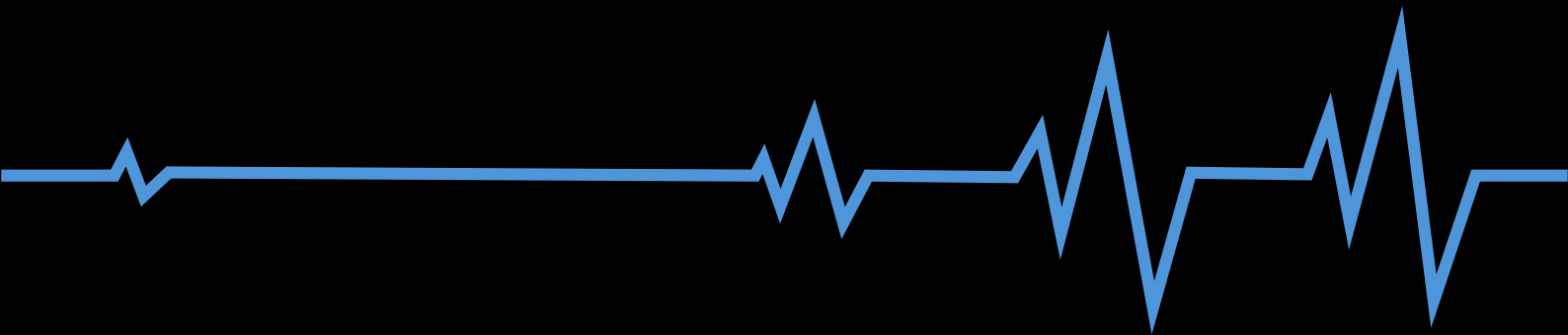


A Blueprint for Economic Renewal



Progressive Economics Working Group

Working Paper 4

September 2026



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Introduction and Summary

In his first speech as Prime Minister, Andy Burnham spoke¹ of his determination to turn around the last 40 years of poor and declining performance in the UK:

“In the 1980s, Britain took some wrong turns. Political power was centralised, economic power privatised, large parts of the country de-industrialised, and they still haven’t recovered. Many feel as though they’re still in decline, and they don’t have the ability to turn things around. And that’s why we will change politics, to make it more collaborative, more about problem solving than point scoring. ...

We will help people to live well, building a more preventative state, investing in people’s success, rather than paying for failure. And that work starts now. I will soon go through that door behind me and issue my first instruction: to end rough sleeping in our country.

... Let’s build a new national sense of unity, of common purpose and positivity. Let us make this the moment when Britain starts to believe again.

The moment we bring back hope.”

And in the book, *Head North*², Andy Burnham and Steve Rotherham set out an ambitious, even radical, plan to deliver real change in Britain.

But the Chancellor, John Healey, recently³ reframed the government’s priorities:

“This will be our approach: fiscal discipline and the drive for growth in every postcode. Devolution to hand power to local leaders. A strong, strategic centre – with No 10 North and the Treasury, changed to enable business, charged to enable economic growth. And public control and leadership over the services, the utilities that are the foundation for private sector success. ... Good growth in every postcode. Hope in every heart. Not a slogan, but a test. One we have set ourselves, a test that – with your help - we will meet.”

While the language around devolution, hope and ‘growth in every postcode’ matches that of the new Prime Minister, the predominant emphasis on traditional ‘fiscal discipline,’ with its undimmed faith in the ability of the private sector to deliver growth unaided, makes it hard to see how Burnham’s ambition to turn around forty years of national decline can be achieved. A ‘continuity’ approach to economic management simply cannot produce the change Britain needs.

Has the Prime Minister’s vision been compromised by a perceived need to appease commentators and the bond markets? Have Burnham and Healey boxed themselves in, like Starmer and Reeves before them? Is renewal still possible? And if so, how?

¹ (Burnham, Andy Burnham's first speech as Prime Minister: 20 July 2026, 2026)

² (Burnham & Rotherham, *Head North*, 2024)

³ (Healey, 2026)

The Blueprint for National Renewal

Our conclusion is that **national renewal is still possible** but will require a significant change in economic approach from that adopted by all recent governments, which, as Andy Burnham described, have failed the country.

We propose a new strategy with changed attitudes and strong capabilities not currently present in government or in our key institutions. It requires **strong leadership and rapid action** to create the requisite conditions for success:

- to **acknowledge** that both the data and the daily evidence of our own eyes point clearly to the conclusion that we are currently *not* on track to deliver national renewal, as measured against voters' key issues – particularly the cost-of-living crisis. Bold action is therefore both justified and required.
- to **reclaim** the responsibility and the power to do so and use that power to produce a **Renewal Budget** with the confidence to address the **root causes** of long-run economic decline. For such a Budget to succeed, we also need ...
- to **rewire** our key economic institutions: the Bank of England, the Treasury and the OBR. *This rewiring is essential to reassert government control over the UK's economic levers, and to prevent progressive measures from triggering damaging inflation and a Liz Truss-like problem in the gilts market.* Our previous Working Paper⁴ sets out in detail the institutional rewiring necessary to make success possible. In this paper, we build on that to **set out a Blueprint for delivery** of national renewal.

The Mandate

It is economically necessary, but is it politically possible? How could the new Prime Minister earn the mandate to drive the required changes?

The beauty of the approach set out in this paper is that the Prime Minister *already has the mandate* for it. The 2024 Labour manifesto promised:

“The government will deliver a milestone of higher living standards in every part of the United Kingdom by the end of the Parliament”

“Labour will get Britain building again ... with 1.5 million new homes over the next parliament”

“Kickstart economic growth to secure the highest sustained growth in the G7”

This **Blueprint for Economic Renewal** sets out the *changes necessary to deliver* what Labour has already promised the electorate.

⁴ (Thomas, et al., 2026)

Renewal means delivering what voters need

At the next election, Labour will need to say that it has successfully begun the difficult process of national renewal. *And it will be voters who decide whether they believe that claim.*

It is clear what voters want. It also clear that the Chancellor has been persuaded that the policy track his predecessor set is working and should not be changed. The data suggest that he is wrong.

The risk for Labour and the country is that there is no change of economic policy, Labour goes into the next election trumpeting achievements which are at best second-order issues for voters, and the country sees no sign of renewal. That will be a failure for voters, and for the Labour party.

The voters' view

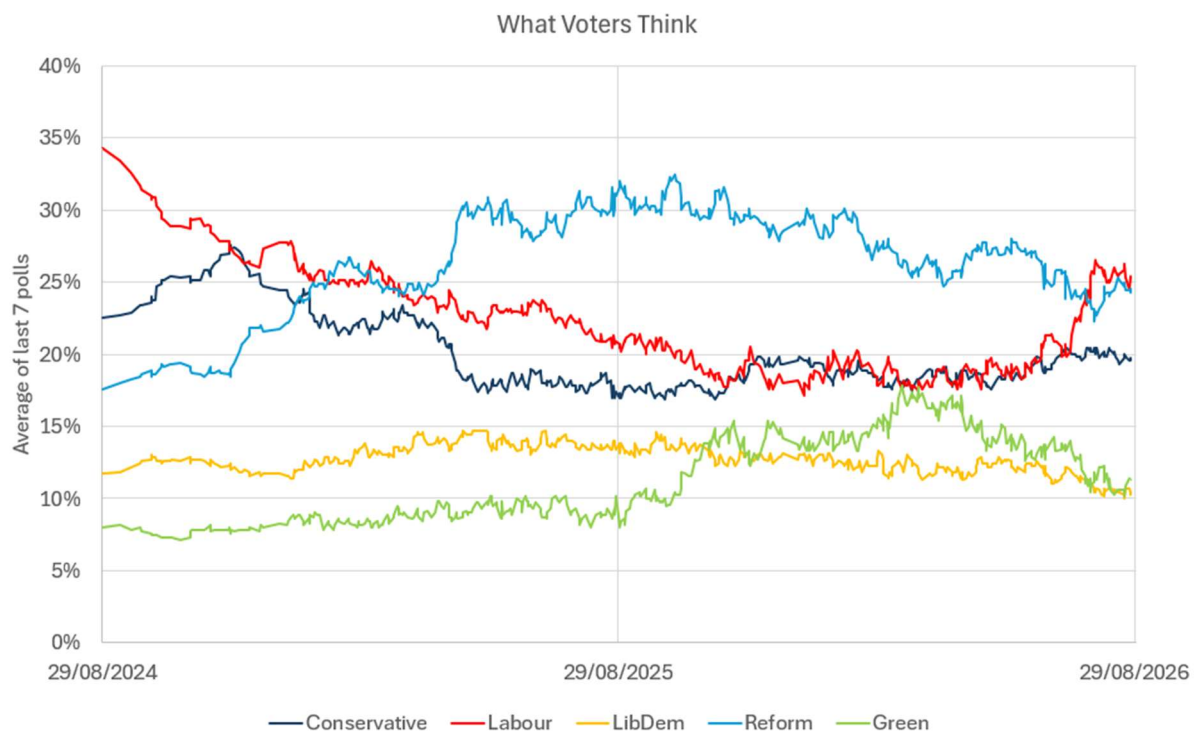
In 2024, the then Prime Minister, Sir Keir Starmer called for a decade of national renewal⁵. He pointed out that our economy is weak, real wages have stagnated, almost one in three children are living in poverty, foodbank usage has exploded, our public services are struggling – and many are at risk of failure. Schools and universities are cutting back and closing entire departments. Our national infrastructure is crumbling. And we are not doing enough to protect the environment. *He was right.*

