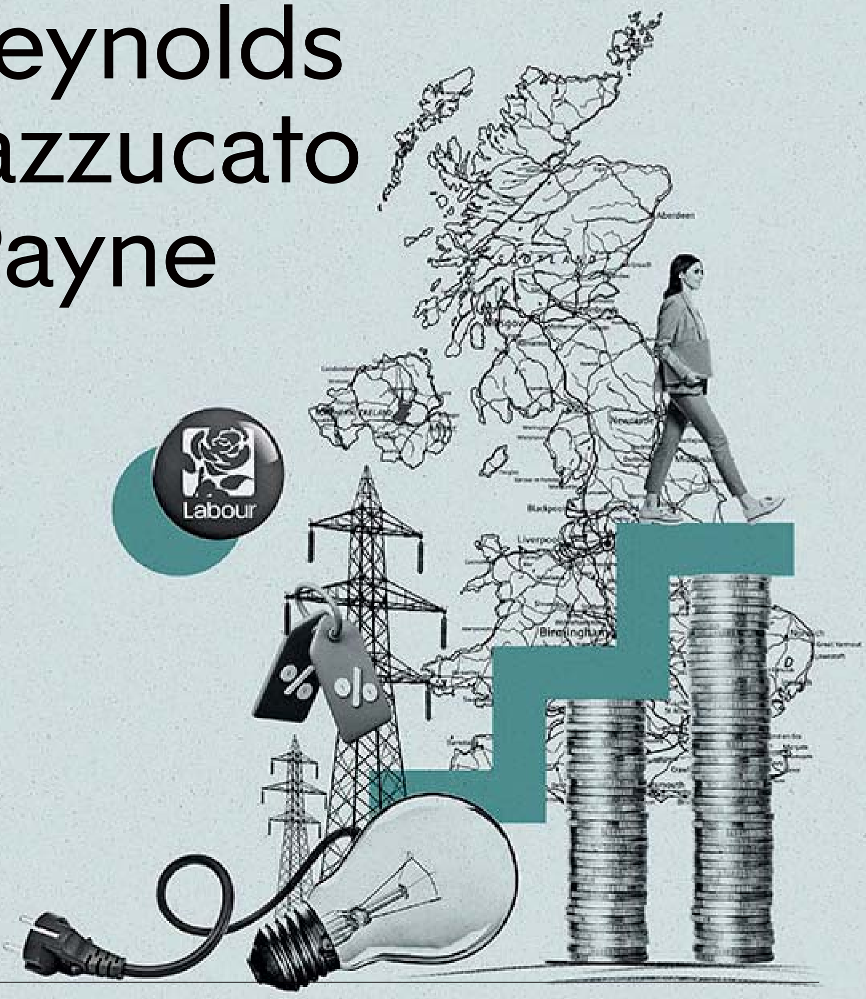
THE NEW STATESMAN

Spotlight

Thought leadership and policy

Economic Growth: Which way to prosperity?

Jonathan Reynolds
Mariana Mazzucato
Sebastian Payne
Jim O'Neill



Sunak's opportunity cost

The week that this supplement went to print, the UK swerved decisively from the path to its 2050 net zero target – an aim signed into law in 2019. In an intensely briefed announcement, Prime Minister Rishi Sunak told the public that he wanted to be "honest" about the challenges of Britain's ambition to transition to a green economy.

"There's nothing ambitious," Sunak said, "about simply asserting a goal for a short-term headline without being honest with the public about the tough choices and sacrifices involved and without any meaningful democratic debate about how we get there."

Trailing in the polls with an election looming, the Prime Minister rolled back or amended various green policies. The changes included a 50 per cent increase in financial incentives for replacing gas boilers and delaying the ban on the sale of new petrol and diesel cars from 2030 to 2035. Sunak insisted that the UK would still meet its 2050 target.

This would be an opportune moment to remind the Conservative leader that his five pledges, announced earlier this year, included "grow the economy" and "halve inflation". Sunak is right to say that the government should aim to bring people with it on net zero policy, which will change all of our lives. But while Sunak's speech implied that he would be saving ordinary people from shouldering the cost of the transition, experts – including the independent Climate Change Committee that advises the government on this very issue – agree that any short-term savings would only result in longer-term expense.

At least the opposition seems to understand the opportunity cost of Sunak's decision. As shadow business secretary Jonathan Reynolds tells *Spotlight* (see pages 8-11): "I meet with investors, with businesses every day who tell me Britain is losing out on jobs, wealth and opportunities because they don't know what this government wants and they don't trust there will be any policy consistency."

There is evidence that sending clear signals to businesses on net zero would only help Sunak make good on his economic promises. Research from WPI Economics estimates that failure to "support industry and react to international competition... could wipe £224bn off the UK economy by 2050". The smart money should be on Sunak's election gamble not paying off. ●

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40-42 Hatton Garden
London
EC1N 8EB

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Subscription inquiries:
digital.subscriptions@newstatesman.co.uk

Director of Client Solutions
Dominic Rae

Account Managers
Jugal Lalsodagar
Katy Pieris

Senior editor
Alona Ferber

Design
Erica Weathers

Editorial
Jonny Ball
Harry Clarke-Ezzidio
Sarah Dawood
Samir Jeraj
Megan Kenyon

Cover Illustration
Klawe Rzeczy

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The View from Government

Andrew Griffith MP
Economic Secretary to the Treasury & City Minister

"Forget the tired stereotypes – the City has a vital role to play in the UK's growth"

Summer headlines on "de-banking", the shunning of defence companies by investors, and executives at firms debating the finer detail of diversity and inclusion policy with regulators are arguably not the contribution to the post-Covid economy anyone would like to have seen from the City.

Instead, we look to the financial services industry to provide enormous positive impacts to society in the ways it always has: the statistical magic of pooling and sharing risks between a wide group, for example – an innovation following the Great Fire of London in 1666, which through the ashes became the birth of modern insurance practices – so that payment of a small premium insures against an event that might otherwise wipe out a family's finances for several generations. Or take the benefits of savings and investment – with workplace pensions, for example – allowing people to build financial resilience and to shift their resources from when they are earned to when they may be most needed. It wasn't for nothing that Albert Einstein, when asked what the most powerful force in the universe was, said "compound interest".

Nor should we fall into the trap of thinking that financial services are only for those who already have wealth. Most financial products help those on modest incomes. Credit, used well, provides a vital ladder of opportunity, allowing households to achieve their future plans and ambitions – perhaps to secure a home, or build a business – or to act as a lifeline, smoothing out the costs of some of life's more expensive moments.

A high-performing financial services sector is part of our social infrastructure, providing multiple life-enhancing benefits to its users – even before we consider the wider benefits to the real economy, with an estimated 12 per cent of the UK's GDP coming from financial and related professional services. The financial services sector's contribution to the Exchequer is equivalent to around half of the NHS's budget, which is something to think about next time you see your GP, visit a hospital, or watch an ambulance pass you in the street.

The caricature of the typical financial services employee in the City of London is a jaded stereotype which *New Statesman* readers would not tolerate elsewhere. In reality, two-thirds of financial services jobs lie outside of London and it is a sector that, through the intense competition for talent, has long since "levelled up", with notable financial service clusters in Glasgow, Edinburgh, Greater Manchester, Leeds, Cardiff, Belfast and Bristol, employing thousands directly and further thousands through auxiliary industries.

So, we all have a stake in the continued success of the UK's financial services.

Of late, I have seen several misjudged assertions about the financial services industry, that post-2008 there has been an irreversible rise in risk aversion. I don't accept any of this for one moment, but such talk should, and does, spur us into action to try to counter these narratives. It remains a competitive world in which other nations wistfully eye up the formidable natural advantages that the UK still offers. This is not to say that we should become a "Singapore-on-Thames" (a moniker that always undersold the

MARTA SIGNORI

sheer depth and breadth of the financial services industry here), but to be the best version of ourselves. Our vision for the UK is to be the place that the rest of the world comes to do business – and we've seen that potential realised recently with decisions by the leading investors Andreessen Horowitz of the US and the AustralianSuper superfund to do more business here.

