

---

# **British Academy Economic Strategy Conference: Summary Note**

This note is a summary of the discussions at the Economic Strategy Conference held on 17 September 2024.

June 2025

# Contents

<b>1.0</b>	<b>Background</b>	<b>3</b>
<b>2.0</b>	<b>Opening Session</b>	<b>4</b>
<b>3.0</b>	<b>Working Group Summaries</b>	<b>5</b>
3.1	Working Group 1: International trade & geo-politics	5
3.2	Working Group 2: R&D	6
3.3	Working Group 3: Skills	7
3.4	Working Group 4: Social value and sustainability	9
<b>4.0</b>	<b>Investment</b>	<b>11</b>
4.1	Introduction	11
4.2	The challenges for investment	11
4.3	The nature of public investment	12
4.4	Solutions to overcoming investment challenges	12
<b>5.0</b>	<b>Nimbleness and Dynamism</b>	<b>14</b>
5.1	Introduction and definitions	14
5.2	Inequality and social mobility	14
5.3	Creative destruction	14
5.4	Utilisation of the UK's strengths	15
5.5	Structural change	16
<b>6.0</b>	<b>Openness</b>	<b>17</b>
6.1	Introduction	17
6.2	The UK's tradition of openness	17
6.3	Openness to innovation	18
6.4	Openness to migration	18
6.5	Openness to what level?	18
6.6	Openness and the green transition	18
<b>7.0</b>	<b>Justice</b>	<b>19</b>
7.1	Introduction	19
7.2	What we mean by a 'just economy'?	19
7.3	'Just' economic strategy and addressing inequalities	20
7.4	Justice, 'good jobs' and social security	20
<b>8.0</b>	<b>Plenary</b>	<b>22</b>

# 1.0 Background

The British Academy's Economic Strategy Programme brought together Fellows and leading researchers from across the SHAPE disciplines (Social Sciences, Humanities and Arts for People, the Environment and Economy) to consider and explore interconnected elements of a holistic and integrated strategy for the UK economy in the context of a changing national and geopolitical landscape. Over the course of 12 months, four working groups explored a breadth and depth of issues related to international trade and geopolitics, R&D and innovation, skills, and social value and sustainability.

From the inception of the programme, the British Academy intended to host a conference to bring all of the Working Groups together where members could take stock of the programme to date, identify and explore points of connection and contention across the groups, and generate and share new insights and ideas, particularly in light of developments in the political, geopolitical and economic landscape (including, for example, the election of a new UK Government in July 2024).

The conference also provided the opportunity to share insights with policymakers from across all four working groups, as well as a platform for working group members and officials to challenge each others' thinking, with new policy ideas, opportunities and trade-offs coming to light in the process.

The conference was run under the Chatham House Rule, so no comments have been attributed. The notes below are intended to serve as a broad summary of the discussions from the conference, but do not reflect any final conclusions or analyses and do not represent any formal policy positions of the Academy nor individual members of the working groups. The write up is also provided with a relatively casual tone so as to reflect the emergent, yet dynamic, nature of reflections on the day.

The conference was structured with an opening session, including reflections on the current economic climate, followed by 'report back' sessions from each working group's findings. In the afternoon, four cross-cutting sessions were held on key themes 'investment'; 'nimbleness and dynamism'; 'openness' and 'justice', with members from different working groups coming together to share insights.

## 2.0 Opening Session

The conference began with reflections on the current economic climate by senior policy officials from within His Majesty's Government (HMG). This discussion reflected on the end of the unusual period in the early 2000s, of increased globalisation and trade, to a new context with new headwinds, including energy crisis, COVID-19, geopolitical challenges, protectionism, demographic change and digitisation. It is the job of Government Departments, in this context, to be aware of the latest thinking and literature in order to give ministers the best possible advice.

At the time of the conference the Government was looking at a growth plan and developing an industrial strategy based on key principles, including predictability and stability, openness, a competitive business environment, and the role of the strategic state. The conference and the fuller Academy Programme was welcomed as an opportunity to help decide what to prioritise to create the conditions needed for growth. There was a call for working together and understanding how different perspectives, communities and evidence bases were pointing in the same direction, or not, and what the trade-offs might be.

## 3.0 Working Group Summaries

### 3.1 Working Group 1: International trade & geopolitics

The group's co-chairs presented on the emerging discussions of the working group. Areas covered included:

- How should the UK respond to the US Inflation Reduction Act and EU Green New Deal. Should the UK have an industrial strategy? And how to overcome hostility to this concept in the UK, where there is perceived to be a poor record in this area?
- Should we be thinking about an economic strategy rather than an industrial strategy? Broader than targeting one specific industry, with state intervention in the economy now more the norm than the exception.
- Turbulence: including ongoing geo-political shifts. Conceptualisation of economic growth has always been with two background conditions, namely Western dominance and tech-driven globalisation. Both of these background conditions have gone. Can the UK embrace turbulence? As a medium-sized economy, multilateralism is important, with most to gain, and most to lose when multilateralism fails.
- Plurilateral arrangements may be needed - smaller sets of deals among smaller actors.
- A need for a new narrative for the UK - now no longer an 'Anglophone entry to the EU'. Potential role as a nimble actor capable of incisive and effective actions that build on a deep comparative advantage, including in institutions and historic engagement with the international system.
- What does it mean to be non-aligned as a trade actor while aligned in security terms? How can the UK connect the security dimensions of trade with economic ones?
- There is room for the UK to offer a facilitative role. The UK can build economic relationships by facilitating the presence of others, including the Global South, in the international system. This requires thinking more strategically about how British multilateralism operates across a range of sectors, including health and the work of NGOs.