After coming to power, Labour continued to promise that it would deliver national renewal, even if it is hard and it takes time. But it said, and still says, that any such renewal must be delivered within the constraints of the Chancellor's fiscal rules.

Almost halfway through Labour's term of office, the polls do not suggest that voters perceive that renewal is underway.

⁵ (BBC, 2024)

Figure 1: UK Polling trends



And it is voters' perception, not the government's which matters.

Above all, voters want to see a strong economy⁶ and an end to the cost-of-living crisis. So the minimum that the government should aim to deliver is:

- **An end to the cost-of-living crisis:** a faster growing economy with the benefits of the increased growth shared among the population so that:
 - Median real incomes rise;
 - Poverty and deep poverty both fall;
- **Stronger and more effective public services** – particularly the NHS, which is always a major concern for voters; and
- **Greater energy security** through increased use of renewables and decreased reliance on fossil fuels

Even before the latest threats to the economy from Trump's actions in the Middle East, voters were not seeing any signs of progress.

⁶ (Statista, 2026)

The Chancellors' view

In her Spring Statement⁷, Rachel Reeves, then Chancellor, made it clear that she believed the government was on track to deliver renewal, and that any deviation from her plan or her fiscal rules would imperil that renewal:

“My plan is the right one. I am in no doubt about how great the rewards can be if we stay the course. The forecasts today confirm that the choices this government has made are the right ones:

- *Stability in our public finances*
- *Interest rates and inflation falling*
- *Living standards rising,*
- *More children lifted out of poverty,*
- *More appointments in our NHS,*
- *More investment in our infrastructure,*
- ***A growing economy***
- ***...and more money in the pockets of working people.”***

And in his speech, the new Chancellor⁸ suggested that he largely agrees,

*“On my first day in the Treasury, I said that **fiscal discipline was my first priority** as Chancellor. It underwrites every promise this government makes. The Prime Minister and I are in lockstep in our commitment to meeting the fiscal rules at the upcoming Budget: to balancing the books⁹, with a buffer to protect against uncertainty, to controlling borrowing to bear down on inflation, and to reducing long term pressures on our public finances.”*

If the Chancellors are right, this Working Paper is superfluous: everything is under control. But if they are wrong, as voters believe, the government urgently needs to change track.

So let us look at the evidence.

What the evidence shows

Neither statistical data nor the evidence of our own eyes support the view shared by the Chancellors.

The data show a picture which is hard to reconcile with Reeves's Spring Statement. On economic growth, the picture is dismal; there is no evidence that the cost-of-living crisis is under control; there is no poverty reduction; and deep poverty is on the increase.

⁷ (Reeves, 2026)

⁸ (Healey, 2026)

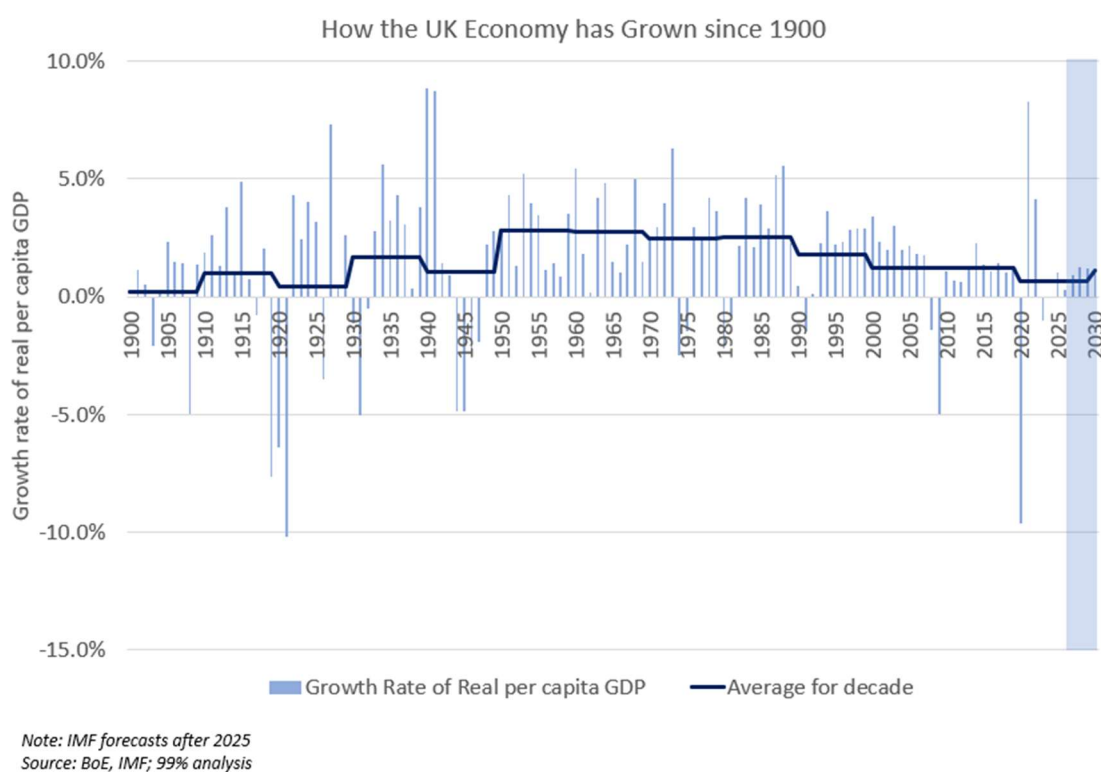
⁹ If he meant this literally, it means that he is prepared to ignore the law of sectoral balances and plunge the private sector into deficit. There is no way this could result in economic renewal

In short, the Spring Statement seems optimistic to the point of complacency in its assessment of the prospects for economic renewal. And the data below pre-date the latest geo-political shock in the Middle East. If anything, the picture they paint is over-optimistic.

Economic growth

Here is long-run economic growth.

Figure 2: Long-term trends in UK Economic Growth



Even during the 1970s, which are often held up as an example of a bad decade economically, we achieved a real per capita growth rate of 2.5% per annum. To claim that renewal is on track, we should *at least* be able to show that we are getting back to that level of growth.