That is why we have such an ambitious programme of financial services reforms: reforms that will ultimately benefit the users of financial products through lower costs and better returns. The recently passed Financial Services and Markets Act 2023 is a seminal moment. It's more rolling thunder than a single big bang, but with the ambition that every part of the sector – from credit unions to car insurers – will benefit from much greater agility, more proportionate application of existing regulations, and a rule book that is itself tailored for the UK's specific conditions.

While playing a leading role in internationally aligned rule-making at intergovernmental forums such as the G20 and OECD, we are repealing, and where appropriate replacing, the mass of retained law that we have inherited from the EU – removing barriers and streamlining processes to open us up to international markets and businesses. And the new act will help to deliver a shift in priorities, to ensure that the work of our financial services regulators aligns with the Prime Minister's growth agenda, by giving them an additional objective in law to promote growth and international competitiveness.

We have also set in motion a new approach to pensions, which aims to improve returns for retirees while boosting investment in high-growth businesses. In July, nine of the largest UK workplace-pension providers committed to allocating at least 5 per cent of their investments to high-growth companies, including some of the UK's most exciting and innovative businesses. That will in itself unlock up to £50bn of investment by 2030 if the rest of the sector is to follow suit.

The long and short of it is that businesses should find it easier to raise the capital to grow, while, according to government analysis, these and other changes will mean that someone on average earnings who enrols into a defined-contribution pension at 18 could increase their income in retirement by more than £1,000 a year. This all builds on an ambitious agenda to help firms grow and list in the UK, seize opportunities presented by new technologies and markets, and deliver better outcomes for investors and savers.

As well as setting ourselves up for another century of success – as the Chancellor Jeremy Hunt said at his Mansion House speech in July – our hard work is already having an impact here and now, and our financial sector will continue to be a vital part of the UK economy. ●

How to win the next election? It's the data, stupid

Politicians will need to hone their offer

By Rory Tanner

At Revolut, we understand data. Through the millions of transactions our customers make every day, we can spot emerging trends months before they materialise in the polling booth. The UK is our home market and biggest customer base, with 7.6 million customers. We have a significant presence across all 650 UK constituencies, from our 1,300 customers in Na h-Eileanan an Iar to our 57,000 customers in West Ham.

The average UK constituency has 11,000 Revolut customers spending more than £20m per year. The average age of our customers – 37 years old – is just three years younger than the median age in the UK. Moreover, we have at least 5,000 customers in 151 of the 158 marginal seats in the country (those with a majority of fewer than 5,000).

In other words, every time a customer buys a coffee, pays a bill or splits a meal with a friend, that gives us a data point, which when viewed with millions of other transactions at a macro level, gives us a unique perspective on nationwide consumer spending. This is why the Office for National Statistics uses our data to monitor national weekly spending trends.

But what does this mean for the next election? Every political party understands the cost-of-living crisis is the key concern for voters. We have analysed our data in the top 25 target seats for Labour, the Conservatives and the Liberal Democrats since the 2019 general election to identify spending trends that could decide the result.

For Labour's top 25 target seats, the data from the 236,000 Revolut customers in these constituencies revealed that over the last 12 months (1 September 2022 – 31 August 2023), constituents spent on average 2.3 per cent more compared with the same period in 2021-22. Spending on essential goods (groceries, public transport and utilities) in the last 12 months increased by 6.1 per cent but spending on discretionary goods (restaurants, services, shopping, travel and entertainment) only increased by 1.2 per cent. This indicates that likely voters are being forced to hold back on spending, because of increasing costs of essentials due to inflation.

Voters in these target seats spent £11.6m on average per constituency, which is less than the £23m average

across all 650 constituencies, signalling that these constituents could be feeling the economic pinch more than the average person. For this specific data set, we excluded Kensington from the results as it is an outlier within the data, with 41,311 customers (compared with 8,115 on average in the other 24 constituencies) and a total spend of £168m in the last 12 months.

Labour's opportunity here is to highlight that the voters in their top target seats have not increased their spending power over the last 12 months and are spending more on essential goods than they are on non-essential goods. They are also arguably facing a greater impact of the cost of living compared with the national average – due to less total spending.

For the Conservatives' top 25 target seats, the results were different. Looking at the average spending of the 209,000 Revolut customers in these constituencies, these customers spent 14 per cent more in the last 12 months. Compared with 2021-22 spending, these customers spent 14.9 per cent more on essential goods and 13.6 per cent more on non-essential goods in the last 12 months. However, these constituents collectively spent an average of £12.6m per constituency, which is still significantly less than the £23m average across the entire UK. This means that each constituent spent £466 less than the average Revolut customer in the UK in the last 12 months.

In contrast to the target Labour constituencies, while voters here have also been impacted by inflation their discretionary spending has continued to grow. They are, therefore, likely feeling more optimistic about the economy and their future prospects.

The Conservatives could stress to these constituents that they are better off than they were in 2021 and 2022 because they are spending more on average. But they should also be aware that the constituents in their target seats are still spending significantly less than the national average.

For the Lib Dems' top 25 target seats and the 328,000 Revolut customers in these constituencies, average spending increased 6.9 per cent in the last 12 months. Over the last 12 months, these customers spent 8.6 per cent more on essential goods and 6.4 per cent more on non-essential goods. These customers also spent an average of £35m per constituency, which is significantly more than the £23m average. Despite the spending power of these constituencies being significantly higher than the national average, these customers have still seen a comparable impact of the cost of living on their spending. But it is unlikely that the Lib Dems can massively push cost-of-living arguments given the average constituency spend, which is good news for the Tories – 22 of these 25 seats are Conservative-held.

The data provides a valuable insight into the financial lives of 773,000 voters in the most important seats for these parties at the next election. Just 89,000 votes are needed to flip all 75 of the parties' target seats. Inflationary pressures and the impact of the cost of living can be seen across all of these constituencies, but it has been felt differently. A one-size-fits-all approach to messaging will not work here. Whichever party comes up with the most effective strategy to recognise each constituency's unique economic impact could swing these seats in their favour and decide the election. ●

Rory Tanner is head of UK government affairs at Revolut

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Preparing for Power

"Don't judge Labour by how much we are spending"

The shadow business secretary Jonathan Reynolds on transforming Britain's economy

By Alona Ferber

In the headwinds of a looming election, Keir Starmer's Labour has been vying to position itself as the "natural party of business". The evidence this has paid off continues to mount. At October's Labour Party Conference, a business forum for industry leaders reportedly has a 180-strong waiting list. And this year, there has been a series of business figures – from the entrepreneur Gareth Quarry to the former CBI president Paul Drechsler – who have publicly switched from the Conservatives to Labour.

Under Jeremy Corbyn's leadership, the party was notoriously queasy about the private sector. One industry insider recalls senior Labour officials' preference for engaging with "small businesses" over "all businesses", lest anyone think the party was in any way aligned with decidedly un-socialist multinationals.

Starmer has worked hard to shed this image. One key weapon in what has been dubbed the "scrambled egg offensive" – aka schmoozing businesses over breakfast, as opposed to the New Labour penchant for networking over a prawn cocktail – is the shadow business and trade secretary, Jonathan Reynolds. The 43-year-old, who was a councillor before becoming MP for Stalybridge and Hyde, Greater Manchester, in 2010, does not seem queasy about the private sector in the slightest.

