their French equivalents.<sup>4</sup> Investing in new green technologies is absolutely critical for the country, but on its own its impact would be far too small to generate strong growth for the UK economy as a whole.

Second, these challenges and changes – persistent low growth, high inequality, the shocks of Brexit and Covid-19, and the net zero transition – are heavily interdependent. Britain's approach to post-Brexit trade, not just to surface vehicle decarbonisation, will affect how large the country's emerging electric vehicle industry will be. The role of the public sector in delivering net zero, and incentivising business investment, will inevitably compete with other pressures on the public finances. There are, of course, always interdependencies for policy makers to consider, but in the decade ahead they are particularly acute and require different components of policy to be fully integrated.

Third, the upheaval of recent shocks has itself upended major planks of the country's prevailing economic strategy, while some of the longstanding challenges we currently face stem from its inadequacies. Brexit has disrupted a central pillar of traditional UK economic policy that has existed for the last half century: prioritising open access to a large, highly integrated, home market. Financial services were seen as the key component of Britain's comparative advantage in the world, but far less so after the financial crisis. And the traditional approach to economic policy has itself been found wanting in important respects. Large and persistent gaps between people and places (outlined in Chapter One) understandably led many to question whether it was fit for purpose in the first place.

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<sup>4</sup> See Figure 11.

## Economic strategies require goal orientation, an understanding of context, realism about trade offs, scale, and staying power

What are the key characteristics of successful economic strategies? Our assessment of the nature of the challenge ahead, informed by international experience as well as the UK's past, suggest there are five principal requirements.

1. **Clear objectives:** a strategy must be clear about the problem it is trying to solve. We have made the case that our central problem is stagnation, defined as persistent low growth and longstanding high inequality. The challenge for the 2020s is generating stronger, sustainable, and inclusive growth.
2. **Clarity about context:** good strategies don't start with a blank sheet of paper, but nor should they be entirely driven by the status quo. They need a clear recognition of context and an understanding of the opportunities and constraints based on a hard-headed assessment of the country's strengths and weaknesses. There should be no space for wishful, or nostalgic, thinking.

This inevitably involves judgements about which aspects of the structure of the UK economy are deemed very hard to shift as opposed to those that are more malleable. Some path dependencies will inevitably form the backdrop to any strategy, but there will also be long-established economic patterns – whether in production, consumption, or distribution – that are susceptible to concerted policy action. Our commitment to the net zero transition, for instance, inevitably means that some parts of our economy will have to function very differently in the future, despite that involving disruptive change.

We must also be realistic about what lies beyond domestic policy makers' control in a rich but medium-sized economy. Many key variables – whether commodity and energy prices, the technological frontier, or long-term interest rates – are set at the global level. And, as should be obvious to all after recent years, it is important to be aware that the UK is, and will remain, subject to global shocks.

- 3. Realism about trade offs:** recognition of trade offs is central to building a strategy rather than a wish list. They often exist between competing objectives: for example, when agglomeration effects create a tension between higher or more geographically balanced output.

Resource constraints are central drivers of trade offs. This is usually thought of narrowly in terms of the public finances (tax versus spend, or one spending priority versus another), but it also applies more broadly to resource allocation across the economy as a whole. For example, the major increase in the numbers of workers that will undertake home retrofitting as implied by Government plans must come from somewhere. Likewise, boosting investment must, at least in the short run, mean lower consumption or higher net imports and hence foreign borrowing. All too often, trade offs such as these are brushed over.

An economic strategy also inevitably raises wider political economy questions that require choices to be made, such as striking a balance between economic integration and national policy autonomy.

The job of a strategy is not to resolve all trade offs in a simple binary fashion – not least because the job of politics in a democracy is to manage tensions that are often longstanding feature of societies and economies. But it must be honest about the existence of trade offs, clear about the balance that a strategy aims to strike between them, and open about the grounds for reaching this judgement. Without this approach, every policy decision inevitably involves either relitigating those trade offs or attempting to ignore them entirely, with downsides to a given decision papered over rather than addressed. Relatedly, all strategies must set priorities, which inevitably means being clear about what will not be done.