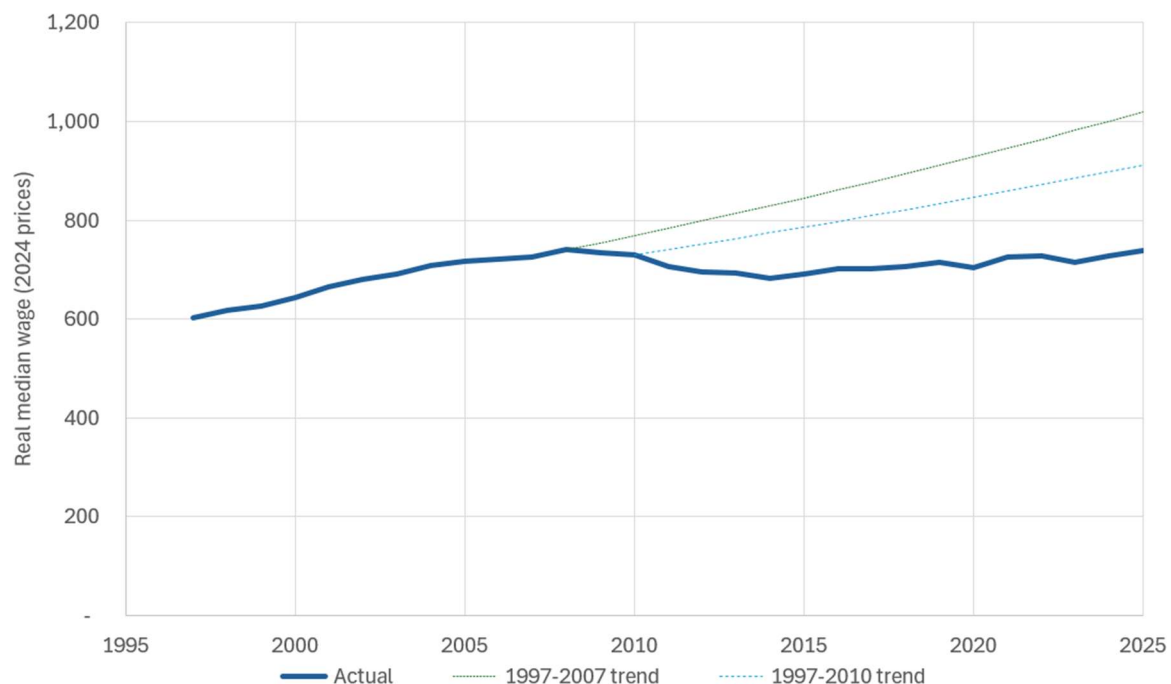
Unfortunately, the International Monetary Fund (IMF) April forecasts¹⁰ suggest that instead *we are heading for the worst decade since the 1920s*.

Real wages and the cost-of living crisis

What voters feel most directly is not GDP, but whether their incomes are enough to meet their expenses. If real (inflation-adjusted) wages are rising, things are getting slightly more affordable – the cost-of-living crisis is easing. And if real wages are falling, the crisis is worsening.

¹⁰ (International Monetary Fund, 2026)

Figure 3: Trends in real wages



Source: ONS, HMRC; 99% Analysis

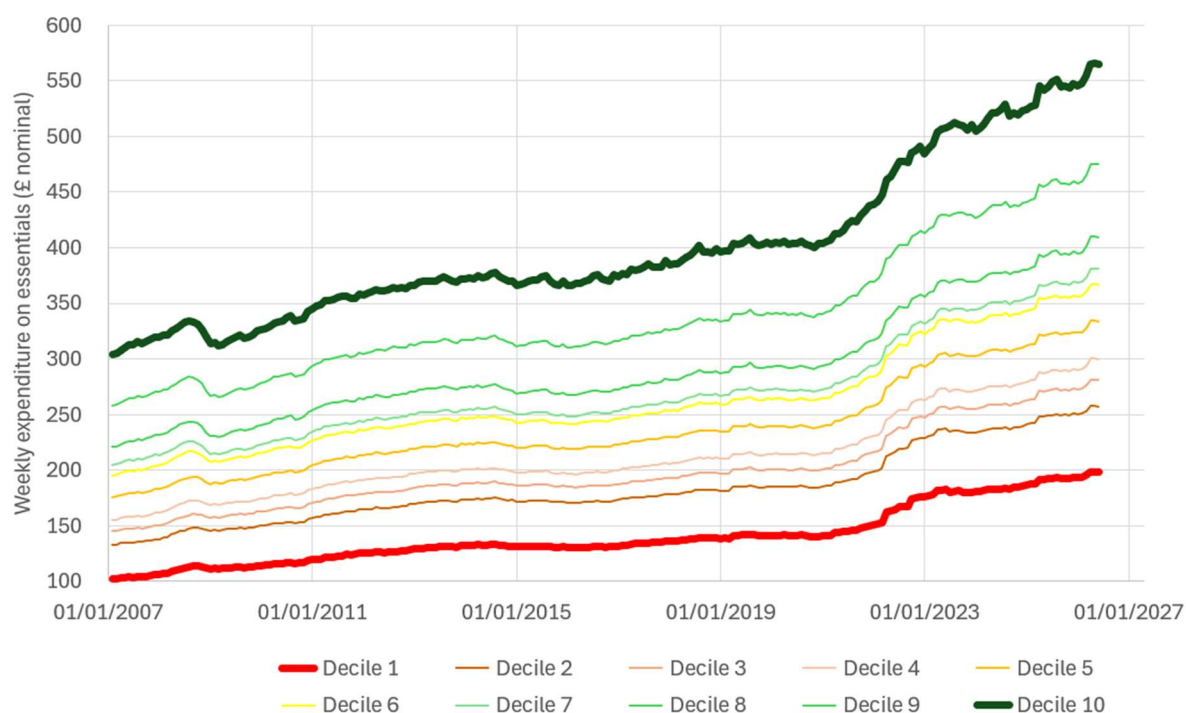
The chart shows real median wages (the wages earned by someone at the 50% point in the wage ranking) adjusted for consumer price inflation (CPI). Median real earnings grew at 1.5% between 1997-2010, despite the Global Financial Crisis (GFC). From 1997-2007, the rate was around 2% per annum. Since 2007, real wage growth has been very close to zero. Even if we cannot get back to the previous trend lines, we should at least be able to show that we are getting back towards the 2% level of real wage growth.

Unfortunately, the OBR¹¹ expects medium-term real wage growth of only 0.5%. Even if that were true, it is unlikely that voters would feel better off.

And that may be understating the problem. CPI is a weighted average of a large number of different prices. When we look at the prices of essentials only, we see that they are rising faster than CPI. So for someone struggling with the cost-of-living, the crisis is intensifying.

¹¹ (Office for Budget Responsibility, 2026)

Figure 4: How the cost of essentials affects the poorest



Source: ONS; 99% analysis

Holding each decile's essentials basket fixed at its 2017/18 composition, the cost of buying essentials for Decile 1 (the poorest tenth of the population) rose 94% by 2026, against 86% for Decile 10 (the richest tenth of the population). The poor see higher inflation because the lower deciles' baskets lean towards food and energy – the essential categories that inflated fastest.

Poverty and deep poverty

And of course, it is those in poverty who feel the cost-of-living crisis most intensely. A recent report by the Joseph Rowntree Foundation¹² sets out the scale of the issue.