There is no business, in fact, that it would be inappropriate for Labour to schmooze. "Having a strong relationship with business doesn't preclude you from criticising businesses when they do something you think is wrong," he tells me when we meet at Portcullis House – though not in his office which, his aide says, is "hot as the sun". Engaging with companies "actually... strengthens your ability" to sometimes criticise them, he adds.

It is the first week of parliament after summer recess, and the scandal over crumbling concrete in schools is the perfect symbol of austerity Britain. For Reynolds, a father of four with children thankfully at schools not on the at-risk list, there may be just a hint of schadenfreude – but there is also enthusiasm. The return to the Commons "feels like the season finale", he says.

And Reynolds is "really, really confident" in Labour's plans for achieving the first of the party's five

Jonathan Reynolds addressing Labour Party Conference last year

IAN FORSYTH / GETTY IMAGES

national missions: to secure the highest sustained growth in the G7.

Reynolds and his shadow cabinet colleagues come to this challenge at a time of economic crisis and great change. While in the UK, Rishi Sunak has U-turned on net zero policies, globally, the winds of progress are blowing in a very particular direction: massive public investment in the green economy. Labour's answer to Bidenomics is its Green Prosperity Plan and the £28bn a year that the shadow chancellor, Rachel Reeves, has pledged to tackle climate change from the next parliament if Labour wins the election.

In his blue shirt and matching red cufflinks and tie, a tattoo of a Manchester bee peeking above one shirt-sleeve, Reynolds projects a kind of reliability that seems very Brand Starmer. The private sector, on the whole, has warmed to him, an industry figure tells me. And indeed, in Starmer's back-to-school reshuffle, Reynolds, whose former role was shadow secretary of business and industrial strategy, was given additional responsibility for trade. Currently in his sixth shadow cabinet role, Reynolds' past portfolios included energy and climate, and work and pensions. The busy frontbencher also chairs Christians on the Left and is a vice-chair of Labour Friends of Israel.

Mirroring Rishi Sunak's February reshuffle, industrial strategy, something Reynolds has long banged the drum for, is no longer the express focus of any government department. Where does industrial strategy sit now?

"It still sits with me," he says, and industrial strategy is "absolutely central" to the party's economic plans. He and Starmer discussed this during their reshuffle conversation, Reynolds adds: "He himself is a huge supporter of this, and we are going to be laying out some of the details as to how that would work."

Some observers, including party and industry insiders, note that it is not completely clear how Reynolds' industrial strategy policy connects with the Green Prosperity Plan. The shadow business secretary seems keen to project alignment, however. The shadow cabinet is "absolutely joined up", he says, noting that Sarah Jones, newly shadow minister for industry and decarbonisation, will have "a foot in the net zero team". He reminds me, too, that the party's industrial strategy document, published in September 2022, mentioned "delivering clean power by 2030" as the first of four priorities. This preceded Labour announcing its second mission as that very aim.

Major Labour-affiliated trade unions are sceptical over net zero's promise of green jobs, while Labour has pledged to create a million "good new jobs" under the Green Prosperity Plan. Reynolds insists that "anyone trying to say there's some sort of tension between jobs and ambition on net zero, it is plain wrong", and he rejects the notion that there is any "tension between those different portfolios in the shadow cabinet". A former parliamentary private secretary for the shadow net zero and energy secretary, Ed Miliband, Reynolds has "a huge amount of strong personal relationship with" him, he says.

"We talk all the time," he adds, "about these two things coming together, and ▸

Labour's first national mission aims to "secure the highest sustained growth in the G7"

◂ make sure when I'm being our voice to business we're absolutely consistent in what we are saying."

For Reynolds, net zero is "the biggest economic opportunity this country has ever had", not only because of those elusive "jobs of the future". It is also about the promise of reduced energy prices, which are "a huge input cost" for businesses.

And Sunak's recent change of direction on net zero risks this opportunity, Reynolds told me via email after we spoke: "I meet with investors, with businesses every day who tell me Britain is losing out on jobs, wealth and opportunities because they don't know what this government wants, and they don't trust there will be any policy consistency." Labour's industrial strategy, he added, would "offer a clear framework".

The Conservatives, he points out, have not really had an industrial strategy in their 13 years in power. Greg Clark, the former business, energy and industrial strategy secretary, "made an admirable start" but never had true backing from the government: "It didn't go beyond the business department. I think he would probably say that explicitly himself."

Under Labour, however, the Industrial Strategy Council would be a "statutory organisation like the OBR [Office for Budget Responsibility], like the Committee on Climate Change". Such a body would give "people some confidence that plans are not going to be changed in the short term". Indeed, research by WPI Economics suggests that the lack of an industrial strategy on net zero could lose the UK economy £224bn by 2050.

There is surely much to be gleaned from Bidenomics on this front, even though Labour's £28bn is dwarfed in comparison with the scale of US investment ($500bn in new spending and tax breaks, according to McKinsey and Company). In April, the US national security adviser, Jake Sullivan, outlined the new approach as a" modern industrial and innovation strategy – both at home and with partners around the world", an answer to the economic, geopolitical and ecological moment.

Sullivan's speech "was one of the genuine must-reads for anyone in the Western world interested in economic policy", says Reynolds. Also noteworthy, the shadow secretary points out, is that in Sullivan's list of the US's partners around the world – listed because "he's rejecting the accusation of protectionism" – the UK was absent. "That is significant," says Reynolds.

And painful, too, perhaps, given that the month of Sullivan's speech, Reynolds had told the *Observer* that Labour would be the "most interventionist government for a generation", and that voters had "yet to understand "the scale of Labour's ambition on the economy". But since then, I put it to him, voters may have understood something different. Labour's message is one of fiscal rules and frugality. A few days before we spoke, Rachel Reeves was heckled on stage at the *FT* Weekend Festival after ruling out a wealth tax. What is the public not seeing exactly?

First, he clarifies the party's position that "everything has to be subject to fiscal rules". Second, he says, Labour doesn't want the success of the Green Prosperity Plan measured "by how much we are spending, but by how much we are getting out of it". But more importantly, Reynolds is sceptical about the terms of a debate that pits what he euphemistically terms "reassurance and hope" against each other.

"That's a completely false way to look at it. You do not get the kind of transformational government this country needs unless you build on strong foundations," says the shadow secretary. These include stable bond markets, a stable currency and a "government seen as credible in terms of its own spending plans". And, for good measure, he adds, "I don't think Labour governments should be judged by how much they spend."

So, assuming there is no new money, what can Labour do for businesses that doesn't involve expenditure?

"The first ace up our sleeve is stability," he says. "It doesn't sound very glamorous but that is the number one request after the tumultuous 13 years that we have had." The Industrial Strategy Council gets another mention here, as do: planning reform; changes to the apprenticeship levy to channel underspend to the skills system; plans for improving UK research and investment ("which we'll now hand to Peter Kyle in the science and innovation department"); and, of course, "making Brexit work".

Since our interview, Keir Starmer clarified that Labour will seek to reset the UK's Brexit deal if it wins the election, earning both plaudits and accusations of delusion. Reynolds told me that "we can improve the

KLAWE RZECZY

relationship" with the EU – "That's Horizon [which the UK has since rejoined]; that's the mutual recognition of professional qualifications; an SPS [sanitary and phytosanitary measures] agreement" – while Labour is "absolutely right to not talk about revisiting the single market or customs union".

What would Labour do about post-Brexit customs checks, which the government has now delayed implementation of five times? Despite speculation that the postponement is related to inflationary pressures, Reynolds, says it "may be about how ready the system is to actually implement those checks should they wish to do so. I think there is a lot going on here."

Labour would, he says, aspire to remove "the need for checks in areas where we don't need them – so on food and agriculture, that's the SPS agreement". Otherwise, "If we've got the same standards in place and we have no desire to undercut those standards, I think there are things we can do to take those pressures out of the system, before we even need to think about how those checks would work."