- 4. Sufficient scale:** having set out clear objectives and a route map towards achieving them, a strategy must be backed up by policies of sufficient scale that they can plausibly move the dial towards the desired outcome. In some times and places this may not require an ambitious set of policy proposals, but the diagnoses set out in the previous chapters suggests that, to have the necessary impact, a high-voltage policy response will be necessary in the current UK context.

5. **Staying power:** to be effective an economic strategy must persist. Indeed, endemic policy and institutional short-termism has long beset UK policy making and is argued to have been a key weakness of the UK model over much of the 20th century.<sup>5</sup> It still afflicts us today, as evidenced, for example, through the short lifespan of the recently axed Industrial Strategy Council.<sup>6</sup> Stability and staying power is easier in some eras than others – and in some countries than others, reflecting the nature of their political systems and institutional settlements. Simplistic calls to ‘take the politics out’ of taking significant decisions are often misguided. But building long-termism into decision making via institutions that help reinforce it (such as the UK’s National Infrastructure Commission), as well as the involvement of broader groups of stakeholders, can go some way to reducing the turbulence of winner-takes-all politics.

## Economic strategies have been renewed before, in the UK and elsewhere

Some may look at these different components of an economic strategy, contrast it with the UK’s recent experience, and conclude that it is not achievable. Certainly, countries can spend decades without such a strategy in place. And there is no blueprint from abroad or from our past that we should seek to replicate. But recent history, both here and elsewhere, does offer lessons to be learned (a series of forthcoming essays for the Economy 2030 Inquiry will explore these in detail).

The German experience after reunification is a prime example of a country navigating a big shock in a strategic fashion. The equivalent of more than £74 billion was spent on reunification every year (on average) between 1990 and 2018.<sup>7</sup> With cross-party consensus on doing ‘whatever it takes’ involving the near immediate harmonisation of social security and pension entitlements, huge support for public infrastructure in the East, alongside the modernisation of the antiquated capital stock of private sector businesses, focused particularly on the manufacturing sector. As a result, although there have been significant challenges, including East–West migration as well as a sluggish

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5 N Crafts, Chapter in Economy 2030 Inquiry international case studies book, Resolution Foundation, forthcoming.

6 The Industrial Strategy Council was launched in November 2018 and abolished in March 2021: M Kleinman, Kwarteng axes star-studded Industrial Strategy Council with hint at BEIS rebranding, Sky News, March 2021.

7 K Enenkel & F Rösel, Chapter in Economy 2030 Inquiry international case studies book, Resolution Foundation, forthcoming.

move in the East towards knowledge-based sectors, both productivity and incomes gaps fell significantly between East and West.

New Zealand also experienced a major economic shock when the UK decided to join the European Economic Community in 1972, significantly reducing access to the nation's largest export market. This shift, together with the energy upheavals of the 1970s, had major political and economic ramifications and resulted in long-term changes in the economy's industrial and sectoral mix, as well as a reorientation of export markets. After an initial period of instability and repeated crisis, governments led by both main parties were involved in a far-reaching shift in the prevailing economic model, embracing a major programme of market liberalisation, a floating exchange rate, radical public service reform, and a new macroeconomic regime that defined much of the late 1980s and 1990s. It was a highly controversial experiment. These structural changes in the economy and the prevailing policy model were associated with a sharp rise in inequality from the late 1980s to 2000 and a major shift in the balance of power within the workplace as union membership rates fell sharply.<sup>8</sup> Arguably, aspects of the programme of the current Ardern administration – such as proposed reforms to the system of industrial relations via sector-based Fair Pay Agreements – are an attempt to rebalance some of the consequences of the shifts that characterised the 1980s and 1990s.<sup>9</sup>

Just as important as the lessons from conscious efforts to reset aspects of an economic strategy are the stark warnings from countries that have failed to address underlying weaknesses. Italy stands out in this regard. In the late 20th century, Italy was widely viewed as an affluent, high-skilled European economy. Indeed, aspects of its model, such as its vibrant networks of export-oriented small and medium-sized artisanal firms, were held up as a system of industrial organisation that other economies should emulate.<sup>10</sup> Yet, remarkably, Italian total factor productivity was actually lower immediately before the pandemic than it was two decades earlier. Multiple reinforcing factors are argued to have underpinned this long-term stagnation, including the large proportion of small unproductive firms and lack of business dynamism; poor innovation systems and workplace skills; and repeated concerns over fiscal sustainability.<sup>11</sup> Political

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8 C Ball & J Creedy, *Inequality in New Zealand 1983/84 to 2013/14*, New Zealand Treasury, June 2015.