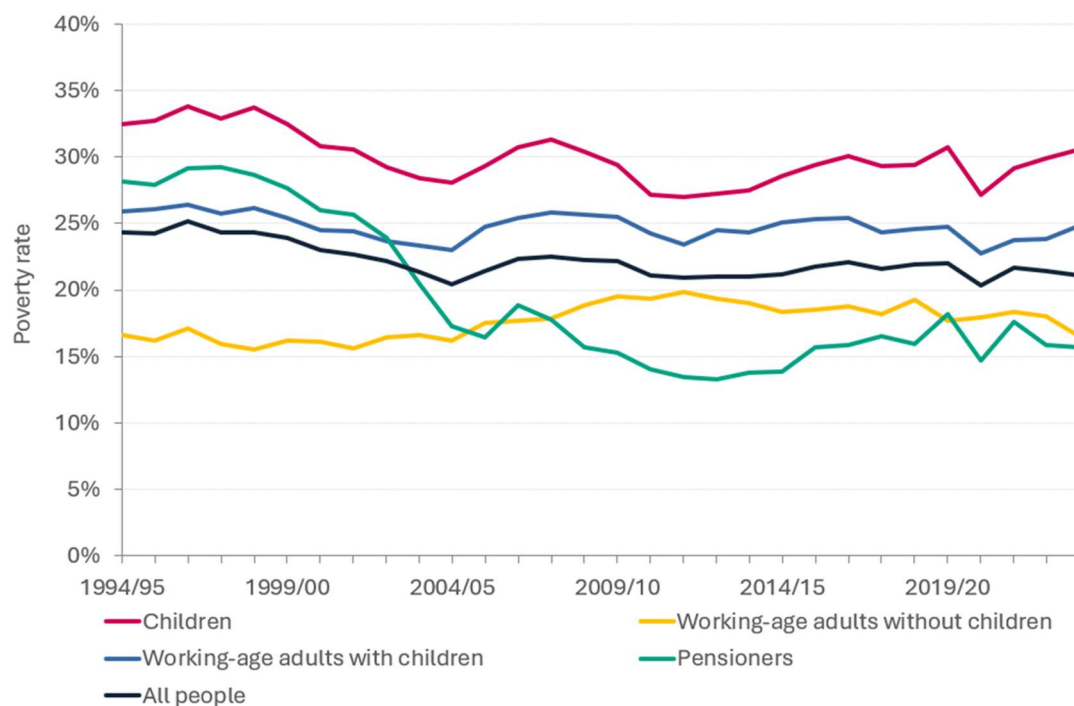
Poverty definitions

A household is in **relative** poverty if its household income¹³ (adjusted for household composition) is below **60%** of the median income. It is in **deep** poverty if its household income (adjusted for household composition) is below **50%** of the median income. And it is in **very deep** poverty if its household income (adjusted for household composition) is below **40%** of the median income.

¹² (Joseph Rowntree Foundation, 2026)

¹³ In these definitions, 'income' refers to income after deduction of housing costs

Figure 5: Poverty rates by type of person

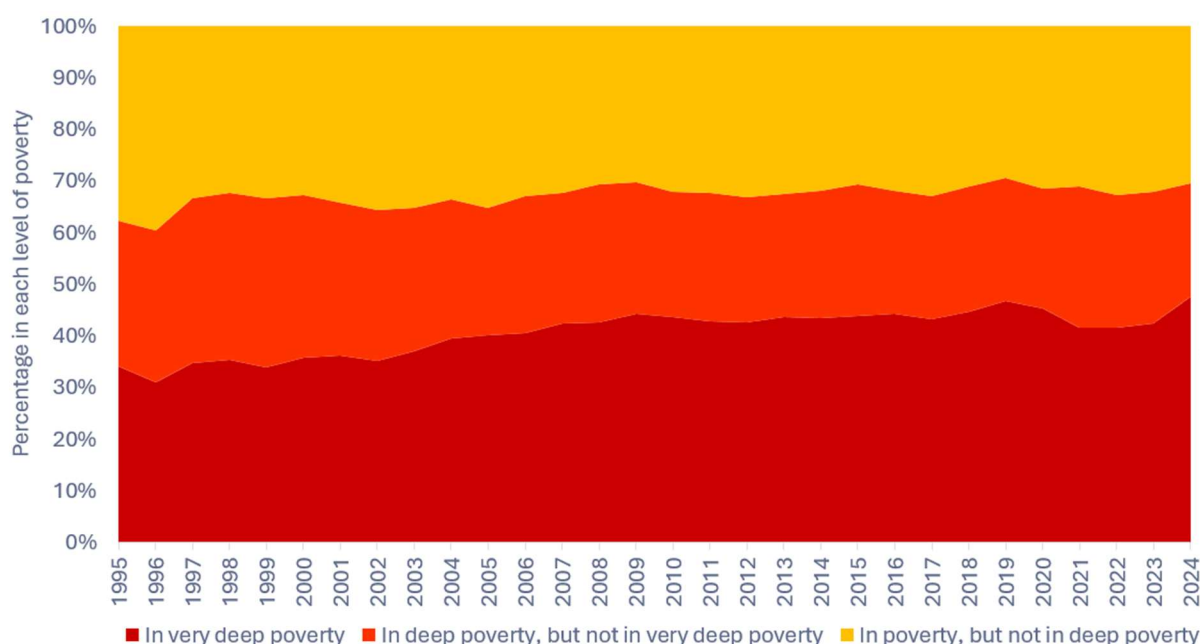


Source: Joseph Rowntree Foundation

Relative poverty declined by 3% under New Labour, despite the Global Financial Crisis. To claim renewal, we should at least be able to show that we are getting back to that level of poverty reduction. Instead, we have **almost one in three children** living in poverty and the proportion has been rising. Since 2010, the policies of successive governments have driven further impoverishment of children and the elderly in particular.

Even more serious is the issue of deep poverty, as shown below.

Figure 6: Depth of poverty in the UK



Source: Joseph Rowntree Foundation

To deliver renewal, we would want to see the proportion of those in poverty (a number which should itself be decreasing) who are in deep or very deep poverty to be in sharp decline. It has instead been steadily rising.

And those statistical data are confirmed by the daily evidence of decline: most high streets are full of boarded-up shops and charity shops; homelessness is increasingly visible, rough sleeping is no longer a rarity and in many places begging has become commonplace. Voters can see that the economy is not working for ordinary people, and they fear for their future and that of their children. We can all see it.

If it does nothing else, the government must tackle the cost-of-living crisis.

A thousand small successes will not make up for failure

This poor performance is not laziness. Members of the government have been working hard to try to keep their manifesto promises. The fact-checking organisation Full Fact has a tracker¹⁴ following the progress on 92 key pledges from Labour's manifesto. Of these, 23 are achieved already, 18 appear on track, 21 are in progress, 8 appear off-track, 6 have clearly not been kept and a further 14 are still to become clear.

That sounds pretty good, and it seems that the government believes that it is on-track overall.

¹⁴ (Full Fact, 2026)

Part of the problem lies in the idea that these are 92 key pledges. Some of them *are* clearly vitally important, for example:

“The government will deliver a milestone of higher living standards in every part of the United Kingdom by the end of the Parliament”

“Labour will get Britain building again ... with 1.5 million new homes over the next parliament”

“Kickstart economic growth to secure the highest sustained growth in the G7”

If those three pledges were delivered, voters would almost certainly feel that renewal had begun.

But others are clearly less vital, for example:

“We will introduce a Football Governance Bill, which will establish an independent regulator to ensure financial sustainability of football clubs in England”

“We will immediately update the National Policy Planning Framework to undo damaging Conservative changes, including restoring mandatory housing targets”

“Labour will end the VAT exemption and business rates relief for private schools”

Unfortunately, *the vitally important pledges are all off-track* while the less vital ones are those which have been delivered.

Having 92 key priorities is functionally equivalent to having none. If something is going wrong with one pledge, the simplest course is to deliver another. This makes it impossible to have a determined focus on the really vital issues. As a result, our government runs a grave risk of being perceived like Biden’s administration: well-meaning, but ineffective¹⁵ on the biggest issues like the cost-of-living crisis.

In short, while the government may be working hard, and even believe that it is on-track, to deliver national renewal, to voters and statisticians, that does not seem plausible.

So what *would* it take to deliver renewal effectively?

¹⁵ (Ferguson, Storm, & Chen, 2026)

Success means taking responsibility

Fundamentally, the government can achieve renewal only if it accepts that it has both the responsibility and the power to deliver it. In 1946, faced with a much greater need for renewal than we face today, Attlee's government took radical action¹⁶ to deliver renewal. Attlee introduced the NHS and the Welfare State, and by doing so, he ushered in the most successful period in our economic history.

Renewal has been achieved before, but it took determined and focussed action.