A number of recent reports have cast Labour's pitch to be the natural party of business in a questionable light. There has been criticism over HSBC and NatWest staff being seconded to Reynolds' team, as well as of senior Labour members accepting gifts from companies such as Google – including tickets to Glastonbury worth £3,377 for Reynolds and his wife, whom he employs in his office on a part-time basis (both of which he declared in the register of interests). According to OpenDemocracy, this gift preceded a Labour U-turn on the digital services tax, which they had previously called to increase from 2 to 10 per cent.

Given Labour's avowed commitment to a pro-business and pro-worker agenda, this could send a mixed message – or worse.

Reynolds doesn't seem to think so. "You can't deliver for working people unless you've got that partnership with business," he says, adding that Labour's "greater ambition on public investment" is that it will leverage private investment, because the state alone cannot deliver what the UK economy needs. While some "look at this in a binary way – can you be fighting for workers or for business? – it's not actually how workers themselves look at it", he says. The job will be on Labour to "articulate why that relationship is so important and why those two things go together".

On Glastonbury, Reynolds refutes the suggestion that he U-turned following his visit to the festival, sticking to Labour's explanation that the policy was always intended to be a "temporary measure". In any case, he says, "Where we are developing policy we would also be talking to organisations like Google as major economic stakeholders in the UK. The idea that they'd have to take us anywhere to do that – I mean they would just come in here and talk to us." The shadow cabinet indeed met with Google at the company's London HQ in June.

Reynolds admitted that "it's nice to go to something like Glastonbury", but also – and perfectly on brand – said it was wonderful to see "a flagship creative event", adding it demonstrated the UK's "deeply impressive" economic footprint, as well as "how technology is changing how artists work, and what [it] means for things like competition issues". He gets complaints, sometimes, for not engaging enough with the creative industries.

Fast forward to the week of our meeting, and the mood is far less jubilant than on Worthy Farm in June. Aside from crumbling schools, Labour-run Birmingham council, the largest local authority in Europe, has issued a section 114 notice. Moody's, the credit ratings agency, has warned that more councils are expected to fail.

The Conservative's levelling-up agenda has not addressed this systemic failure, but currently the West Midlands and Greater Manchester, under the government's Trailblazer deals, are set to retain business rates for a decade, as a pilot scheme. Reynolds would not confirm whether Labour would continue the policy, saying that "there's a complexity there around where business rates are retained". In 2021, in fact, Reeves said Labour would scrap business rates, replacing them with "a fairer system". The shadow business secretary wouldn't provide details on this either (work on the plan is "quite well developed"; the announcement will come at "the optimum moment"). Part of the policy, he explains, will be about overcoming barriers to investment, something "greatly influenced" by what he has seen in his Greater Manchester constituency.

> "The first ace up Labour's sleeve is stability"

Of course, the mention of devolution and levelling up brings Reynolds back to his pet policy area: industrial strategy. Devolution to address the UK's stagnant economy, as proposed by the party under Gordon Brown's Commission on the UK's Future, is "entirely consistent" with this.

"Certain policy areas are best delivered on a devolved basis, and devolution of skills in Greater Manchester – my area – and to the West Midlands, are a good example of that," he says.

In the lead-up to the election, part of being Brand Starmer is making policy calls under the "tough on spend" rubric. Among Starmer's more controversial decisions has been the retention of the two-child benefit limit. This provoked fury within the shadow cabinet. In his 2021 Labour Party Conference speech, Reynolds, then shadow work and pensions secretary, said Labour's plans included "binning the two-child limit". Does he think Starmer did the right thing?

Like the rest of Labour's policy agenda, Reynolds fits this neatly within his "hope and reassurance" frame. Labour is ambitious on tackling child poverty, but "if Keir had said, 'Oh yes, I promise we'll get rid of the two-child limit on day one,' the next question would be: well, what about the benefit cap? What about the bedroom tax? So much money was taken out of the social security budget since 2010 that there are no easy answers."

And here, he returns to Labour's first national mission: "People have got to understand that unless we can get this economy working better, there will always be really difficult policy challenges. I think what we've set out, where we don't make promises we can't keep, and we don't make promises unless we can say how we will address them, that is just how it's got to be." ●

Which way to economic growth? The nation won't become richer on autopilot – we need good policy

WE MUST BE SUSTAINABLE, INCLUSIVE AND INNOVATIVE

Mariana Mazzucato
Professor of economics at UCL and author of *Mission Economy*

On the UK's growth path, or lack thereof, there are three key issues: first, we had consumption-led growth, led by private debt, so the ratio of private debt to GDP is again dangerously high. Second, growth relies heavily on ecologically unsustainable activities. And third, growth in the UK has not been shared, with the richest 1 per cent now wealthier than the poorest 70 per cent of the population combined. We need a reset to innovation-led, sustainable and inclusive growth. Not just any growth.

We are lagging behind most of the G7. Brexit has reduced the market size for businesses, reducing overall investment, and austerity means lack of finance for R&D, training and education – all key drivers of productivity. The government has reacted by making 2.5 per cent growth its target. Similarly, Keir Starmer vowed to secure the highest sustained growth in the G7 as one of his missions. But this logic is flawed. While an important policy priority, growth is not the goal or mission, it's an outcome. It only arises if both the public and private decide to invest, and the best way to do so is with ambitious goals in areas like climate or health. Before committing to particular targets, the government should focus on deliberating its direction. What good does high growth do if it builds on poor working conditions or an expanding fossil fuel industry?

The country needs to revive an entrepreneurial state with an industrial strategy. One-off, ad-hoc deals won't cut it. They must be part of a broader plan to align investments with commitments to decarbonise transport and supply chains. Done right, mission-led strategies hold the potential to maximise long-term public benefit – allowing innovation-led growth to also become inclusive growth. Ultimately, refocusing and designing capable public organisations around ambitious missions – instead of obsessing over narrow growth targets and outsourcing capacity – will be crucial for getting the rate and direction of growth to meet what is needed in the 21st century.

ARBITRARY FISCAL RULES AREN'T WORKING

Jim O'Neill
Life peer, former minister and ex-Goldman Sachs economist

The UK's central growth problem is weak productivity, and with it, probably persistently weak investment by both the private sector and the government.

In my view, we need to get away from standard thinking about how to stimulate investment to try and change this, because most political figures and most conventional economists are stuck in the past 40 years of mainstream thinking that hasn't really helped. In particular, the standard textbook theory that boosting investment comes from strong profits, low interest rates and favourable taxes hasn't worked. Yet it seems to still dominate.

There are many unknowns as to why it hasn't worked, but it is to some extent because the quoted corporate sector became obsessed with free cash flow, "rewarding" leaders and shareholders, and the rise of the share buyback.

We need to change the risk-reward ratio for business leaders, and allow for really strong rewards for genuine investment and profitable returns, but stop or discourage savvy balance-sheet management. As far as the government and public sector is concerned, I am a proponent of giving the Office for Budget Responsibility and the National Infrastructure Commission a greater role – akin to the independent members of the Bank of England's Monetary Policy Committee – that would allow for much more ambitious state investment in areas with clear, positive, lasting multipliers. You might call it a new, modern, more sophisticated "golden rule". We certainly need to get rid of this nonsensical game of some arbitrary fiscal debt-to-GDP rule for a few years into the future that achieves nothing, without being actually met or contributing to productivity-enhancing GDP growth. There is an irony: our demographics have been so much stronger than most other G7 nations, yet because of limited ways of thinking, our investment and productivity has been so weak. We need to break free from this, in a transparent credible way that financial markets respect. ●

UNLOCKING REGIONAL POWER IS THE KEY

Sebastian Payne
Director of Onward and former *Financial Times* Whitehall editor

It is blindingly obvious, but it needs repeating: there are no quick fixes to faster growth. Sugar-rush tax cuts have been tried and failed. So too would trying to borrow our way back to growth. What is needed instead is a longer-term plan, with sustained political delivery, that tackles a combination of our supply-side bottlenecks while addressing the UK's over-centralisation.