9 For a full assessment, see: A Grimes, Chapter in *Economy 2030 Inquiry international case studies book*, Resolution Foundation, forthcoming.

10 M Piore & C Sabel, *The Second Industrial Divide: Possibilities for Prosperity*, Basic Books, 1984.

11 L Codogno & G Galli, Chapter in *Economy 2030 Inquiry international case studies book*, Resolution Foundation, forthcoming.

instability and increased polarisation were both a symptom and partial cause of these problems. Clearly the Italian context is very different to the UK's, but it serves as a salutary example of the risk that once stagnation becomes entrenched it can be hard to reverse.

In Box 7 we discuss two examples of more strategic approaches to economic policy making by post-war Prime Ministers: Wilson and Thatcher.

### Box 7: Examples of economic strategy from post-war Prime Ministers

Economic strategies have existed in Britain's recent past, and insights can also be gleaned from these periods in modern British history.

Harold Wilson's Government came to power in 1964 committed to achieving faster economic growth which, in Wilson's view, relied on a reorientation of industrial and social policy. The core objective was the rapid expansion of rising industries and the reallocation of skilled labour towards them. This shift required the existence of an appropriate 'social infrastructure' to help smooth the path for transitioning workers. Seen through this lens, flat-rate welfare benefits appeared to be an impediment to workers, particularly skilled workers, embracing risk, and indeed risked a counter-reaction to the prospect of industrial change. The task was to "ease the transition from job to job which must be made if the country is to achieve

the redeployment of manpower which it so urgently needs".<sup>12</sup> The necessary social infrastructure, as Wilson saw it, included a shift towards earnings-related and time-limited unemployment benefits. Alongside this came a raft of other measures aimed in different ways at supporting labour to adjust: the Statutory Redundancy Pay Act (1966), the delivery of Industrial Training Boards, the pioneering of the polytechnic system, the expansion of universities, and the launch of the Open University. The intention – even if eventually overshadowed by the 1967 devaluation crisis and related economic challenges – was that social security, workforce development, together with wider industrial policy, were to be considered (to a degree at least) in the round.

The next post-war Government arriving in office with clear strategic instincts about the

12 G Kelly, [Preparing for a decade of economic change: Lessons from the era of White Heat](#), Resolution Foundation, July 2021.

direction of economic policy was Mrs Thatcher's administration. The goal of creating a flexible labour market was seen as a driver of a more dynamic, service-oriented economy, and it sat alongside emerging plans for financial deregulation and privatisation. Labour market reform was thought to be a necessary step in reducing unemployment (which peaked at almost 12 per cent in 1984) and dovetailed with the industrial (and political) objective of reducing trade union power.

The Thatcher governments cut the replacement rate of benefits for the unemployed relative to average wages and brought in a series of wider reforms: wages councils were weakened and then abolished, trade union power was reduced, the tax burden was

shifted towards consumption and away from high marginal rates of income tax, and self-employment and entrepreneurship were supported. These measures, together with the wider industrial restructuring of the era, resulted in high levels of job mobility between sectors, strong average income growth, and rapidly rising wage differentials, contributing to soaring inequality. Elevated levels of unemployment persisted throughout most of the 1980s, with particularly high concentrations in mining and industrial towns whose long-term futures were profoundly changed. All told, it amounted to an economic strategy that altered the trajectory of the UK economy and had consequences – for good and ill – that the country is still grappling with four decades later.

### Potential components of a renewed strategy are being debated but crisis response has dominated policy making

While few would claim that the UK has a clearly established economic strategy as it emerges from the pandemic, the question of the future direction of our economy and need for a plan to revitalise growth is at least a feature of current policy and political debates.