Issues raised in subsequent Q&A and discussion included:

- Are the 'missions' a new way of bringing departments together under a common theme? However, the institutional design of government makes long-term decision-making difficult.
- Potential for making common cause with other deficit countries in the face of countries that subsidise to drive exports, leaving us with a liberal market economy in which we sell our assets to recycle those surpluses. Suggestion that the deficit does need to be addressed.
- Resilience: how do we strike a balance between going for growth and resilience and keeping prepared for shocks around strategic elements? Broad areas of comparative advantage without specifics - which might go out of fashion in a few years.

- One of the consequences of being a middle-sized power is that we have a zero effect on global aggregates. This is a feature of what's becoming a consumption-led society, with investment squeezed to keep consumption up.
- Non-alignment being taken as given, which is interesting because this is a recent phenomenon. However, we're de facto aligned in terms of security policy due to trade & geography – the UK is not aligned to trade blocs but are aligned in security relationships.

## 3.2 Working Group 2: R&D

The group's co-chairs presented on the emerging discussions of the working group. Areas covered included:

- There are no definitive 'answers'; the UK can't cut and paste from other countries. The group has therefore considered a number of options, including how they might need to be adapted, identifying trade-offs, with many being political.
- Reiterating the pre-existing critique of the linear model and updating it. While the linear model has been an important framing for UK, there are problematic features with this model embedded in policy. This has imposed some features at the expense of others, with policy filling in the gaps.
- Diffusion: taking in innovation requires R&D capacity. We are a medium sized country - 90% is invented outside the UK – so we can't be too internally focused. This consideration ties into the first working group and geo-political considerations, as well.
- Presenting a counter-factual history, often deliberately imaginative and provocative to spur thinking - what would have happened if we had stopped doing innovation as a country, or if we'd become a direct complementary partner in the R&D system of the US? Would we be richer? Would we be doing R&D? Or would be just be going around the world getting technology and bringing it back.
- There is a need for consideration of skills and immigration, as well as management practices – where a lot of work is drawing on research from the 1980s, but we don't really use those types of management practices anymore. There is a need for labour market matching and transport planning.
- Where are the decisions being made? Place, devolution and political economy are key. The related trade-offs include the good and bad effects of innovation landing on society unequally. The question is, should innovation be focused on growth (and subsequent increased tax revenues) or 'growth and something else', such as sustainability?
- How much effort does the UK want to direct to being at the cutting edge and where would we benefit from more diffusion to allow upgrading? We have some industries that are at the frontier, some that aren't.

Issues raised in subsequent Q&A and discussion included:

- What are the barriers to commercialisation? The UK is great at innovation, not at commercialisation. There needs to be join-up between different types of infrastructure.

- Can there be a shift into diffusion space? For example, the Graphene institute - diffused elsewhere. With a mission lens, how does a government take decisions on where to focus?
- How you might reconfigure institutions without throwing everything away to focus on more impact. Role models of places we look at - do we look at comparatives that would be more useful for something like the economy of Manchester?
- The long tail issue - all nations face this problem. We focus on being at the cutting edge, but there are other things we could do. If we used place-focus, we might find a different mix of approaches.
- R&D is one of the UK's deep comparative advantages, but there are political choices on where the focus is, as well as the implications of foreign ownership and high-productivity activities in the UK. Does the location of good jobs matter more than ownership? There is strong evidence that where the HQ is located has an influence.
- You need local information to make informed decisions, but do you have a capability to make those decisions? In many instances, the answer is 'no' - lack of capability, data, institutional connections, all of which take a long time to build up.

### 3.3 Working Group 3: Skills

The group's co-chairs presented on the emerging discussions of the working group. Areas covered included:

- How do we develop a skills agenda directed towards economic dynamism, usually associated with start-ups, creative economy and an adaptability to change? While skills are key to productivity, UK skills policy has failed to produce a system that fully realises these benefits.
- Issues include; a fall in employer-provided training, weak managerial capability, and the local and regional variation of these things. London is an example of success, but there is a need to uncover why some parts of the UK are successful and some parts are not.
- The working group has focused on the following: skills, firms and productivity in a changing world, the nature of change around technology and innovation, and how to enable a workforce to be in a position to be resilient to change.
- Developing a skilled workforce for the future: what type of skills are particularly in demand given where technology and society is going? A broader set of skills, not just technical skills, but a hybrid skills profile are driving increased employment shares.
- Improving education and training pathways: the key issue being that those at the top of academic performance are well-served, while the bottom third are not well looked after.
- There is an increasing long tail of low-investment firms: not a feature of just the UK, but UK is particularly extreme. There is underutilisation of skills, including too many graduates in non-graduate roles.
- The frontier firms are in London and the South East, but other areas of the UK are devoid of managerial skills and firm capability. There are big differences in the graduate wage

premium; there is a need to expand education and training in other areas, but mobility is very low. We need to ensure there are paths for non-graduates, and that managers and firms are using new technologies.