To end the cost-of-living crisis, there are two key ingredients:

1. Address the **root causes** of low growth in the economy overall; and
2. Ensure that the benefits of renewed growth are **fairly shared** among the population and do not merely accrue to the wealthiest.

Policies which address the root causes of low growth

The most widely available measure of economic activity is Gross Domestic Product¹⁷ (GDP). There are four components of GDP. In descending order of size, they are:

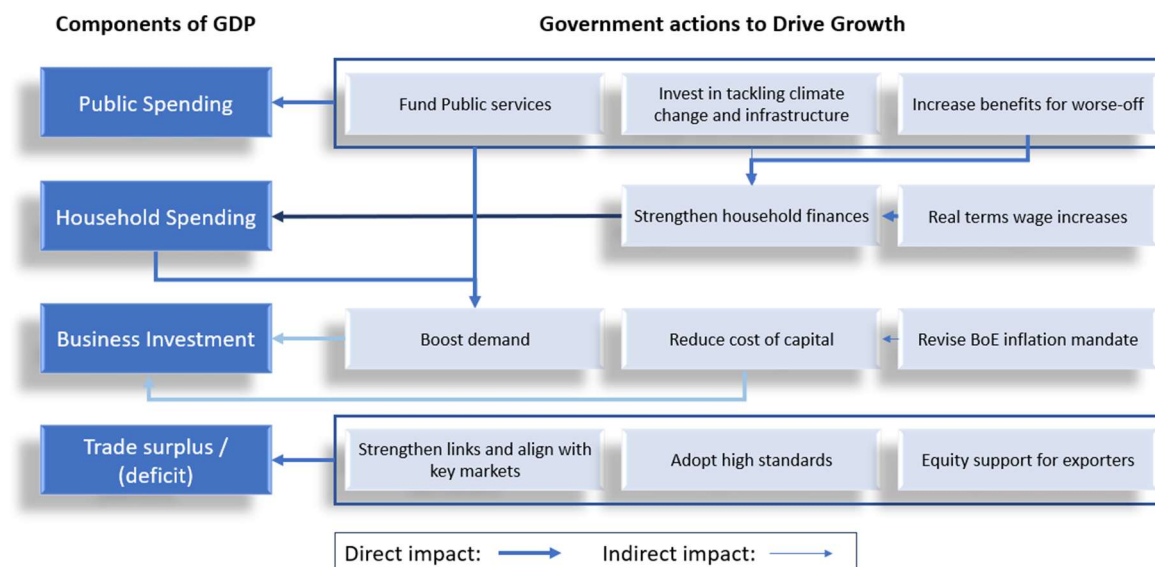
- Household spending by consumers;
- Public spending by the government;
- Business investment; and
- Foreign trade surplus (or if negative, deficit).

The first two are by far the largest components, so if we want to see more economic activity, *we need these two to grow*. This helps us to see what kinds of actions would stimulate growth.

¹⁶ (The 99% Organisation, 2026)

¹⁷ Although this measure is seriously flawed, it is the best currently available measure of economic progress

Figure 7: Stimulating growth in GDP



What *would* stimulate household spending? Stronger household finances – and that requires both greater income and greater certainty of future income. We would need to see higher real wage increases and greater benefits for those in need (which, as we have seen, is a disturbingly high proportion of the population).

Higher public spending is itself a major component of higher GDP, so increased spending on vital public services, on investment in areas vital to the future like climate change and lessening our dependence on fossil fuels would give a double benefit.

And what about business investment? To succeed, governments need to understand what *really* makes businesses grow: demand and returns above the cost of capital.

What Makes Businesses Grow?

Businesses invest in growth when they have reason to believe they will get a **good return on their investment**. If they have significant spare capacity, they do not need to invest to meet demand and of course they do not do so. So the conditions for growth are essentially:

- 1) **demand** will soon outstrip ability to meet it; and
- 2) **profitability** will be high enough to ensure a return on investment above the cost of capital.

Note that these criteria do *not* include corporation tax rates – something that many politicians have been persuaded is a key determinant of growth. Why not? Well, most large businesses use discounted cash-flow techniques to assess whether they will get a return on investment. Since the government has made full expensing permanent, changing corporation tax rates will have no effect on equity-funded businesses' growth decisions: a 1% increase in rates will increase the value of the tax allowances and thereby reduce the effective investment by 1% and also reduce the

value of the return on investment by 1%, with a zero net effect on rate of return. *The same is true for a reduction in tax rates.*

A change in tax rates does not change the rate of return on a *new* investment – if it was a sound investment before the change, it is sound after; and if it was unsound before, it remains unsound after. What a change in tax rates does achieve is to alter the return businesses receive on investments they have *already* made.

A tax cut makes shareholders richer but does not incentivise growth. And conversely, a tax rise will not stop growth in a market with growing demand.

So if demand – which comes largely from consumers and government – is strong and interest rates are low, businesses *will* invest in new capacity and the economy can grow. If not, they will invest only in cost-reduction.

And one thing we know about the economy is that each person's expenditure is someone else's income. *If all the key actors in the economy are cutting their spending, total demand must fall.*

Finally, of course there is foreign trade. As voters recognise¹⁸, Brexit has done significant harm to the UK economy. It is time for our politicians to be bolder in addressing the damage and minimising it as fast as possible. While immediate rejoining may not be possible, the government should review and scrap all counterproductive 'red lines.'

In summary, the government plans to grow the economy without increasing public spending significantly, with no major initiatives to boost household incomes (and some policies which will reduce them in real terms) and a cautious approach to rebuilding our trade relationships with Europe. Despite that, they hope that business investment will rise and drive growth.

That does not seem likely. But, of course, the question that paralyses the government is *where the money could come from to act any differently?*

Where could the money come from?

The government acts as if it has persuaded itself that it must run the country like a household (something which economists know is a fallacy¹⁹). That belief forces it to seek always to borrow less rather than more. It has also persuaded itself that money-creation inevitably leads to inflation (despite the fact that the Bank of England has created £895 billion²⁰ through quantitative easing since 2009 which has not been a cause of our inflationary problems). And it is afraid of taxing the wealthy because it does not want to 'deter investment' and prevent the 'trickle-down effect.'

¹⁸ (The London Economic, 2026)

¹⁹ (Thomas M. E., 2020)

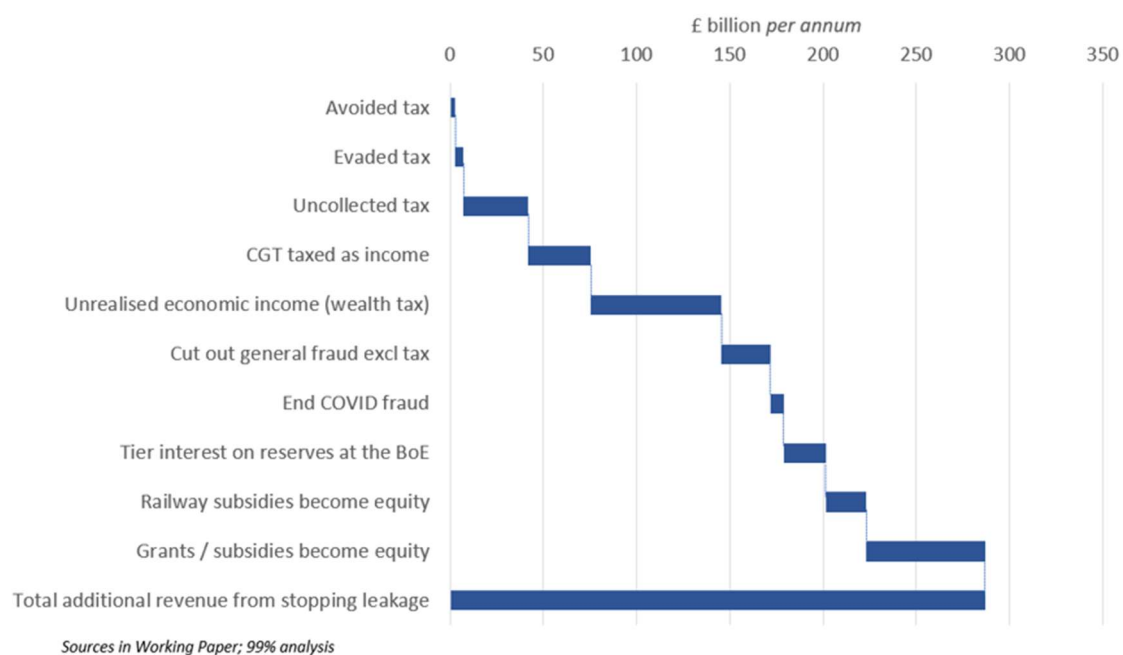
²⁰ (Bank of England, 2024)

These constraints are largely illusory, and with the rewiring²¹ suggested in our last working paper, the government would no longer feel so constrained by them. But even within these constraints, the government could be doing far more.