First, there needs to be a relentless focus on unblocking sectors of the economy. We need to build more homes – no one can argue that the property sector is presently in a healthy condition. But this can only be done if voters are taken on the journey, which means building in a sustainable way, with the right infrastructure, and where local people want them. None of this is easy, but low house-building lies at the heart of low growth.

We need to seriously think about inactivity in the labour market. With 5.3 million people economically inactive, getting even a small chunk back into work can ease inflation and reduce net migration. Looking at the benefits system is key: all of the laudable reforms achieved by Universal Credit have been undone by the pandemic. We need to focus on creaking infrastructure and decide what can be built most efficiently. We need to look at boosting skills – particularly in technical education, which has eluded governments of all stripes since the Second World War.

The second component to better growth is a rejuvenated levelling up agenda. It should be about providing equality of opportunity in every corner of our island and mustn't be seen as a historic bugbear – as some in Whitehall sadly do. The UK needs more directly elected mayors, with more powers on tax and planning to encourage greater private-sector investment. Boosting growth must begin with giving people a greater say in their own destiny – real devolution instead of top-down management from Whitehall. None of these prescriptions are glamorous or bombastic, but they provide a sustainable way to a better economy. ●

What good is growth if it's built on poor working conditions and high emissions?

Advertorial

Britain's banks can drive prosperity everywhere

Support for international trade underpins growth

By John Carroll

In association with

Santander

It would be an understatement to say that the economy has been through a tough time over the last few years. Despite the recent internal challenges and macro shocks, the UK financial services sector has stayed resilient, using innovative ways to support our customers facing financial difficulty, as well as helping the wider recovery.

At Santander we are particularly passionate about restoring economic growth during this period of instability. One of the ways we do this is by proactively supporting businesses to prosper, especially internationally. We want to encourage businesses to make new connections as we believe business isn't just about the people you know, but also the people you don't.

The UK has several million small- and medium-sized enterprises (SMEs), and those that export globally play a disproportionally critical role in economic growth. We know that these companies grow much faster than purely domestic-focused companies and in difficult times are much less likely to fail. So we've spent time understanding what SMEs that want to export really need. Every six months we conduct the Santander Trade Barometer poll, going in-depth to understand UK businesses' opportunities and concerns.

Our Spring Trade Barometer again confirmed that UK businesses trading internationally are outperforming those limited to domestic trading: 59 per cent of international companies report improved performance over the past year compared to 46 per cent that are solely domestic. International companies were also more confident of growth than their purely domestic counterparts.

The barometer tells us what businesses need to thrive internationally, too. They need access to new buyers; access to new and trusted suppliers; support understanding regulatory hurdles, which differ market to market; access to the cheapest and most sustainable logistics rates; and support on payments and financing trade. They also need help with finding new skilled staff and upskilling existing employees.

Last year we built a digital trade platform that aims to address these issues – Santander Navigator. The platform brings together Santander's expertise, our knowledge and our global network to allow UK businesses to identify international markets, understand the opportunities for growth, and overcome barriers. It is personalised to a company's specific needs, providing end-to-end support across the entire international journey, covering the vast majority of UK trade corridors with all major partners.

The platform is designed to help these crucial SMEs grow internationally, in the most cost-effective way but also to assist them in saving what is probably their most precious commodity as business owners – time. To do that, we can help customers identify which markets have the demand for their specific product or service and aid them in accessing that market.

In India, the increase in the number of whisky consumers each year is equal to the entire population of Australia. So, in February this year, we organised a unique opportunity for UK alcohol manufacturers to connect with both consumers and distributors in India. We took 14 businesses to Mumbai, New Delhi and Gurugram, where we organised a programme of activities to bring together UK spirit producers and discerning Indian buyers. Businesses got invaluable feedback and insights directly from the Indian market, as well as support in understanding the regulatory framework and what they should consider.

For the businesses involved, the programme has forged connections with India's leading importers, retail trade, and influencers – opening doors to new opportunities. In fact, we expect the first contracts resulting from this trip to be signed imminently.

Europe continues to represent an opportunity for growth for specific UK sectors. For example, the e-commerce market in Poland is expecting to see double-digit annual growth for the next five years, as Polish consumers continue to move towards digital channels for their everyday needs.

That said, there are hurdles, and this is where we draw on our global support network. We recently supported UK companies by facilitating introductions to Poland's largest e-commerce platform. As part of the programme, we provided a range of tailored solutions to support each company with their trade compliance requirements and logistics needs, including an introduction to the UK's leading barcode provider and help

Santander is providing the tools and finance to help SME exporters to market

SHUTTERSTOCK / DARIUSZ JARZABEK

with understanding the complexities of labelling requirements.

However, we haven't forgotten that Santander is first and foremost a bank, and financing is core to how we support growth, especially via our market-leading growth capital proposition and our full suite of banking solutions. We're working innovatively to drive growth, but government can also do more to support internationally growing companies.

There are three areas that we think government should focus on. Firstly, it needs to negotiate with foreign governments to help overcome the biggest obstacle for SMEs that want to trade internationally – bureaucracy. Yes, this should include new trade deals, but it should also work to reduce the barriers that are currently in place when trading with our biggest economic partner, the EU. Secondly, the government should continue to build on the excellent work done by UK Export Finance to come together with banks to finance new exporters and trade with countries with a complicated risk profile, as has been done through the Global Environment Facility Small Grants Programme. Finally, it should continue its work on legislating for electronic transferable records to free up the 4 billion paper documents that are currently underpinning the international trade system, creating inefficiencies for SMEs looking to grow internationally.

So, although we're going through a challenging time as a country, at Santander we're working hard to ensure that our sector stays strong through innovation, leveraging our extensive global network to create leading products such as the Santander Navigator. The key to recovery is economic growth and, by working together, government and banks can deliver sustainable growth across the UK and build a resilient economy. ●

John Carroll is head of international and transactional banking at Santander UK

Innovation

"More like Shoreditch, less like Whitehall"

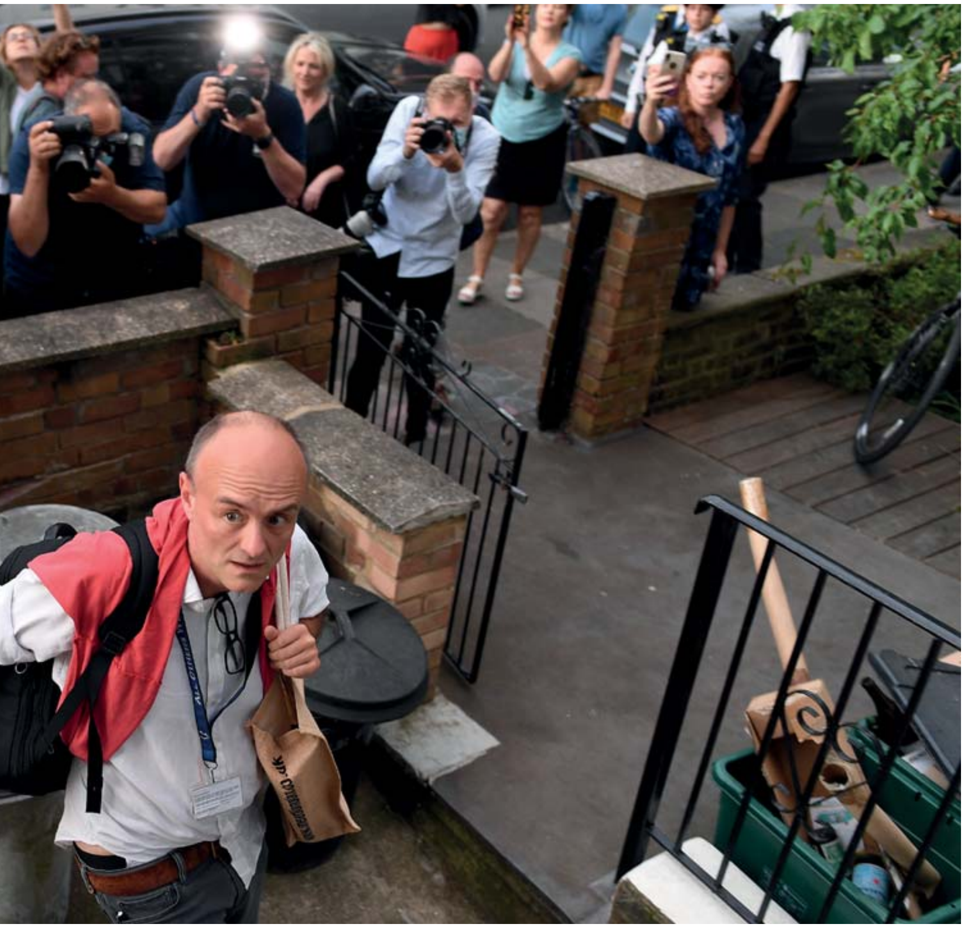
Is Aria, the UK's new R&D agency, the answer to low growth?