- How should we think about these skills needs with respect to new technologies (generative AI, Net Zero)? Technical skills matter, but so does a broad set of skills, a hybrid profile. This includes not just analytical and technical, but social skills, those most slowly replaced by AI, with an increasing demand for communication skills.
- Individuals need to enter the labour market with a broad set of skills: part of a good jobs agenda. Low progression, which has got worse over recent times – a secure foundation of core literacy and numeracy skills is key.
- Employers recruit on bundles of skills, so a broad base is important: there are implications here for curriculum. We need to support training across the life cycle: the UK does not have too many young people in higher education, rather it has too many with low level 2 qualifications. There is a 'missing middle' of level 4, 5, with high returns to these vocational qualifications, so there is a need for more coherence.
- Policy choices could include regional interventions and targeted tax subsidies: which requires a concerted effort to try and figure out which are successful growing local firms.
- Attention to externalities - people and firms don't invest enough in skills, facilitating individuals' investment in own skills through the LLE. Many types of training are outside scope of this - low-level, short-term training – which should be targeted carefully - need to try and create a structure in that sector to give people mobility.
- We should make vocational pathways better understood, funded and connected: at the moment, levy funds are increasingly used by firms training their existing workers – there could be benefits to making apprenticeships a bigger part of the landscape for the 18-25s. Another group in need of support are mothers returning to work: this group of people benefit from specific training and targeting.
- Support the expansion of vocational qualifications in areas where they are already used successfully: very few people know about them and vocational pathways are poorly funded. Improvements here could benefit sectors such as social care, via a good work agenda.

Issues raised in subsequent Q&A and discussion included:

- The importance of literacy and numeracy in schools, as a stepping stone to later vocational routes, such as apprenticeships
- Migration: both internal and external migration might be important for temporary boosts to skills. The huge leverage you get from high-level skills migration is an important consideration.
- The importance of factors downstream of other areas, such as transport connections and the effect of the labour market. Demand needs to be developed in this context.
- The issues of untapped skills and skills mismatches: unemployment benefits or a lack thereof - one of reasons why people take jobs not aligned to their skill level is that they have to because unemployment benefit is not high enough, providing a major issue in terms of enabling us to tap into the UK's skills potential.



- Regional developments - home and hybrid working could be a cheap and easy resource to ensure people from more geographically-dispersed areas can benefit from more dispersed high-skilled jobs.
- Managerial capability: the new government has a big agenda on employment rights, which will impact the bottom of the labour market, but thinking is needed higher up too.
- Many of these issues have been around for a long time – up to 50 years – with little progress having been made. Some of this is due to bad policies. We need to learn from what's gone wrong - piloting and evaluation of interventions.
- The adult education budget has halved over 10 years - victim of austerity and not having a powerful interest group behind it – important that we talk about the consequences of this.

### **3.4 Working Group 4: Social value and sustainability**

The group's co-chairs presented on the emerging discussions of the working group. Areas covered included:

- The importance of human capital and environmental capital. The UK needs a new approach to tackling these types of capital. For example, if we look at insecure jobs, they are undermining people's health and preventing people from upskilling.
- Strength of the economy depends on the strength of society, not the other way round: we need to change the narrative on social value and quality of life.
- How to get social value and social innovation, with cascading benefits for the same amount of investment. Importantly, macro phenomenon are incurred from micro interactions of agents in the system - macro data gives little understanding of what's wrong at social levels, although the national economy is socially embedded and localised: policies have to be situated in and responsive to this.
- There is a need to reconnect policy with lived experience. One way of doing this is through the conception of the socially embedded economy – a pro-social economy, at both micro and macro level. This tells us that the 'nice to haves' are actually essential, so we need to reframe narratives around social expenditure – showing that this contributes to productivity and wealth of the nation.
- Social infrastructure is a critical issue - not just assets in the community, it also means people and institutions with which they connect. This includes cultural investment, in both knowledge and cultural infrastructure.
- All economic activity is socially embedded: pay is not the only thing that motivates people to work and be productive. Economic policy targeted at maximising GDP alone therefore cannot provide insight into the wider wellbeing of the population. There is a need to invest in those aspects that create conditions where everything else can flourish.
- Socially embedded economic activity requires a stable system for people to plan and live their lives – this means security, both at an individual and national level. Building resilience in communities has consequences for national security.
- There is a need for different ways to measure the value of work – current measures neglect social and environmental cost. We need a reassessment of the value of particular kinds of work, such as care work. For good work, flexibility is not always a good thing.

- The government should adopt a systems approach. There are multiple examples where policies from one department counteract another, so there must be more join-up.