A huge amount of what should be public money finds itself either not going into public services, being misspent, or simply not being collected in the first place. We call this ‘leakage.’

The amount of leakage is mind-blowing: because HMRC has been under-resourced, avoided tax is estimated at £2.7 billion per annum; evaded tax (that is the illegal one) is estimated at £4.6 billion per annum; and uncollected tax in total at £35 billion²² per annum. In recent years, we have seen COVID fraud at £7 billion²³ per annum; and general fraud, estimated at £52 billion²⁴ per annum. Then there is the option of taxing capital gains at the same rate as earned income, which could generate a further £42 billion²⁵ per annum. A wealth tax is practically difficult to implement but could raise up to £24 billion²⁶ per annum. Public money given to the railways totalled £21.1 billion²⁷ in the financial year ending March 2023. And what about turning some or all of the £50 billion²⁸ per annum of government grants to business into equity purchases and starting to build a sovereign wealth fund?

When you add it all up, you get a picture like this.



²¹ (The 99% Organisation, 2026)

²² (Full Fact, 2016)

²³ (Balla, 2023)

²⁴ (Public Accounts Committee, 2021)

²⁵ (Murphy, The Taxing Wealth Report 2024, 2024)

²⁶ (Advani, Chamberlain, & Summers, 2021)

²⁷ (Department for Transport, 2024)

²⁸ (GOV.UK, 2026)

The total opportunity runs into the hundreds of £ billions. In total, if all the leaks were completely plugged, the benefit to UK citizens in general (though not those who have been on the receiving end of the leakage) would be a truly staggering £250 billion per annum.

Now, of course, identifying these leaks is easier than actually plugging them all. Most of them could *not* be plugged easily or quickly – for example, rebuilding tax enforcement capability in HMRC would take time. And not all of them – eg the conversion of subsidies into equity – would result in more cash being available in the short term. But it is reasonable to suppose that £60 billion per annum of spendable cash could be realised from a combination of these sources.

An additional £60 billion per annum would be enough to produce a Budget for national renewal that began to tackle the nation's problems without increasing taxes on ordinary working people.

How much spending would be needed to deliver tangible renewal?

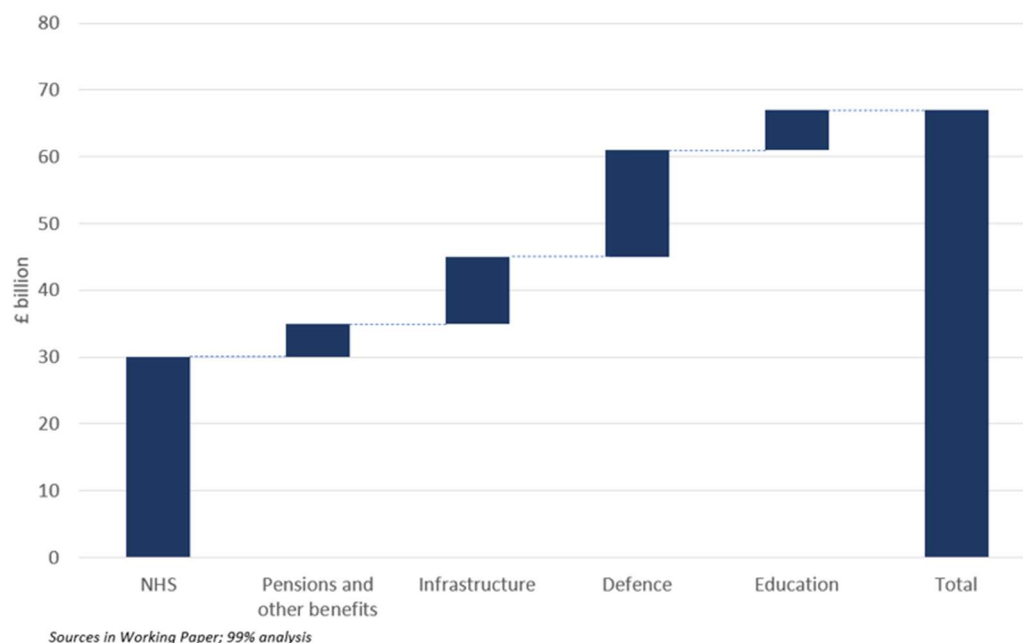
To tackle our problems requires investing in the health of the nation both literally and metaphorically. And we need to spend quite a lot more: of the order of £60-70 billion per annum:

- £30 billion per annum to tackle the failing health of the nation: funding the NHS properly²⁹, investing in prevention and tackling the social causes of ill-health;
- £10 billion³⁰ per annum on infrastructure and green transition;
- £15 billion for Defence;
- £6 billion per annum for schools;
- £5 billion per annum to keep benefits ahead of inflation.

²⁹ (Rocks, Issa, Douglas, & Charlesworth, 2024) (British Medical Association, 2026)

³⁰ (House of Lords Library, 2021)

Figure 8: Additional spending and investment needed



Before reading the section on leakage above, you might have thought that the nation's problems were intractable. You might have believed that, sadly, and in some mysterious way, we have reached the point where we can no longer afford to remain a civilised country with an attractive social contract. The reality is that *the myth of unaffordability is an all-purpose excuse for not doing the right thing.*

But it is not true.

As Keynes³¹ pointed out:

“Assuredly we can afford this and much more. Anything we can actually do, we can afford. Once done, it is there. Nothing can take it from us. We are immeasurably richer than our predecessors. Is it not evident that some sophistry, some fallacy, governs our collective action if we are forced to be so much meaner than they in the embellishments of life?”

The shape of a progressive Budget

With a reasonable effort at leakage prevention, taxes collected could be boosted by £60-70 billion. And this could be spent in areas which would benefit both the health of the population and of the economy.

We currently have around 8% of the working age population unable to work because of ill-health. The cost of that has been estimated at £150 billion per annum.

³¹ (Keynes, 1942)

Figure 9: The interaction between ill-health and the economy



Several of the other areas of investment would also pay back financially.

So there is really little reason not to consider a significantly different approach to the current Budget – even before the institutional barriers described below are addressed.

Figure 10: Shape of a possible alternative Budget

2026-27 (£ billion)	Per Reeves's last Budget	Additional revenue from leakage prevention	Additional Spending	Alternative Budget
Revenue	1,304	60		1,364
Spending	-1,419		- 67	-1,486
Surplus / (Deficit)	-115	60	- 67	-122

That would be far better for the NHS, poorer Britons, infrastructure, Defence and Education. But what about housing? How can the government build enough houses? One approach would be to allow Local Authorities to capture the planning gain on land. In England and Wales, agricultural land is worth only around £8,700³² per acre. Once it has planning permission to build, the value is astronomically higher: often well over 100 times³³ higher. If that gain were to accrue to the Local Authority, it would not need to

³² (Landlister, 2026)

³³ (Bhumi calculator, 2026)

borrow to fund social housing and other house construction. Indeed housebuilding would become a profitable activity in its own right.

Note that it is unlikely that this alternative Budget is optimal – it has not been produced using the rigorous strategic processes described below. And it may not fully exploit the potential for economic stimulus. But it is feasible, and it is better than the last Budget.

