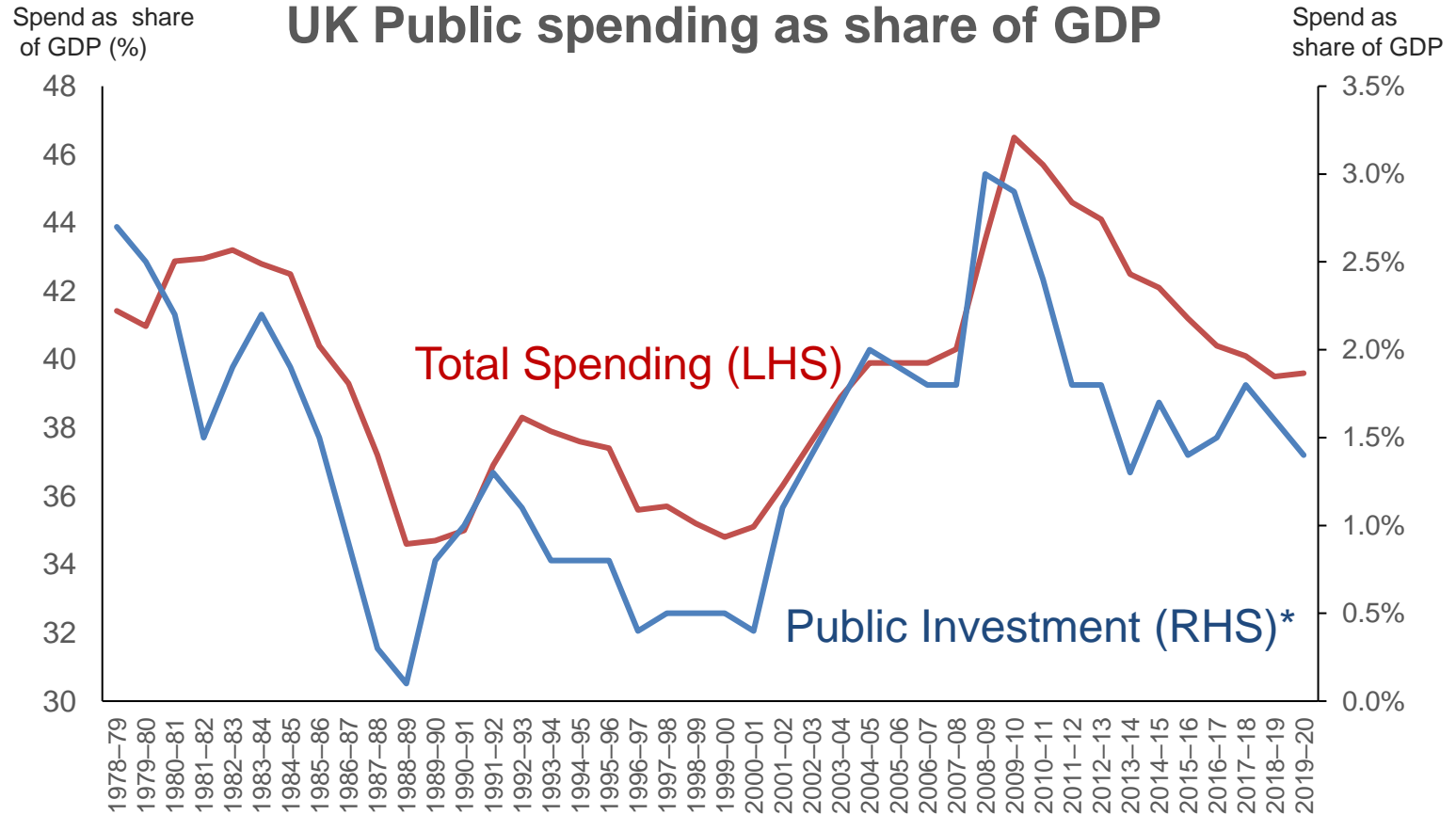

Can the economy work without investment in public services?

Mark Gregory

Visiting Professor of Business Economics

11th September 2024

The small state economic experiment...