Issues raised in subsequent Q&A and discussion included:

- How to balance the need for 'nimbleness' with the need for long-term investment and changing the environment and introducing systems thinking?
- The state has spent billions investing on poorest areas of UK, with little result – there is a need to think more in government about working with other departments to blueprint cascading benefits: social investment is not aspirational, its urgent.
- On the question of security in people's lives, housing is a key issue, as this is where most people's money goes. Housing mechanisms exist, but these are not being well utilised: for example, subsidised housing for key workers.
- Decentralisation tends to focus on local government, but other civil society bodies, including trade unions, could also have a role.
- One of the UK's deep comparative advantages, underpinning elements of UK society and the economy that make us competitive, might include high levels of trust in rule of law: it could be useful to map out the dimensions of this and other comparative advantages and start to quantify these.
- Adult education and lifelong learning are key – can we join up university funding crisis with the need for lifelong learning? Universities are one of the key drivers of local economies across the whole country: how can we make this more effective?
- Can we move from an economy based on competition to one focused on cooperation? What is the added value of working together from different parts of government to achieve particular ends?

## 4.0 Investment

### 4.1 Introduction

In the afternoon, attendees were divided into four cross-cutting workshop sessions and asked to consider crosscutting themes. This included the question of how promoting investment could feature in the UK's economic strategy. Topics for discussion included key challenges for the UK in promoting private investment, how to invest in new infrastructure while maintaining existing essential capacities, and spending more vs spending 'better' to achieve economic security and resilience. Attendees were asked what series of investments the UK might need to make to improve its long-term productivity, the sequencing of these investments, and what social investments might be required. Questions included how we can best invest in people, and how to identify when investments should be public, private, or both.

The following note details three of the main topics that emerged across the discussion: challenges for investment; the nature of public investment; and solutions to overcoming investment challenges.

### 4.2 The challenges for investment

Participants noted a general lack of investment-ready opportunities as a key issue for the UK. Opportunities must be made 'investable'. For instance, most pension fund assets are invested overseas rather than in the UK. European investment in technology largely goes to the United States.

Uncertainty is another major barrier to investment. Market uncertainty is one aspect of uncertainty; participants noted that allowing the existence of monopolies is one way of addressing uncertainty, but this creates other issues relating to cost and quality, as has been evidenced by the privatisation of rail, energy, and water services. Factors such as public opinion and levels of public trust also shape uncertainty. Investment can prompt negative responses from public stakeholders (such as 'nimbyism', for instance), particularly when messaging is handled poorly or when trusted relationships across the system are lacking.

The political calendar can also create forms of uncertainty – or, conversely, windows of opportunity – for investment. For example, there is no guarantee that decisions around investments will be maintained across successive parliaments. Periodic events such as spending reviews may draw more, or less, attention than usual to particular investment opportunities or issues, affecting both public and political appetite. Timing is important when considering making the case for public investments.

Finally, investing requires its own kind of absorptive capacity – a system needs the right resources, energy, workers, and skills in place to invest well. This indicates the importance of coordinating investment effectively. Investment must be made in a connected, holistic manner, with an awareness of potential intended and unintended consequences across the system. Moreover, investment presents an opportunity cost for policymakers to weigh up – if investment requires additional funds where there are none, this requires a cut-back in funds elsewhere, some of which could have other negative knock-on effects on the economy. These knock-on effects need to be considered in a similarly connected and holistic manner.

### 4.3 The nature of public investment

A common theme in discussions was the difference between who public and private investments are aiming to benefit and the implications of this distinction for risk management. For instance, while governments can borrow at a lower interest rate than private parties, they must take a much more conservative approach to risk management, with political considerations and the notion that they are managing taxpayer money meaning they are afforded much less room for failure.

Similarly, the changing state of public services is a major concern for the public on an ongoing basis, and can skew spending decisions over time, requiring a more cautious approach to investment. On the other hand, this approach also means that government is a long-term reliable investor and can invest at scale, which is often necessary for many major projects or emerging industries.

The objects of public investment are also important to consider in this context. Governments must balance the allure and public relations ‘wins’ of investing in big, cutting-edge new projects, with investing in ongoing, everyday services and maintaining infrastructure and capabilities. Participants asked the question: to what extent is maintenance spending a form of investment? It can be difficult to attract investment for initiatives that are less visible or high profile, to the extent that more fundamental systems only receive funding when crises occur, or things go wrong.

Participants pointed out that the degradation of essential services can indeed be an inhibitor of growth and suggested that investment in the diffusion of new technologies to deliver public services more efficiently could be a way to address this. This would also require investing in the people and skills to sustain the infrastructure behind these essential services. Given these considerations, it is worth acknowledging where stability and security are vital (such as food, energy, water, cybersecurity) in setting up investment processes, institutions and in making investment choices.

Finally, attendees indicated that Net Zero could provide a major opportunity for smaller investments, including improving and greening existing infrastructure and local services. Indeed, they suggested that centralising decision-making on funding too much could present barriers to opportunity, leading to emphasis on evaluation rather than providing functional support for those wanting to make effective investments.

### 4.4 Solutions to overcoming investment challenges

Government’s credibility as an investor means that it brings unique value as an investor through being a particularly reliable investment partner. It is therefore important that government develops a clear and focused investment strategy that remains committed to long-term goals as opposed to a scattershot or fragmented approach. Moreover, given government’s unique status as a public investor, it is also important to consider in which sectors and areas the arguments for government intervention are strongest (for example, in areas that might produce significant public benefit but are less desirable to private investors).