Key figures on both sides of the political spectrum are raising the salience of prolonged low growth:

*“Because when the economy and our standard of living are not growing fast enough, consent for the system is undermined. If we cannot accelerate growth, people will begin to lose faith in the moral and material case for free markets...So, the question we face today is urgent and it is consequential: How do we accelerate growth, and, in doing so, restore people’s faith in the free market?”<sup>13</sup>*

(Rishi Sunak)

*“We are now in the worst of all possible worlds, with inflation high and rising, and growth low and falling – in other words, there is stagflation...Growth has stagnated, not just this year but over the last 12 years.”<sup>14</sup>*

(Rachel Reeves)

The ideas and commitments currently being developed may not add up to a comprehensive approach, but some of them will certainly be useful ingredients for a renewed strategy. There is much to build on, both from national government approaches and from the different strategies and policy directions being pursued within devolved governments. Examples include:

- The UK punches above its weight in the field of science, ranking first among the G7 in citation impact and producing 14 per cent of the world’s most highly cited publications.<sup>15</sup> The Government has identified this as one source of comparative advantage and high-tech spillovers for the UK economy,<sup>16</sup> with an ambition to cement the UK’s status as a ‘science superpower’.<sup>17</sup> Relatedly, the Government intends to increase public R&D funding by 25 per cent (in real terms) between 2022-23 and 2024-25.<sup>18</sup>

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13 R Sunak, [Chancellor Rishi Sunak’s Mais Lecture 2022](#), February 2022.

14 R Reeves, [Speech in House of Commons debate: Achieving economic growth](#), May 2022.

15 Department for Business, Energy & Industrial Strategy, [International comparison of the UK research base, 2019: Accompanying note](#), July 2019.

16 Department for Business, Energy & Industrial Strategy, [UK Innovation Strategy: Leading the future by creating it](#), July 2021.

17 J Madingley & P Vallance, [The UK as a science and technology superpower](#), Council for Science and Technology, June 2021.

18 HM Treasury, [Autumn Budget and Spending Review 2021](#), October 2021.

- That increased funding forms part of the sustained increase in public investment that is currently underway. The Government plans to raise public sector net investment to a steady state level of 2.5 per cent of GDP from 2024-25, up from 1.9 per cent of GDP in 2019-20.<sup>19</sup> This increase in public capital spending will contribute to raising the UK's low overall rate of investment, which the Government has recognised is holding the UK's economy back.<sup>20</sup>
- The UK has an unusual, and very welcome, degree of cross-party consensus on the objective of reaching net zero greenhouse gas emissions by 2050 and there is broad-based support for the central role decarbonisation should play in attempts to strengthen the UK economy via a 'green industrial revolution'. The net zero target is enshrined in law, with more detailed mechanisms to support the delivery of the transition and accountability for it (via the Climate Change Committee) than are seen in most similar countries.
- The UK's departure from the EU, and lack of an imminent prospect of a trade deal with our second largest trading partner – the United States – has seen the UK Government seek to affect a 'tilt' towards the Indo-Pacific. While the region lacks geographical proximity, it includes a set of countries (prominently India) with which trade costs are currently relatively high and that are expected to experience rapid growth in imports, including for products that the UK specialises in.<sup>21</sup> However, it remains to be seen whether a material liberalisation in trade with the Indo-Pacific region is possible, and what the side effects of any reciprocal liberalisation of imports may be for the Government's other objectives. Brexit has also seen the UK regain full control of migration policy and introduce a new regime. This is likely to have the effect of increasing the average skill level of migrants to the UK somewhat, at the cost of making the UK workforce less flexible in response to economic shocks.<sup>22</sup> However, the overall impact of the new regime is likely to be small, and certainly will not by itself raise productivity and wages materially.<sup>23</sup>

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19 OBR, [Public Finance Databank](#), April 2022.

20 R Sunak, [Chancellor Rishi Sunak's Mais Lecture 2022](#), February 2022.

21 S Hale, [A presage to India: Assessing the UK's new Indo-Pacific trade focus](#), Resolution Foundation, January 2022.