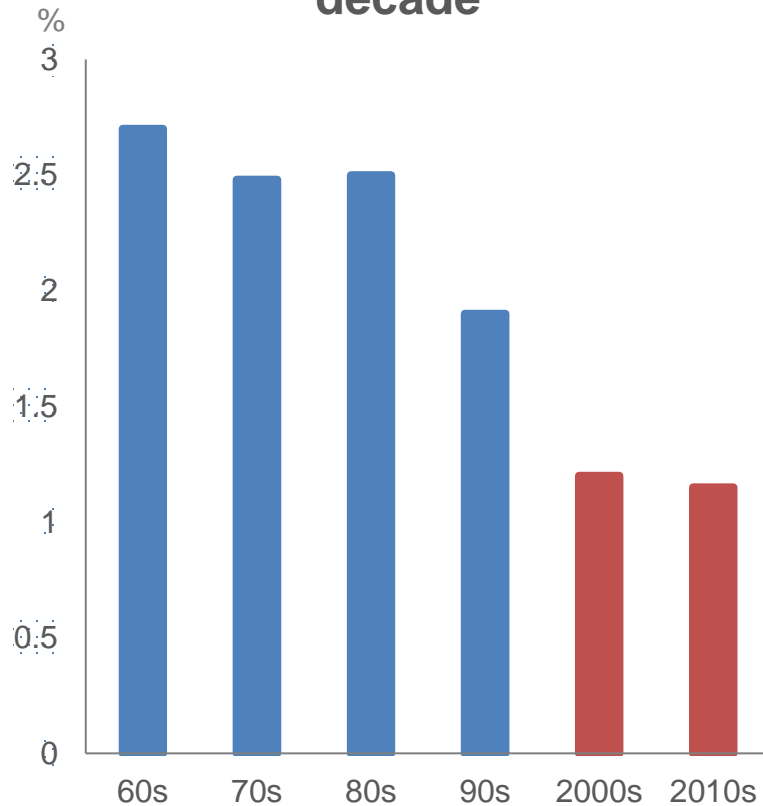


- Excludes student loans

Source: ONS, Staffordshire University analysis.

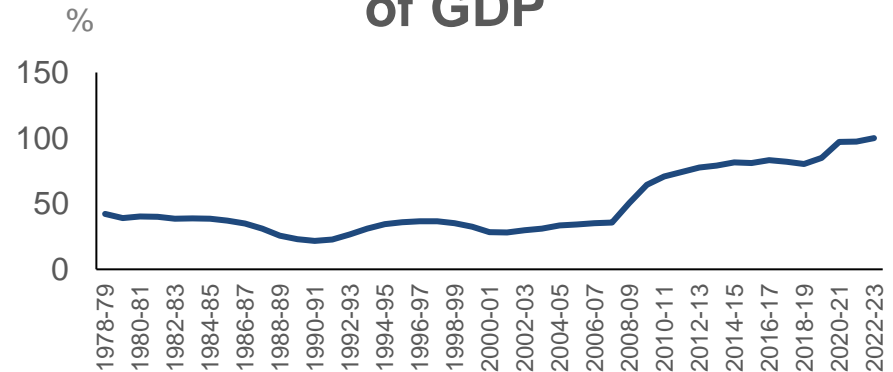
...has not delivered...