Participants suggested that developing the business and infrastructure environment as enablers for investment are keys way to ensure this, for instance, through the improvement of management practices. Other mechanisms to do so include encouraging the ‘crowding-in’ of investment (where public investment encourages further private investment in an area), which also speaks to the importance of strategic and effective government signalling, and diversifying models of government funding (such as blended financing for de-risking investments). Some participants noted the right of eminent domain in the United States, for

instance, by which private property is acquired for public use. Ultimately, institutional structures for investment will be more effective if they reflect the logic behind desired outcomes of public investment.

Supply chains emerged as another key consideration. Participants noted that it is crucial to identify where supply chains are more well established or less established, to address failures in coordination, make use of government's market shaping power, and produce benefits through mobilising supply chains effectively. In this way, government was seen as a key coordinator in supply chain processes, especially through its ability to leverage wider institutional connections.

Finally, participants acknowledged the valuable role that regional governments can play in investment strategies through providing coordination at the 'meso-scale' level (of intermediate size), giving the example of the Northern Powerhouse Rail programme, which has required careful consideration of interconnected elements across regional governments across the North West, North, and North East of England. Place-based investments can also benefit from incorporating regional knowledge of the forms of social capital and natural capital that exist – or might be generated through investment – within a place.

For such initiatives to be successful, appropriate powers need to be devolved to local or regional levels of government (which may include some measure of fiscal devolution), and careful thought needs to be given as to where decision-making powers should sit within local and regional governments from an organisational point of view. That said, these local interactions should be connected up with those working on the 'big picture', to ensure a holistic view of emerging opportunities and challenges.

## 5.0 Nimbleness and Dynamism

### 5.1 Introduction and definitions

Attendees at this conference afternoon session were asked to consider what it would mean for nimbleness and dynamism to be embedded in the UK's economic strategy. It was proposed at the outset of discussions that approximate definitions for these terms in this context could be:

**Nimbleness:** a society that can respond to change in a way that makes the most of its comparative advantages, and thereby generates widespread prosperity.

**Dynamism:** an economy with a high level of start-ups, innovation and social mobility.

While recognising that these are broad definitions, they nonetheless provide useful framing as principles to be aspired towards as an end goal for economic strategy. The following note details the discussion of how to achieve these goals as well as the current challenges that are preventing the UK from being in this position.

### 5.2 Inequality and social mobility

Inequality and lack of social mobility constrain innovation. The UK has some weaknesses in basic skills and productivity, but this is particularly the case in 'left behind areas' where there are considerable issues with both skills underdevelopment and skills underutilisation. This place-based inequality is hard to shift, and generational inequality is a particular issue in certain parts of the country, restricting social mobility.

The UK economy would benefit significantly from expanding the high percentage of young people going into higher education in London to other areas of the country. However, London as a model has its limits, with significant inequality still existing in the city. Furthermore, there are limits to the extent London can realistically be an exemplar for the rest of the UK and it could be that London now has a congestion problem, not a productivity problem.

Clearly, the issue of the extreme geographic concentration of productive firms in the UK means that there are far fewer opportunities for workers to match with innovative workplaces elsewhere. High-achieving students from lower socio-economic backgrounds outside London find it increasingly hard to build their careers through a move to London. Relatedly, this also make the matching of workers with innovative workplaces more difficult.

### 5.3 Creative destruction

Creative destruction is a term often used by economists to refer to the process whereby resources are released and channelled into new areas of productivity from unproductive economic activity. As a process, this is key to a nimble economy. However, in the UK, there have been too many cases whereby resources have been released by creative destruction but have then not been successfully employed to high productivity activities. As a result, this creates economic shocks. There are public concerns related to this which need to be managed in the context of encouraging increased productivity: for example, research by the Productivity Institute found that the public saw 'productivity' as associated with technology that would threaten jobs, such as automation.

In general, there is widespread concern over a decline in innovation in certain areas of the UK economy. In certain sectors with firmly entrenched market leaders, there are networked economies and structures that are very hard to enter from the outside.

Further, in the UK, the infamous 'long tail' of unproductive firms remains a longstanding problem. There is a romantic myth that small and medium enterprises (SMEs) are the backbone of the economy. However, too many of these firms are 'lifestyle businesses', with limited aspiration to expand and increase their productivity. The knock-on effect of this is that some employers of this type contribute to in-work poverty through low wages that are often endemic to their sectors.

Within many of these firms, there are poor managerial skills and a separate challenge around bundles of skills, with issues with command-and-control management and how much autonomy people have at work. While younger generations are seen as more dynamic, the older generation of leaders in these firms are still the ones in charge and many are not seeking growth, instead wanting stability after the last decade responding to COVID-19 and Brexit.

Some ways to resolve these problems could include peer-to-peer learning by businesses, on the basis that firms prefer to learn peer-to-peer, rather than being impelled by the state. Unfortunately, government engagement with firms on some of these questions is almost always framed negatively. A positive example of a policy that brought together regulators, civic society and businesses to improve practices was the National Living Wage. There is also a role for Trade Unions in these discussions, with some evidence that having union representation on boards can help firms be more innovative.