Making it happen demands rigour and focus

We set out two essential precursors to success in our first two working papers. They would enable genuinely progressive policy formulation. But they in turn depend on some even more fundamental actions. So we have pulled together a single blueprint for any progressive government which wants to deliver national renewal.

Recap on Working Papers 1, 2 and 3

Our first Working Paper³⁴ looked in detail at the *Fiscal Rules*. It showed that the UK's economic performance has been worse since the introduction of fiscal rules than it was before, that no set of fiscal rules has survived contact with economic reality – we are now on the tenth set of such rules – and that it is unreasonable to expect *any* rules of the current static form to provide reasonable guidance on government spending in a world beset by geopolitical, environmental, and technological shocks. Instead, we set out how dynamic fiscal rules could work, responding flexibly to changes in the real world.

Our subsequent Working Papers³⁵, *Rewiring for Success* and *Ending Treasury-Induced Decline*, went on to show that changing the fiscal rules alone would not be enough. Currently, many of our most important economic institutions are wired in such a way as to strangle any progressive initiative before it has a chance to be successful: without institutional support, any major attempt at renewal might prompt a Liz Truss-like event. And we showed what a successful rewiring would entail. In brief, we recommended six institutional reforms designed to rebuild strategic capacity, embed accountability, and ensure that government can deliver on its ambitions.

1. A Department for National Strategy

Britain lacks a central institution responsible for long-term planning. A Department for National Strategy would provide that missing capability, ensuring that major decisions are guided by national outcomes rather than perceived fiscal constraints. It would coordinate cross-government priorities and align investment with long-term goals.

2. A Strengthened Cabinet Office for Delivery

Strategy without delivery is meaningless. The report calls for a Cabinet Office with the authority and resources to ensure that strategic plans are implemented across departments. Delivery through joined-up policy should be a core function of the centre of government.

3. A Redefined HM Treasury

The Treasury's expertise in fiscal stewardship is essential, but its *de facto* dominance over economic strategy has been counterproductive. The report proposes refocusing

³⁴ (The 99% Organisation, 2025)

³⁵ (The 99% Organisation, 2026), (Thomas, et al., 2026)

the Treasury on fiscal management — developing and enforcing policies for revenue maximisation and leakage control — not determining national strategy.

4. A New Inflation Management Office

Most inflation, including that caused by Putin's invasion of Ukraine, is not caused by UK consumers having too much money. The Bank of England currently has the mandate to control inflation, but it has just one tool to use: raising interest rates – this tool is almost always the most harmful way to address inflation. A new Office of Inflation Control could use a full set of tools, as other countries did when the oil prices rose. This would allow the UK to manage inflation more effectively and without so much damage to the UK economy.

5. An Expanded Office for Budget Responsibility

The OBR currently focuses on narrow debt metrics and acts as a force for promoting austerity. The report argues that it should assess the full range of outcomes that matter to citizens: real wages, growth, public service capacity, long-term sustainability, and the health of national infrastructure as well as meeting the private sector's need for risk-free savings. It must be re-engineered into a force for renewal.

6. A Robust Office of Regulation

Regulation is essential to the functioning of modern economies, yet the UK's regulatory system is ineffective, doing a better job of protecting shareholders in the regulated industries than safeguarding the interests of the UK public. A new Office of Regulation would prevent regulatory capture.

Together, these reforms would shift the UK from a system dominated by fiscal gatekeeping to one grounded in strategic leadership and accountable delivery.

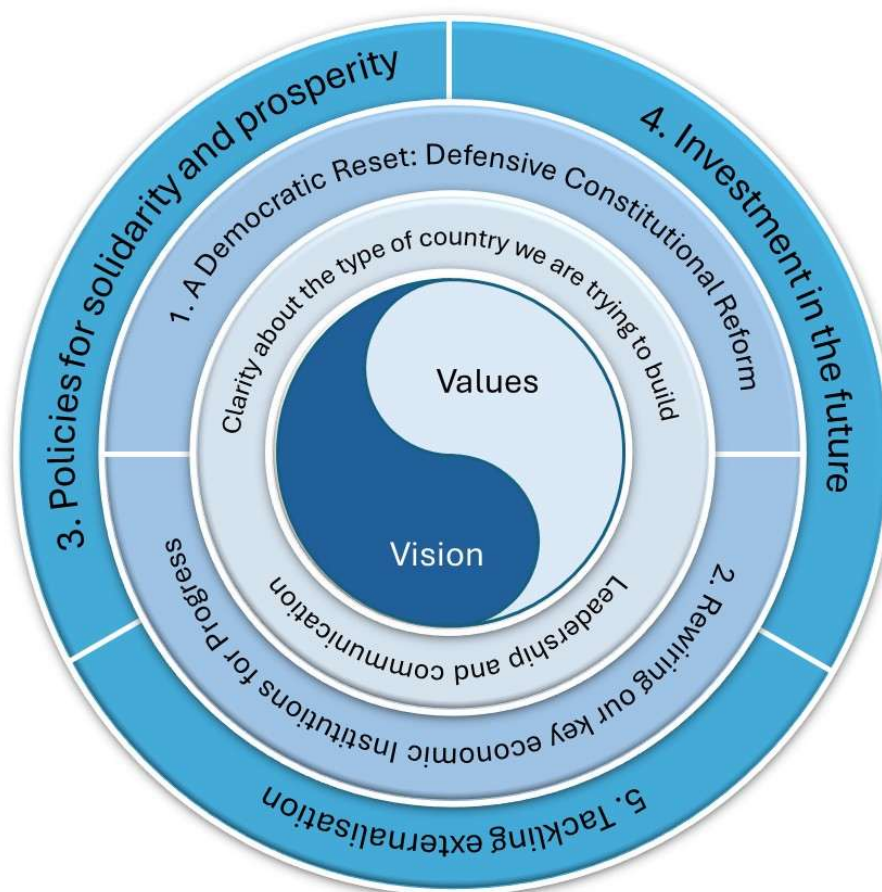
A blueprint for progressive government

A vital step for the government is to *take a hard look at the evidence* – what are the data telling us? What are voters telling us? *Is it wise to ignore all the evidence and continue to listen to those responsible for the last 40 years of failed economic policy?*

The choice is then binary:

1. We stick to our guns and hope somehow to be proven right; or
2. We **redefine our vision** (and a very small number of associated key objectives) **and values** and we follow the blueprint set out below.

Figure 11: A blueprint for National Renewal



As the diagram suggests, with strong vision and values, real clarity about the type of country it is trying to build (and the highest priorities it will focus on), and strong leadership with good communication, the government could set off on the path of progressive policy formulation with reasonable hopes of success.

The path of progressive policy formulation

The book, *99%: Mass Impoverishment and How We Can End It*³⁶, set out five steps the UK should take in order to return to the path of progress:

Step 1: Democratic Reset – Constitutional Reform. Our work on Defensive Constitutional Reform³⁷ sets out what must be done most urgently to protect our democracy and preserve our social contract.

Step 2: Fact-based policy-making. Our work on rewiring³⁸ the UK's Key economic institutions to ensure that their work is fact-based and aligned with delivering progress is now critically important.

³⁶ (Thomas M. E., *99%: Mass Impoverishment and How We Can End It*, 2019)

³⁷ (The 99% Organisation, 2026)

³⁸ (The 99% Organisation, 2026)

Those first two steps are an essential precursor to Step 3.