22 K Henehan, [Under new management: How immigration policy change will, and won't, affect the UK's path to becoming a high-wage, high-productivity economy](#), Resolution Foundation, February 2022.

23 T Bell, [There is no simple story of migrants down, wages up: The UK needs a post-Brexit, post-Covid economic strategy, not another argument about immigration](#), Resolution Foundation, October 2021.

- The Government published a White Paper on ‘Levelling Up’ in February 2022, which was concerned with the important objective of reducing the UK’s relatively high levels of geographic inequality.<sup>24</sup> This paper recognised that a change in policy regime would be necessary to bring this about, and set ambitious and measurable medium-term goals, 12 of which are intended to be enshrined in legislation. This legislation also set out an enabling legal framework for further English devolution, which may facilitate a wider adoption of the mayoral-led Combined Authority model being pioneered in city regions. However, in some places these targets are unrealistic or not well defined.<sup>25</sup> For example, the regions of the UK do not seem to be populous enough for each of them to have a globally competitive city as planned.
- The UK’s unique structure of four sovereign nations, each with their own culture, history and governance provides an opportunity for experimentation with strategy and policy, as well as different approaches to economic leadership and strategy to emerge. The Scottish Government recently published its 10-year economic strategy,<sup>26</sup> fusing a focus on the net zero transition, and the specific growth opportunities that Scotland is well-placed to take advantage of, with ambitions for a ‘wellbeing economy’ and significant reductions in poverty.<sup>27</sup> Meanwhile, the Welsh Parliament is considering legislation that seeks to increase the involvement of trade unions in the decisions made by public bodies via various routes, including the establishment of a ‘Social Partnership Council’, comprised of government, employer and worker representatives, to advise the Welsh Government on policies in relation to fair work, procurement and well-being.<sup>28</sup>

Despite a number of these ideas representing significant policy developments, they are not cohesively joined up and, more broadly, the UK has not fundamentally renewed its pre-financial crisis economic strategy. Austerity was the focus of governments for much of the 2010s, but despite several central components of the pre-financial crisis approach being challenged or

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24 Department for Levelling Up, Housing and Communities, [Levelling up the United Kingdom](#), February 2022.

25 E Shearer, [Will the levelling up missions help reduce regional inequality?](#), Institute for Government, March 2022.

26 Scottish Government, [Scotland’s National Strategy for Economic Transformation](#), March 2022.

27 [Legislation.gov.uk](#), [Child Poverty \(Scotland\) Act 2017](#).

28 Hannah Blythyn MS, [Written Statement: Introduction of Social Partnership and Public Procurement \(Wales\) Bill](#), June 2022.

entirely altered over the past decade and a half, no broader renewal has taken place. This is certainly a problem, though it is not entirely surprising given that the dominant form of economic policy making during this period has been crisis management.

Major innovation in or rethinking of economic policy during this period has come in the form of improvisation in the face of those crises, rather than via new strategic thinking. UK policy makers certainly responded with impressive agility and speed in some areas, from bank nationalisation at the height of the financial crisis to furlough at the start of the pandemic. But the seriousness with which emergency action was taken during these crises has not been matched by a seriousness of purpose when it comes to longer-term questions regarding how the UK builds a path to economic success.

### Ultimately, the UK is not on course to renew our economic strategy because we are not serious about the task

We should not be confident that the UK is on course to renew its economic strategy because we are collectively not serious about doing so. While there are broad-based rhetorical commitments to focusing on raising growth and reducing inequality, we are not hard-headed enough about the scale and nature of the sustained action required to make a significant difference to either. Nor are we seriously grappling with the constraints imposed by the nature of global and domestic economies and how they should affect the choices we make.