However, while governments tend to think you need to innovate to grow, it is necessary to remember that innovations do not always have positive outcomes, so caution is required. The UK has a tradition of being able to walk away from industries, which can be an advantage. The state could have a role in breaking conglomerates, perhaps through encouraging labour market mobility between firms.

## **5.4 Utilisation of the UK's strengths**

There is a need to think about the UK's deep comparative advantages and how these enable dynamism, talent, diversity and openness, for example, in areas like the creative sector, which has grown since 2010 despite the country's productivity issues, while the life sciences, biotech, AI/cyber security and fintech sectors have seen similar success.

The potential framing of the UK as a medium-sized economy as an advantage is contentious. There is an open question of whether the UK needs to be producing 'Fords not Ferraris' to have long-term productivity benefits. While a lot of discussion of UK firms focuses on the unproductive 'long tail', there is also an important 'fat bulge', medium-sized firms that have the potential to 'scale up', but are not currently, with plenty of opportunity for growth in these particular firms.

If the UK has to choose between innovation and diffusion, it should pick diffusion because it gives more benefits to more people. In the UK, the population is very conducive to the adoption of new technologies compared to comparator nations. This is an advantage, as the UK can be a good place to help test and diffuse new technologies.

Relatively speaking, the UK could be said to have a competitive advantage in tolerance of diversity in the population. This comes from a definition of nationhood which is not based on

a single ethnic identity, although the riots in Summer 2024 do show the fragility and malleability of this tolerance.

Finally, the group discussed where the UK has specific sectoral advantages. For example, in education, through the economic value of students coming to the UK, as well as many universities and independent schools with campuses overseas. There are also important cultural exports, including festivals and Film and TV, with the example given of the 'Peaky Blinders effect' in Birmingham, with the added effect of decentralising wealth away of London.

## **5.5 Structural change**

While policymakers wish to and can effect change, innovation takes place in firms, not in government. As such, there is a need to be realistic about what policy can and can't do. In general, the discussion across the conference had decentred the role of firms as actors. This requires thinking around what the policy levers are and how to invest in ways that make businesses do different things structurally.

There is an issue in the UK of a lack of strong institutional structures for firms: while there are positives to engaging firms as a collective, the UK has weak employers' organisations, with under-resourced Chambers of Commerce for example, which are often a useful tool when statutory instruments are quite blunt in encouraging businesses to behave in certain ways. Capacity in these organisations could be strengthened to encourage solutions to come from the business community.

Further, there is an issue of security in the UK that restricts innovation. Losing your job is a 'cliff edge' in UK and there is no easy transition towards individuals re-skilling and taking risks, due to the lack of a sufficient safety net. With a relatively punitive welfare system, there is little positive interaction between employability and welfare payments. In contrast, Denmark's strong institutions and welfare system provides a safety net for embarking on innovative careers. Denmark has the highest level of income mobility in the world, protecting skills, not jobs, as an explicit strategy of the Danish government, otherwise known as 'Flexicurity'.

Another structural change identified was about investment infrastructures. For example, there are clear positives to attracting venture capital. However, incentives in the tax regime make it profitable even when the business case is weak, which is a problem, and the average rate of return is negative. It is also difficult to access from outside the financial centre in London and there is a lack of regional capital markets. Yet, when there is a good business case, this can super-charge growth. Reform of the IP system could also produce positive outcomes, as it can be both an enabler and a barrier, for example with non-compete clauses, that are not used in California, for example. This can provide rewards and monopolies but can also limit the opportunities for mobility.

The UK's second cities remain weak by international comparison – why is it that the UK's FinTech industry is concentrated in Kings Cross, rather than Manchester, for example? Relatedly, sectors and places matter. Not all businesses in all places need to be treated in the same way by Government. There needs to be a renewed focus on regional infrastructure, after regional development agencies were shut down. The question remains as to how an 'eco-system' can be put in place which will allow central government policy to amplify regional growth.



# 6.0 Openness

## 6.1 Introduction

In this breakout session participants were asked to consider openness in a broad sense: to international trade and collaboration, migration, ideas and innovation, and how policymakers can ensure levels of openness appropriate for a long-term, sustainable and holistic economic strategy for the UK. In particular, the discussion explored how policymakers might balance openness with other policy priorities, including achieving greater economic and energy security, and whether the UK can or should leverage its historical role as a co-founder of global institutions to promote the value of openness within these multi-lateral organisations.

The following big picture questions were posed at the outset:

- What does it mean for the UK to be an open economy today?
- How important is the language of openness to the UK's position in an international context viz-a-viz other nations?
- How can the UK balance openness in economic strategy with other priorities such as economic and energy security and promoting resilience to shocks?

Alongside the following questions which consider what it means to operationalise concepts of 'openness':

- How can a regional growth strategy utilise openness (to FDI, to immigration and internal migration) to transform lagging areas?
- How can the UK leverage its historical role as co-founder and shaper of global institutions to promote the value of 'openness' within multi-lateral institutions?
- How open should the UK's research and innovation system be and what potential international comparators could be learned from?
- What can be learned from varying levels of openness to mobility in comparators, particularly as it enables movement to access talent and education?