Annual average UK GDP growth per person by decade



Source: ONS, Resolution Foundation

Public sector debt as share of GDP



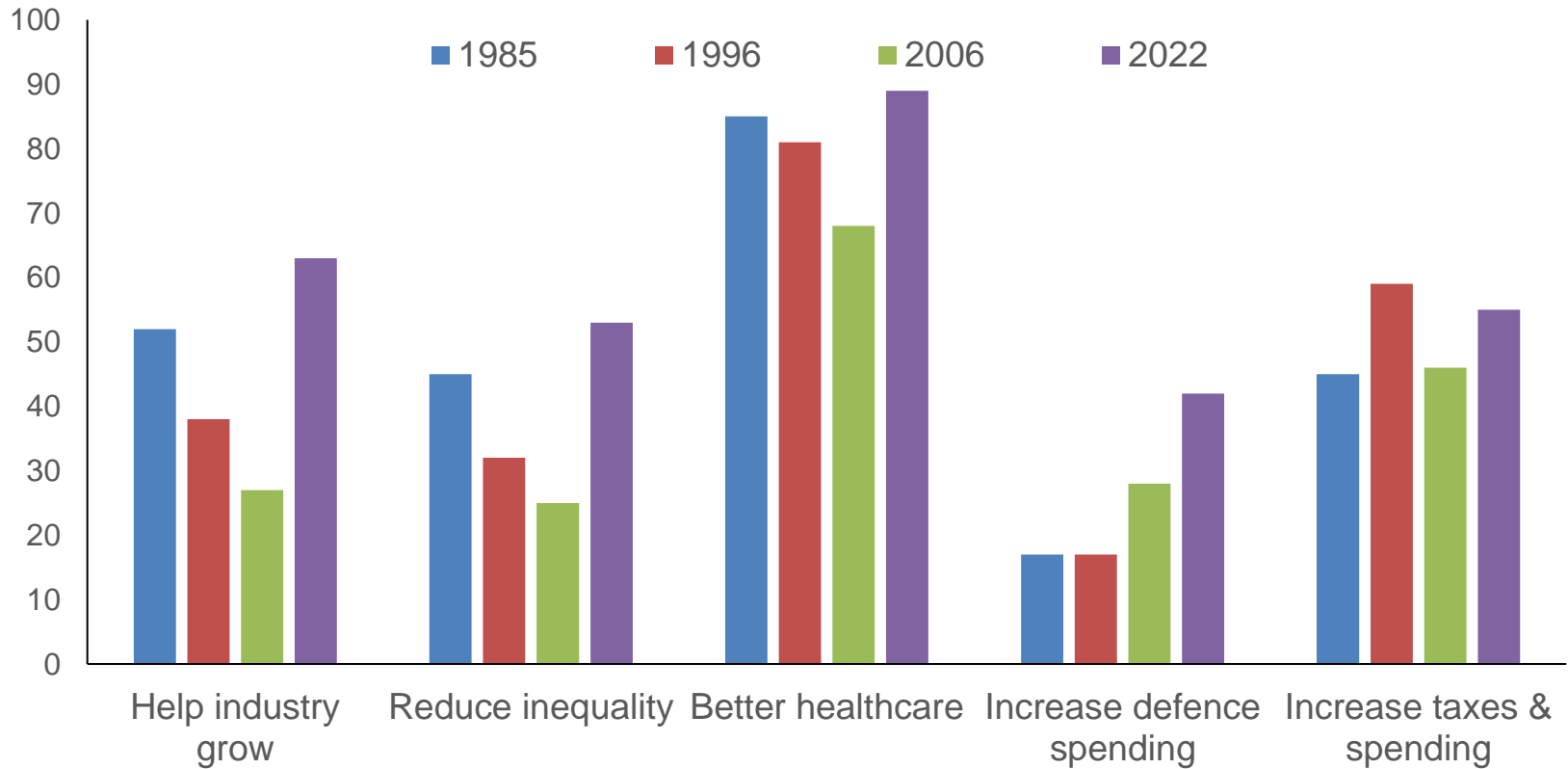
Income Inequality 1980-2019



...as the public has spotted.

What should the Government do?