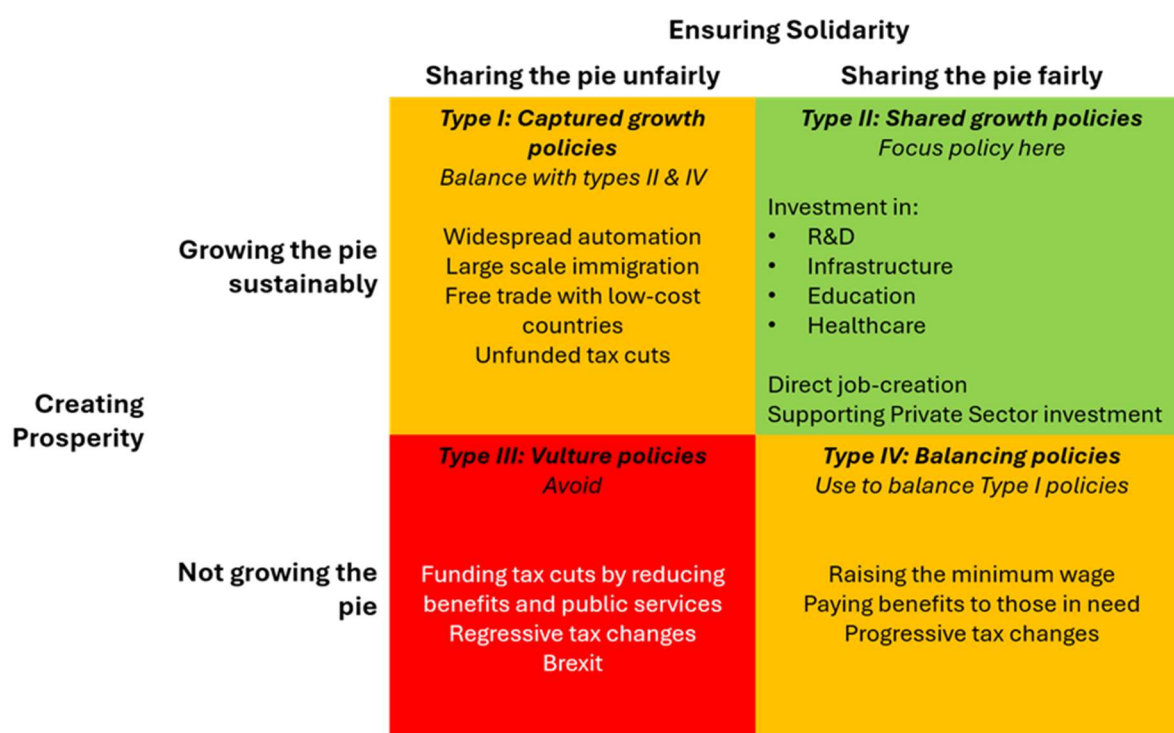
Step 3: Policies for solidarity and prosperity – growing the pie and sharing it fairly. On the solid foundation of constitutional reform and rewiring for fact-based policy, we can expect government to build a policy portfolio that will tackle and reverse mass impoverishment.

Policy formulation is complex, but there are only fundamentally four types of policy. Each policy either grows the pie sustainably or it doesn't; and it either shares the benefits of that growth fairly or it doesn't. That gives us these four types of policy:

- I. Captured growth policies;
- II. Shared growth policies;
- III. Vulture policies; and
- IV. Balancing policies.

The diagram below helps understand both how we got into our current mess, and how we can get out.

Figure 12: The four fundamental types of policy



We got into this mess in the UK because in recent decades, because of our institutional wiring, we have suffered far too many captured growth policies and vulture policies and seen far too few shared growth policies and balancing policies.

The progressive Budget sketched in Section 3 shows the power of substituting balancing policies for vulture policies and beginning to address the need for shared growth policies.

Step 4: Investing in the Future. It is clear, and even generally accepted, that both public and private investment in the UK have been far too low for far too long. This manifests in low economic growth and struggling public services. The underinvestment has been the result of *not* having fact-based policies, especially on government spending. Now is the time to reverse it, as Roosevelt did with his New Deal.

Step 5: Clean-up Capitalism by tackling externalisation. In a growing market, the best way to grow profits is to grow the top line, and businesses can do that. In a stagnant market, it is impossible for most businesses to grow, so instead they focus on reducing their costs. And too often they do that by externalising their costs to the rest of society. When a business externalises its costs, it gets us to pay for its pollution, it gets us to pay for its underpayment of staff, and it gets us to pay for its avoidance of taxes.

And because it externalises its costs, it can outcompete more ethical businesses. Because it externalises its costs, it becomes an engine for mass impoverishment. And because it externalises its costs, it gets rewarded for destroying the environment.

But if it could no longer externalise all these costs, it would cease to have an advantage over more ethical businesses. It would not have grown. It would not have contributed to mass impoverishment or environmental destruction.

In a world without externalisation, ethical businesses would outcompete unethical ones and the profit motive would become a force for good.

Those five steps remain to be taken, and they would put the UK back onto a path of progress.

As Andy Burnham³⁹ summarised the issue in his book:

“The public can see how dysfunctional our political system is and there is a growing appetite for a radical rewiring of it. The longer we delay it, the more we risk losing what remains of public trust in politics.”

That rewiring, if it is to mean anything, *must* include economic rewiring. Now is the time to act. *Another over-cautious Budget dominated by captured growth and vulture policies would leave it too late for tangible renewal to arrive before the next election.*

³⁹ (Burnham & Rotherham, Head North, 2024)

Conclusion

The *Financial Times* reports that officials in the Treasury are crossing their fingers tightly⁴⁰ and hoping for the best but predicting “*a very difficult budget*”⁴¹ in the autumn. When pundits talk of taking ‘difficult decisions,’ it is almost always a euphemism⁴² for decisions which hurt both the mass of the population and the wider economy; they are seldom difficult for our institutions or for the wealthy.

There is clear tension between the Prime Minister’s stated ambition to rebuild the country and Chancellor’s reluctance to abandon the government’s widely-criticised⁴³ fiscal rules. And the risk is that if this reluctance to change sets the national strategy, the government will keep Britain’s economy on the same ‘business as usual’ path toward stagnation, the continued failure of vital public services and a further deepening of mass poverty – the very opposite of what it promises to deliver.

And, if it does that, *it will not even achieve its goal of debt:GDP reduction*. Never in the last 300 years⁴⁴ have we reduced the debt:GDP ratio without robust growth.

As they say in the City, “*hope is not a strategy*.” This is not a time for crossing fingers; it is a time for determination and dynamism.

We hope that this paper has shown that there is *no need* to resort to finger-crossing: there is ample scope for a determined government to break free from the failed policies of the last 40 years and forge an attractive future for ordinary British citizens. We do not have to model our approach on one that has *demonstrably failed*, we can look at one which – in far more trying circumstances – *demonstrably succeeded*.

After the Second World War, debt:GDP stood at over 250%; the cost of servicing that debt was over 5% of GDP; half of national income had been diverted to the war effort and over 5 million people mobilised into the Armed Forces; some 5% of national wealth had been destroyed, and 1% of the population lost.

If Attlee’s government had been constrained by anything like today’s institutions and their strictures, Attlee would have had to say, “*although I am personally committed to the Beveridge plan and the idea of a National Health Service and a welfare state, somebody has to tell the country that it is simply unaffordable at the moment*.” Had he done that, generations of Britons’ lives would have been blighted – and shorter.

Instead, Attlee’s government *rose to the challenge*. It listened to Keynes and Beveridge, and it created the NHS and the Welfare State, at a time when it was told that it would be economically irresponsible to try.

⁴⁰ (Fleming, Strauss, & Parker, 2026)

⁴¹ (Parker, Pickard, & Gross, 2026)

⁴² (Thomas M. E., ‘Tough Decisions’, 2026)

⁴³ (Haldane, 2023), (Wolf, 2023), (Partington, 2024), (Fraser of Allander Institute, 2024), (Hutton, 2024), (Casali, 2025), (Murphy, 2026)

⁴⁴ (Bank of England, 2025)

And what was the economic cost? **There was no cost:** *the UK enjoyed the most successful economic period in our history.*

There *is* a path to victory for the UK's economy; there is a route toward the Prime Minister's vision for the country - but to get there, we must boldly go where no leader has gone in the last 40 years.

Appendices

Appendix 1: Authors

Appendix 2: References

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Contributors to this report include Esther Giles, Vincent Gomez, Dominic Minghella, Ann Pettifor and Mark E Thomas (lead author).

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