## 6.2 The UK's tradition of openness

The UK has historically been, and continues to be, an outward-facing country, with an economy that has been driven by openness to international trade, labour, technology and investment and a reputation on the global stage as a place to do business. The status of English as a global language, although a double-edged sword, is helpful here. However, Britain does not currently have a joined-up vision about its multilateral presence, especially in international organisations. There is an element to which the language of openness can be important to the UK's position in an international context vis-à-vis other nations.

Despite this, questions around what the 'right' level of openness for the UK might be continue to dominate our political economy, with such questions having considerable implications for the UK's economic strategy.

### **6.3 Openness to innovation**

The UK possesses a reputation internationally as a place to do business. R&D innovation is a very global activity with so many global inputs, so the UK must make sure it remains open to all of that.

Participants reflected on what kind of framework might help policymakers to discern how and when it might be beneficial to be more or less open. Would it help in steering our orientation towards openness to consider the challenges that we cannot address within our national boundary? This could lead to considering openness to FDI and international investment, as well as considering how leveraging openness can help to be part of a regional growth strategy to reduce regional inequalities. Conversely, is it instead important to be creating the right investment environment and potentially to focus on 'growing our own winners'?

### **6.4 Openness to migration**

Generally, businesses value moving their people around sites and there is a question over where the UK compares internationally on these metrics for senior staff. Should immigration charges (e.g. immigration health surcharge) be added to those temporary movements? In Britain, we are seemingly 'open' to everything but people, which can be economically destructive given our services-based economy and given that high-growth industries here rely on talent and people.

Students are a significant source of legal migration because universities offer a specific service that they have to pay for, and they have to be here in person. The post-study work visa is a benefit that is seen as part of the package, however policies in this area are loose and could be better defined.

### **6.5 Openness to what level?**

What is the framework that allows you to discern how and why to pull openness levers? Does there need to be a narrative developed with the British public in favour of migration and encouraging openness to it? This can be seen, e.g., in Switzerland.

In discussing this it was noted that choosing openness as a trade strategy has implications for other policy areas, including opening a country up to the developments in technology, wider trade blocs, and the global economy. The risk is that openness entails allowing other countries to define industrial strategy; while openness might indeed be a route to progress, is it realistic to expect openness when a large number of countries are reluctant to be so? To take a counterexample, what would be a successful 'closed' strategy look like?

### **6.6 Openness and the green transition**

Some economies are decarbonising far faster than others. In this context the question therefore becomes: will that hold as a political economy without trade defence measures? Furthermore, developing countries are hostile to the protectionism turn in climate transition from UK, when it has preached openness in the past.

A specific policy example to consider is the recent EU tariffs on Electrical Vehicles (EVs). Where the UK is now getting most of its EVs from China, the UK faces a choice, such that it is no longer clear as to whether the UK has a future in domestic EV industry. Perhaps there is a third way? The UK is currently taking capital inflows, but there must be a policy lever that sits between no production and tariffs.

# 7.0 Justice

## 7.1 Introduction

Alongside investment, nimbleness and dynamism, and openness, conference attendees were invited to consider the role that justice can play in economic strategy. Rather than focusing on criminal justice, discussion centred more broadly around what it means to have a 'just' economy and society.

Justice is of course a complex concept that encompasses economic, social, political and ethical dimensions. It has emerged as a theme perhaps most clearly in the discussions of the Sustainability and Social Value Working Group, which has sought to consider the elements that contribute to a well-functioning, prosperous society that cannot be captured by economic metrics alone. In particular, the group has considered the importance of an economic strategy that can advance economic, social and environmental justice and why addressing the scale of inequalities in our society, and embedding thinking around intersectionality, is crucial for strengthening social support structures and enhancing citizen wellbeing.

While more explicitly discussed in this group, justice has also been an undercurrent in the discussions of the other Working Groups. The International Trade and Geopolitics Working Group has explored the 'justice shift' in 21<sup>st</sup> century international relations and the opportunities this may present the UK for a new role on the international and diplomatic stage. The R&D, Innovation and Technology Working Group has examined how innovation policy has the potential to mitigate or exacerbate regional economic inequalities and environmental damage. The Skills Working Group meanwhile has considered 'fairness' in access to education and training and the opportunities that are available to students whether they choose vocational or academic pathways.

## 7.2 What we mean by a 'just economy'?

The group began by considering the concept of a 'just economy'. A number of participants felt that a 'just economy' would be one that enables improvements in quality of life and removes barriers to accessing opportunities to participate in society throughout a person's life, and across generations and places. In particular, participants felt that people should be able to exercise choice about when to access these opportunities, with the example given of choosing to return to the labour market after taking on caring responsibilities. Some thought that it is more helpful to talk about 'injustice', as it can be harder to define 'justice' or come to agreement on what it looks like.