By Jonny Ball

In 2014, a special guest made a speech to researchers at the centre-left think tank, the Institute for Public Policy Research. It "doesn't matter", the guest speaker said, "whoever wins the election." Neither Ed Miliband nor David Cameron "can build a serious team", he told the crowd of policy wonks. "They don't know how to get things done... and they don't understand why Whitehall doesn't work."

This was Dominic Cummings, the man who would later go on to lead the successful Vote Leave campaign, before joining Downing Street as Boris Johnson's chief of staff. The so-called Hollow Men speech is available in full on YouTube, borrowing its name from a TS Eliot poem and referencing the apparent ineptitude of the British political classes.

Mat Lawrence, now director of the left-wing Common Wealth think tank, was in the audience. "Everyone in the room was like 'woah'," he told *Spotlight*. Extolling the virtues of "high-performance management", decentralisation, and the delivery benefits of working with small, focused teams of versatile, able people,



The Advanced Research and Invention Agency (Aria) is the brainchild of Dominic Cummings

PETER SUMMERS / GETTY IMAGES

Cummings forcefully made the case that "our mission should be to be the number-one higher education and science country in the world after America", Lawrence recalled, and that "government should throw loads of money at that".

Five years and one referendum later, the establishment of the Advanced Research and Invention Agency, or Aria, was central to Cummings's rationale for joining No 10.

"His vision was always about using the state and Brexit to accelerate the UK's role as a tech leader," said Lawrence.

The UK government's reputation for delivery leaves much to be desired. State capacity, even before our decade of fiscal retrenchment, is weak. The centre lacks agility. It's over-centralised and unwieldy, as Cummings diagnosed. Inefficiency and lack of dexterity are almost built-in to our labyrinthine civil service, with our short-termist Treasury sitting atop complex constitutional and legal structures. This set-up leaves us far behind our competitors in providing the successful, modern public services and world-class infrastructure necessary for boosting productivity.

And recent British government history is littered with defunct, expensive, wasteful projects. Take the NHS Programme for IT (NPfIT), launched in 2002 to digitise patient records across the health service into one centrally stored system. This was meant to radically increase efficiency, as well as kickstarting a huge growth industry in life-science research that would make new discoveries and medical innovations using the vast volumes of metadata available. Ten years and £10bn later, the project was abandoned.

Or take the announcement of a new high-speed rail route, HS2, in 2010. This project would boost urban economies across the north, helping them benefit from economies of agglomeration, stimulating a construction boom, as well as increasing essential freight and passenger capacity on Britain's rail network. Thirteen years and tens of billions of pounds later, the future of that railway looks in doubt. The estimated £100bn price tag leaves the UK with the most expensive per-kilometre railway line in the world.

These are just two national examples of expensive, slow major public projects. To this list we could have added the long-running furore over Heathrow's third runway (Paris's Charles de Gaulle and New York's JFK airports both have four). We could cite the botched roll-out of Universal Credit, the failure to tackle NHS waiting lists, and the lack of capital upgrades in schools and hospitals.

What's more, on top of weak state capacity, the UK's growth model has been faltering for more than a decade. Living standards and real wages have remained stagnant since the 2008 financial crash. The economy is over-reliant on diminishing tax receipts from the financial services sector. Rather than being a centre of technological breakthroughs or advanced, high-value manufacturing, much of Britain's growth of the past decade has been based on unproductive asset-price inflation and a state-backed property boom in the south-east, itself built on cheap credit and quantitative easing.

Modelled on the US's Defense Advanced Research Projects Agency (Darpa), an organisation credited with contributing to major technological breakthroughs, including GPS and the internet, Aria would be funded to the tune of £800m and tasked with investing in "high-risk, high-reward" research and development projects.

Crucially, the government agency would be held at arm's length, away from the slow bureaucracy and checks and balances of Whitehall. Rather than being subject to normal departmental processes, decisions would be taken by a small, independent team of experts from scientific backgrounds.

When Aria was announced in 2021, Kwasi Kwarteng, then the business secretary, said it would succeed "by stripping back unnecessary red tape" and "putting power in the hands of our innovators". Speed and flexibility were the watchwords: "It will experiment with funding models including programme grants, seed grants and prize incentives, and will have the capability to start and stop projects according to their success, redirecting funding where ▸

An entry at the Defense Advanced Research Projects Agency robotics fair in the US

◂ necessary," a government press release stated. "It will have a much higher tolerance for failure than is normal, recognising that in research the freedom to fail is often also the freedom to succeed."

But not everyone was fully convinced by the hubris. "The jury's still out," Meg Hillier told *Spotlight*. Hillier is a Labour MP and the long-time chair of the Public Accounts Committee (PAC). The PAC is the so-called queen of the select committees, according to the life peer Peter Hennessy, which, he said, "by its very existence exerts a cleansing effect on all government departments". But as a seasoned scrutineer of government failure and badly spent public funds, Hillier recognises all too well the problems Aria will try to solve.

"In Whitehall, we have to go through proper processes," she said. "It's very slow… you've got to sometimes try to be a bit more Shoreditch, a bit less Whitehall."

Aria has now been officially launched. Earlier this month, it announced its programme directors. Scanning through the biographies and head shots on the official website, it is indeed very Shoreditch: waxed moustaches; tech-bro hoodies; loose, open-collared casual shirts; black-rimmed glasses. Aria's people have very different backgrounds to those who normally sit at the top of government, many of whom have arrived straight through the Oxbridge-PPE pipeline. There is a co-inventor of a "top-40 cryptocurrency" called Filecoin. There are experts in medical therapeutics and brain monitoring. There is a top researcher in green hydrogen technology, and the CEO, Ilan Gur, founded an organisation helping scientists bring their research to market (Aria turned down a request for an interview).

More recognisable faces are also involved. The former chief scientific officer, Patrick Vallance, of Covid press conference fame, sits on the board. Kate Bingham, head of the Vaccine Taskforce is also listed as a non-executive director. (Cummings views the taskforce as a major post-Brexit success story, partly because the small team was exempt from the strictures and purview of Matt Hancock's Department of Health and Social Care, and thus unencumbered by its supposedly snails-pace processes and culture of risk-aversion).

With the organisation still in its infancy, the hope is that it will become central to the development of world-changing inventions that spur growth across many industries. Some of its investments will, almost by definition, fail.