Some even say we don't need growth, in part because they claim it won't translate into gains for ordinary households. This ignores the vital point that it is the very lack of productivity that has driven our post-financial crisis wage stagnation.<sup>29</sup>

The far more common approach, though, is to want growth but not be serious about how to achieve it. Politicians often talk as if they will reorient the UK's economy towards goods, driving a manufacturing jobs revival. But this aspiration fails to engage with the clear trend towards a decline in such jobs across the advanced world, reflecting the fact that advanced manufacturing is

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<sup>29</sup> M Whittaker, [Dead-end relationship? Exploring the link between productivity and workers' living standards](#), Resolution Foundation, January 2020. N Oulton, [The Productivity-Welfare Linkage: A Decomposition](#), ESCoE Discussion Paper 2022-07, March 2022.

high productivity, in no small part because it is not job rich.<sup>30</sup> In short, far too much of the rhetorical debate about the future of our economy has become unmoored from the underlying reality of the British economy.

Another version of this tendency relates to Brexit. For some, the facts about certain negative impacts that Brexit has had on our economy cannot be admitted, which is the prior stage to addressing them. Equally, many who saw net benefits to the UK staying within the EU are reluctant to engage with the political and legal facts of our departure, including the remote prospect of them changing over the medium term. Others claim that either much lower, or higher, migration will solve our ills despite there being little evidence for either proposition.<sup>31</sup> Meanwhile, the policy-making community spent much of the past decade worrying about robots taking all of our jobs, even as business investment – a precondition to getting some technological advancement – flatlined. And much of our public discourse is predicated on the belief that it is a problem for the British economy that change is permanently speeding up precisely at a time when we are experiencing the lowest rate of structural industrial change since at least the 1930s.<sup>32</sup>

It's not just when it comes to achieving growth where we are falling short. The same applies to inequality. While the basic questions of fairness posed by the large gaps between people and places are recognised, we are equally lacking in seriousness when it comes to what it would take to answer this. Our local authorities are busy bidding for small sums of Levelling Up investment, while decades of much larger sums would be required to make a dent in the capital stock deficits of underperforming cities outside London.<sup>33</sup> Similarly, discussions of inclusive prosperity too often collapse into firms' promises about greater corporate social responsibility or taking environmental, social, and governance (ESG) issues seriously, while workers have no right to a minimum notice periods for their shifts. When it comes to raising taxes, we turn to National Insurance despite knowing that it falls disproportionately on the shoulders of those whose wages have flatlined. A successful strategy requires long-term commitment, whereas the UK today is characterised by

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30 E Chappell, [Starmmer pledges to reverse "shocking" manufacturing decline caused by Tories](#), LabourList, 14 February 2022; George Osborne promised a "march of the makers" in his 2011 Budget, 23 Mar 2011.

31 K Henehan, [Under new management: How immigration policy change will, and won't, affect the UK's path to becoming a high-wage, high-productivity economy](#), Resolution Foundation, February 2022.

32 George Osborne promised a "march of the makers" in 2011, HM Treasury, [2011 Budget: Britain open for business](#), March 2011.

33 P Brandily et al., [Bridging the gap: What would it take to narrow the UK's productivity disparities](#), Resolution Foundation, June 2022.

short-termism (for example cutting home insulation measures by 90 per cent in the early 2010s even as we recommitted to a net zero future).<sup>34</sup>

These are not the hallmarks of a nation that is serious about the task of renewing its economic strategy to meet the challenge of new times or the inheritance of low growth and high inequality that we carry into the 2020s.

### Developing a successful economic strategy is far from easy

Even if we were taking the task of renewing the UK's economic strategy seriously as a country, it would be hard work to deliver. And it is important to recognise that even in tranquil times, the task is easier to consider from the safety of think-tanks and universities than amid the daily demands of politics, let alone in a period of seemingly continual crisis.

This is why the Economy 2030 Inquiry has been structured in a particular way. Our work represents a two-year partnership of academics and policy experts, first establishing relevant facts about both the present and the future, and then pivoting towards strategic policy making with significant deliberative engagement with the public. Our aim is to outline an economic strategy that has the characteristics listed above and offers the UK a route to economic success in the world as we find it, not as we would like it to be. In the following chapter, we start to identify the outlines of what a plausible national economic strategy might look like. The case for such a renewal of the nation's approach is clear – in the longer term the status quo is neither economically or democratically sustainable.

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<sup>34</sup> S Cran-McGreehin, [Households are paying the price for slow progress on insulating homes](#), Energy & Climate Intelligence Unit, January 2022.