However, it is not always clear to policymakers how issues of justice might relate to economic performance. Participants thought that this would require emphasising the argument that investments in health and education, and a strong focus on citizen wellbeing and tackling severe and entrenched inequalities that reinforce disadvantage, can contribute to healthier, happier and better skilled citizens. These may be viewed as desirable policy goals in themselves, but they can also help to improve productivity and growth (although it was also pointed out that high productivity can be a result of high levels of injustice, for example, within working practices). While economic metrics are not necessarily the most valuable indicator as to how 'just' an economy and society are, delivering more investment in health and education, tackling inequalities, and improving people's quality of life are harder for policymakers to do with a low-productivity and low-growth economy such as the UK's currently.

Increased social investments will not solve all of our economic and social problems at once. Given the long-term nature of the economic and social challenges that the UK faces, these will require long-term solutions and by their nature such investments may take years to start demonstrating impact. Additionally, while some investments could be thought of as ‘win-wins’, others may require policymakers to make tricky trade-offs. However, inaction or surface-level tinkering is more expensive in the long-run; for example, not investing in young people’s education or wellbeing means these will be less productive in the future.

### **7.3 ‘Just’ economic strategy and addressing inequalities**

Participants discussed the extent to which a ‘just’ economic strategy can address the scale of economic and social inequalities experienced by different parts of society across the UK. Some participants particularly focused on the UK’s regional inequalities, which are among the most significant when compared to similarly sized European economies, and also on how class remains a considerable driver of injustice. They felt that a just economy and society cannot be one in which young people feel compelled to leave the places where they grew up to move to London in order to access opportunities. They highlighted that the economic development of London since the 1970s is an often forgotten but nonetheless significant success story of proactive UK economic policymaking, and must be replicable for other parts of the country that have struggled economically in recent decades. While policymakers may face a tension between the economic logic of building on London’s undoubted economic strengths with prioritising economic opportunities in places across the country, participants felt that this example demonstrated that policymakers could also choose to prioritise reducing these regional disparities. Another participant pointed out that the co-location of extreme prosperity and poverty in London is still stark.

One participant emphasised the need for a place-based approach to embedding justice in economic decision-making. They felt that different places will require different strategies based on their local circumstances, needs and resources, and warned against a one-size-fits-all approach to economic strategy to cover the entire country. This prompted the question of how much devolution would be required for local places to make local economic strategies a reality. Participants highlighted the risk of local policymakers being given all of the responsibility without any of the power to actually effect change, particularly with the extremely limited capacities and resources of local governments. The group discussed projects, such as hydrogen works in Teesside and the North East, that are often championed as examples of ‘levelling up’ but which are often not conceived of as ‘local’ projects. As a result, the multinational firms running the projects might not employ significant numbers of local workers, with the profits from these works often extracted and the local areas failing to benefit.

### **7.4 Justice, ‘good jobs’ and social security**

It was suggested whether there should be an institution that connects up the skills that the economy demands with the skills that are available in different UK regions. Participants also discussed the potential of mobilising technology to distribute opportunities and jobs more effectively and therefore address geographical inequalities. Participants argued that most people currently do not and will not work in jobs at the technological frontier of the economy, which policymakers seem to be more focused on compared to the more ‘everyday economy’ jobs which may be particularly affected by automation. Some emphasised that a ‘just’ economy and society would be one that embeds public engagement in policymaking, with the point made that much of the political instability in recent years could be partly a result of declining levels of public trust and a lack of investment in social cohesion.

The group considered the potential value of a Universal Basic Services model (therefore guaranteeing everyone access to a minimum level of essential services). They discussed the advantages of this compared to a Universal Basic Income model, which might help to meet some immediate needs but would be incredibly costly to the state and ultimately wouldn't change the economic system that is causing people to need that support. Childcare and raising public sector pay were also highlighted as policy issues that participants felt could act as stepping stones for policymakers to start addressing key justice issues relevant to economic strategy.

## 8.0 Plenary

To close the conference, participants reflected on the key messages that had emerged from the day. This included some of the challenges emerging – including the need for investment in a constrained fiscal context and the need to think in a different way and how to connect up spending.

Officials from many of the Government Departments present welcomed the event as a ‘bringing together of minds’, geared towards a proper interrogation of the issues, acknowledging that there is not one single answer to solve growth and the questions of industrial strategy in a fast-moving national and global context. There was a call for experimentation, including putting ideas into the field, running pilots and finding out what works. It was noted that there had been an opportunity for the civil service to reset after the July General Election, to reach out and talk to each other. This enabled time to think about the difficult questions that need answering. There was an acknowledgment of the issues raised, and the need for Departments to take these ideas away and think about how they might be translated into policy.

It was observed that the four cross-cutting themes (investment, nimbleness and dynamism, openness, and justice) were inherently interrelated. In the context of ongoing fundamental changes to the economy, there was an awareness of the need for prioritisation in terms of both policy choices and resources. In the breaktime activity, participants reflected on the evidence gaps that still exist. There were discussions around the role of regulation and the role of investment, as well as how policymakers can think about harnessing local knowledge and local expertise.

The conference ended by looking ahead to the publication of the programme’s discussion papers in Spring 2025. Participants noted that the productivity of the programme lies in the relationships and conversations that were able to be formed, including those which took place as a result of this conference, and this was a unique added value of the programme’s structure. As the programme looked toward a second phase, this will be a core feature that is worth be preserving.