"This is about taking bets and backing world class but risky initiatives that potentially the market will not solve, or will solve badly," Lawrence said. "It's riskier research that traditionally capital markets don't like if they're seeking immediate returns." A self-described eco-socialist, it may come as a surprise that a left-wing think-tanker like Lawrence finds common cause with Cummings on this kind of initiative. The latter's reputation for enabling Johnson's premiership and the part he played in Brexit would make him *persona non grata* among some on the progressive left. But his madcap reputation is simplistic, said Lawrence, and Cummings is no traditional Tory.

"Aria is about putting the thumb on the scale of public intervention behind big, bold ideas," he told me, "like a state-owned venture capital fund." He linked it to the renowned economist Mariana Mazzucato's ideas on mission-driven government and the "entrepreneurial state".

The left might also find common cause with the aversion to the Treasury's fiscal rules and ingrained orthodoxy, which acts as a barrier to public investment, has restrained capital spending even as the public realm physically deteriorates, and often enforces de facto austerity on governments of all stripes.

"I insisted on Aria… being excluded from normal Whitehall procurement rules, 'value for money' rules and so on," Cummings writes on his blog, "they are absolutely hostile to high-speed-high-performance execution." The short-termism and false economies that have been derided by critics as hallmarks of "Treasury brain", "destroy many sensible investments", he says, "that costs so much money and destroys value."

As the chair of the Public Accounts Committee, Hillier may balk at this philosophy. Aria "presents a challenge from a value-for-money perspective", she told *Spotlight*. "While the agency was set up with maximum autonomy for the experts in charge of it, it does remain accountable to parliament for its stewardship of taxpayers' money."

On its website, Aria's programme directors are touted as "questioning the status quo" to turn the "impossible [in]to inevitable" with a list of "visions" framed as questions: "Can we create edible vaccines made by plants?"; "Can we develop the capability to control the weather and climate on a regional and global basis, to mitigate or obviate hurricanes, droughts, floods and heatwaves?" It's heady, moonshot stuff.

"You've got to give it a bit of time," said Hillier. If Aria is an answer to the UK's economic malaise, let's hope its failures pay off. ●

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The View from Industry

Shevaun Haviland
Director General, British Chambers of Commerce

"I'm often asked what we want from politicians – and it's simple"

British firms need action, certainty, and clarity. Over the last few years companies have had to deal with unprecedented challenges, from a global pandemic to Ukraine. Right now, interest rates are continuing to rise, inflation remains high, and the labour market is incredibly tight.

Against that backdrop, we're heading into the long run-up to an election. I'm often asked what we want from politicians. And it's simple – partnership that helps businesses and the economy grow.

The British Chamber of Commerce (BCC) works closely with all parties every day, at a national and local level. We sit at the heart of a network of 53 accredited chambers of commerce across the UK, representing thousands of businesses in all sectors.

Our key principles for engagement with politicians were recently outlined in our document *The Power of British Business*. It's a framework for the future, and it will be at the heart of our conversations during party conference season. The framework has three key principles – a properly functioning public realm, targeted intervention, and a clear strategic direction.

The public realm needs to function properly for business and the government to work together to deliver services and drive prosperity. Good schools, hospitals and transport infrastructure help the businesses we represent. Just take the unfolding concrete situation at schools as an example: we need kids in school so parents can work, while their youngsters are prepared for the world.

At the same time, political intervention needs to be targeted to have the biggest impact. New regulations and public investment should not crowd out private investment.

Businesses need certainty, particularly in these challenging times. Politicians should send clear, long-term signals to firms. That gives companies confidence to invest and plan ahead.

That's the overall vision we want from politicians. But what about policies? We have four key asks ahead of the party conferences, which will help us on the road to greater economic growth: action on planning, the apprenticeship levy, UK-EU cooperation, and the national grid.

First, we need a better, simpler and faster planning system. Thriving communities require good business and employment, but firms are being squeezed out by a system that doesn't work.

Second, as we all look to improve skills and training, the apprenticeship levy needs to be more flexible. Employers want to train more people, but they need the right funding from government. Amending the rigid structure of the apprenticeship levy would enable employers to upskill their own workers and boost productivity. We are clear – investing in people is crucial to a more prosperous economy and a workforce ready for tomorrow.

Third, as business adjusts to a post-Brexit landscape, politicians should be encouraging strong UK-EU cooperation to increase bilateral investment. Whether on trade, security, equality or the environment, the UK can achieve more through working with European counterparts, and there is great potential to strengthen our collaboration on regulatory and common policy challenges.

Fourth, politicians need to make sure there is sufficient network capacity and flexibility to deliver energy needs fit for net zero. Innovative companies that want to lead the way in using green technology are, in some cases, being told to wait up to 15 years for grid access. Businesses are also being prevented from capturing a global market share in new green industries worth an estimated £1trn by 2030 – which would create tens of thousands of new jobs. But there's no clear green energy plan.

So as the clock ticks down to the general election, it's vital that the voice of business is heard as manifestos are drawn up. Our new BCC Business Council is bringing together some of the UK's leading firms to help us shape policy that can benefit companies whatever their size, and wherever they are based. When politicians and business work together in partnership we can achieve the economic success everybody wants. ●

MARTA SIGNORI

Comment

HS2 should go ahead in full, but it's no panacea

Rail capacity alone is not the key to sustained and equitable growth

By David Pendlebury

Speaking in 2013, during a flashpoint in the seemingly unending debate about HS2, Michael Heseltine made a provocative intervention which touched a nerve. In response to complex Treasury calculations that attempted to put a positive number on the benefits of the scheme, he pleaded that it was time for us to "leave the ladies and gentlemen of the slide rules" because "they know no more and no less than you and me".

Heseltine's point was that HS2 is a political decision and that its ultimate benefits are an article of faith, but that the cost of inaction is clearly greater than the cost of action.

Nothing much has changed in the debate, as senior Labour politicians seemed to offer contrasting views in recent weeks as to the level of tolerance within the party for the costs of the scheme. Meanwhile, the arcane calculus that goes into valuing the economic benefits of big infrastructure schemes continues to be treated with justified bemusement by the public. Journey-time savings and capacity improvements are intuitive. But turning the convenience of getting a seat, and minutes and seconds saved on a journey into pounds and pence seems much more spurious – because it is.

So-called agglomeration economics – the idea that if we simply cluster people and business together around transport nodes, good things happen – is enticing but limited. A utopian vision of mini-Manhattans popping up across the West Coast mainline is an evocative sell, building on the King's Cross redevelopment model in London.

Yet the benefits of such schemes don't always trickle down.

Canary Wharf, touted in last year's Budget by the Chancellor, Jeremy Hunt, as a success story of regeneration, probably did ensure that many high-paying jobs and services stayed in the UK. However, just a stone's throw away are some of the most-deprived neighbourhoods in the country. Despite the DLR, Jubilee Line extension and Crossrail arriving at Canary Wharf, major deprivation remains a stubborn feature in much of the surrounding landscape of Tower Hamlets, east London.

This is not to tarnish all regeneration schemes. Many clearly provide benefits, but others are often extremely limited in geographical impact, and without careful and targeted design will do little to

The HS2 site in Ruislip, north-west London, last year

DAN KITWOOD / GETTY IMAGES

improve economic inclusion or alleviate the complex challenges facing our most deprived communities.

Labour absolutely should be asking who stands to benefit from HS2 given its price tag. Will it be landowners around stations and in city centres? Hugely. Major firms looking for deeper labour markets? Definitely. Economic growth and employment? Probably.

But instead of pulling back, the question Labour needs to urgently answer is how we ensure that benefits from the scheme reach those who need it most. And that means having a genuine, costed plan for levelling up and reducing spatial inequality in the UK. A plan that relies solely on the delivery of one or more major infrastructure projects is no plan at all.

HS2 should go ahead, in full, along with a complete version of Northern Powerhouse Rail, but not because of the outcome of any convoluted calculus or fiscal rule. It should be delivered because it should be part of a plan and vision to come up with and implement solutions to one of the most pressing issues of our time, regional spatial inequality. But it also needs to be recognised that it is only the first step of a plan that is, in reality, yet to be drawn up.

Those of us campaigning for a better-functioning and more equitable economy, must therefore be ready to scrutinise our politicians, regardless of the party that's in power when HS2 or any other major infrastructure project is being discussed, designed, or delayed.

HS2 alone will not solve the major place-based problems in the UK. Last year, as with most years, Treasury data showed that transport spending per head in London was more than twice that in the north-west, and closer to triple that in the north-east and Yorkshire and the Humber. The second-highest region for spending was the south-east.

The project won't close the gaping regional chasm that has emerged in GCSE grades this summer, or close the gap in per capita gross disposable household income, which sees the average household in Blackburn with less than half the spending power of the average household in the top 20 performing local authorities, all in London and the south-east.

HS2 won't solve the quite shocking fact that life expectancy for a male born in Blackpool is 16 years less than in it is in the Berkshire town of Wokingham.

Just as with the latest value engineering discussions for HS2 itself, we can't afford to let our plans for levelling up grind to a halt at Old Oak Common, Crewe or Manchester. The country needs a comprehensive plan of place-based investments in the areas that need it.

This large undertaking cannot be left to an article of faith, nor to arcane formulas in a spreadsheet.

David Pendlebury is head of local economic change at the New Economics Foundation

The Policy Ask

Kriti Sharma: "It pains me to see the rhetoric around AI being skewed towards risks"

The founder of the social enterprise, AI for Good, on technology's capacity to solve humanitarian and social problems, building robots as a child, and getting innovation right

How do you start your working day?
I like to be inspired by people using technology to solve social problems. On my commute (I am fortunate enough to walk to work!) I like to listen to an uplifting podcast about young innovators or read a story about people using technology in a positive way. It's particularly important given that news around technology tends to focus on the risks, rather than the benefits.

What has been your career high?
Helping underserved communities by using my skills in technology. As chief product officer for legal technology at Thomson Reuters, this means leveraging technology to support legal systems that promote a fair and just society. In parallel, in founding AI for Good, it means leveraging AI to tackle some of the biggest global issues – for example, we have supported over a million consultations on people at risk of domestic violence or in need of trusted health information.

What has been the most challenging moment of your career?
Right now. I see tremendous potential in using AI for social good. But it pains me to see the rhetoric around AI being skewed towards existential risks and fear-mongering. We have to get this right, focus on the real challenges we face today and move with a sense of urgency. I believe we can apply this technology in a way that doesn't create further inequality.

If you could give your younger self career advice, what would it be?
I grew up in Rajasthan building my own computers and robots, and was always curious about using my tech skills to address social needs. I then went on to study computer science and engineering. I would remember to be curious about other disciplines and collaborate with experts from all fields – linguistics, policymakers, law, art, design. I'd also tell my younger self to keep building those machines!

What policy or fund is the UK getting right?
The UK is well placed in encouraging higher-risk, longer-term bets in innovation, and Innovate UK is an example of getting things right. It takes a holistic approach to innovation, linking academia with businesses of all sizes, civil society and other partners throughout the innovation life cycle. I am excited to see how the £31m Responsible AI fund will shape the development of AI to benefit people, communities and society.

And what policy should the UK government scrap?
I'd like to see more emphasis on AI skills training to ensure it can be properly accessed and utilised. For example, generative AI will not replace highly-trained lawyers, but a lawyer using generative AI will replace one who isn't using the technology in the very near future. We need to move past teaching everyone to code to teaching young people how to thrive with human skills and augment these with AI.

What international government policy could the UK learn from?
The European Parliament's landmark EU AI Act. This risk-based approach to regulation takes concrete steps to manage AI's impact on society, while exploring the benefits of the technology in a transparent and responsible way, and taking a tough stance on high-risk applications to prevent harm. There is now a powerful global opportunity for other regulators to follow suit, in partnership with industry.

If you could pass one law this year, what would it be?
I would love to see action to help instil public trust in AI. Otherwise, we aren't truly able to drive the adoption to harness its true potential. A law or regulation which helps consumers understand the sources of information upon which an AI is making a recommendation, or which makes it clear when they are communicating with a machine or a human.

MARTA SIGNORI

Competition

Why we're launching a £5k prize for progress

Britain is stuck. How do we get the country moving again?

The image of the Education Secretary Gillian Keegan trapped in Spain as schools were crumbling and air traffic control failures blocked her flight home is one that will endure. Stuck at the airport. Stuck at home with no school to attend safely. Stuck watching the same mistakes play out again and again. Britain is stuck.

Every month, as delays and backlogs stack up, the temptation to give in to a declinist narrative gets stronger. Sewage flows almost freely into our rivers. Our most productive regions and those with the greatest potential are held back by restrictive planning rules and bureaucratic government. Frontier, public-interest technologies are blocked from realising their impact by under-resourced regulators. From infrastructure projects and passport offices, to hospital waiting lists and clinical trials, little seems safe from an increasingly sclerotic state. We are ensnared in a web of our own making, with seemingly little real interest in solving these problems.

But this is a dangerous place for a country to be, psychologically. It is all too easy for concern about decline to morph into self-fulfilling prophecy, to reach for knee-jerk responses to profound problems. In the process, we fail to acknowledge progress when it does happen: when passport timelines return to days not weeks, when new transport lines open, or when renewable energy allows us to shut down every last coal power station. And while demand for lab space is high, this is more a sign of potential than stagnation.

Whatever malaise Britain finds itself in, we must not let a declinist narrative snuff out any space for optimism, ambition and agency. As marginal losses accumulate and the pressure for radicalism grows, this can lead to deep political entrenchment which dissuades action. So we need a "whatever it takes" approach to escape the downward spiral, and there are flickers of hope to inspire us.

A new movement around science, technology and economic progress is evolving – particularly in the US – and offers a way forward. It champions abundance, not scarcity; state capacity, not decline; and supply-side action alongside demand-side subsidy. Above all, it is proudly solutionist. It recognises that golden ages don't happen by accident: they are made by political choices.

In the UK, this movement is taking form in the energy of young, emerging, frontier talents who share a frustration at the squandering of Britain's enormous opportunity. When Keir Starmer promises planning reform and to back the builders over the blockers, or when Michael Gove outlines his plans for a beautiful, ambitious expansion to Cambridge, they are tapping into a nascent, energetic coalition that crosses traditional party lines.

But there are still many barriers to these efforts going mainstream. When the Advanced Research and Invention Agency (ARIA) and the Frontier AI Taskforce can entice rising scientists and technologists to work in the public interest, they remind us that the UK can remain at the frontier and secure its stake in the future. But these new institutions can thrive only because they are cleaved from the wider system they interact with.

The next government cannot afford to be complacent. A new hand on the rudder will need to be more than steady; it will need to change our course. Now, ahead of a general election, we need to fill the pipeline of ideas and talent with those who can wield technology and policy in pursuit of progress. This is key for the economy and for society: a Britain out of its rut can be one of greater equality, and also of opportunity.

To that end, we are excited to announce the Progress Prize, organised by TxP in partnership with Civic Future and *New Statesman Spotlight*. The prize exists to identify antidotes to Britain's malaise and provide a platform for emerging and frontier individuals who can go on to make these solutions real.

We want to hear from emerging scientists and students, technologists and technocrats. Anyone with no more than ten years of professional or postgraduate experience is invited to enter before the deadline on 7 January 2024. A prize of £5,000 will be awarded to the best response to the most urgent question there is: "Britain is stuck. How can we get the country moving again?"

To find out more, visit: txp.fyi

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