% Respondents



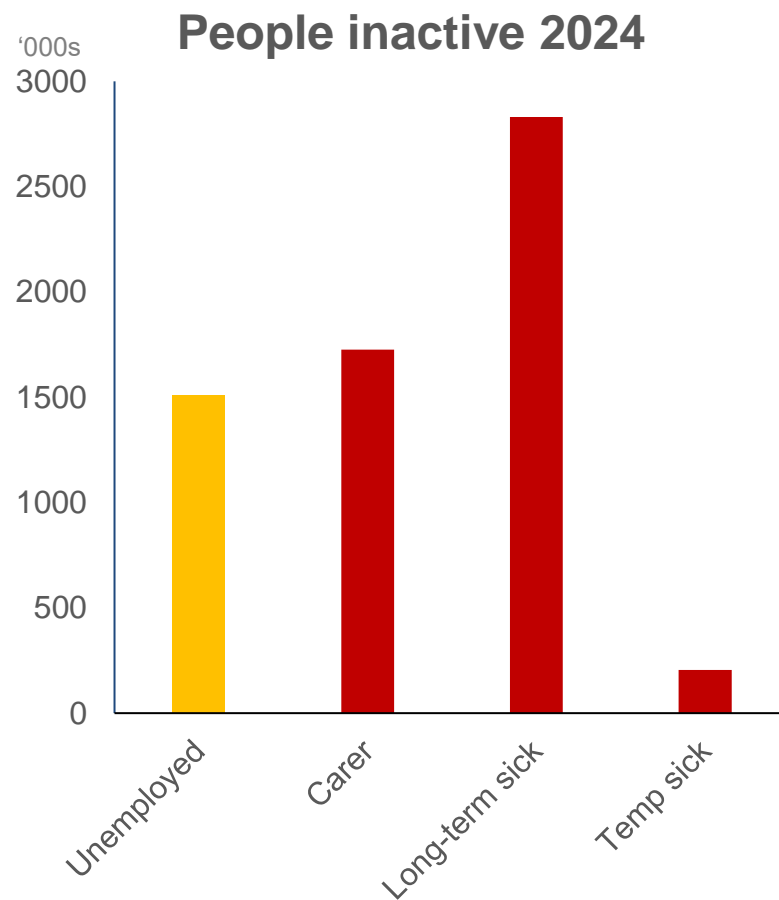
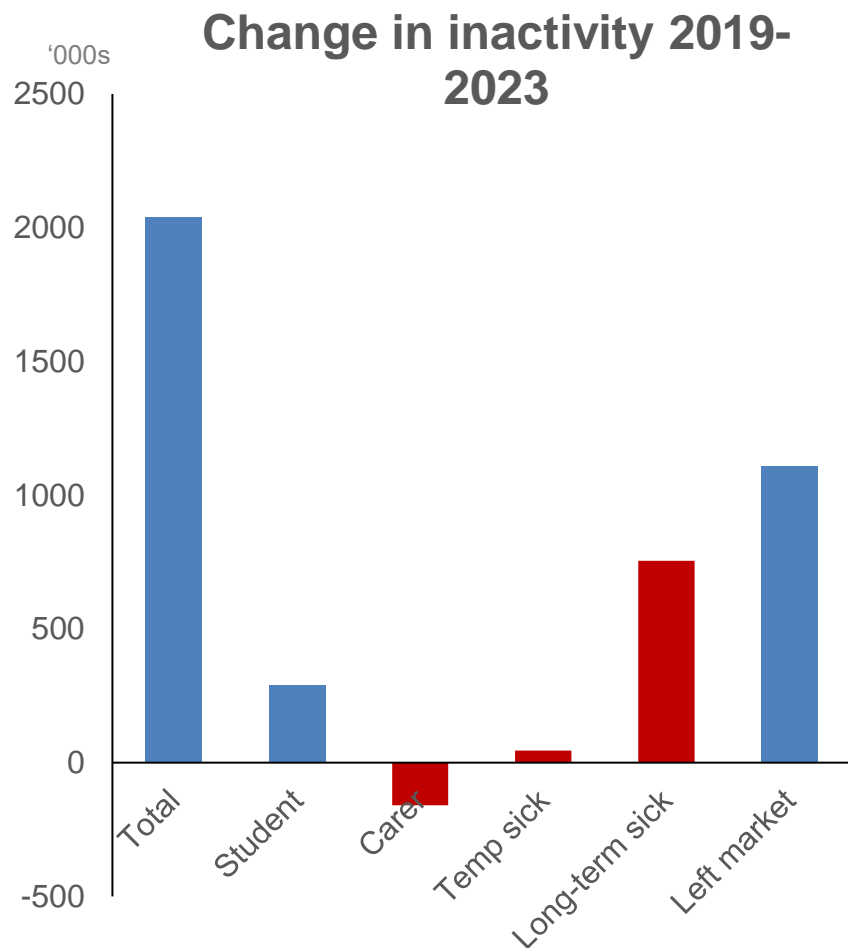
Source: Ipsos Mori

It's not just the economy...stupid...

Labour's 5 Missions

- Economic Growth
- Build a clean economy superpower
- Reclaim our streets
- Rebuild the NHS
- Breakdown barriers to opportunity

...certainly not for health and care ...



Source: ONS, Staffs University Analysis, OBR

...or local authorities.

Mapping Local Authority services to missions

Mission	Market Making	Attractiveness	Labour market	Innovation	Health	Culture & Leisure	Environment	Care
Energy superpower	●	●	●	●			●	
Breakdown barriers			●		●	●		●
Safer streets		●				●		●
NHS fit for purpose			●		●	●		●

Source:Staffordshire University analysis.

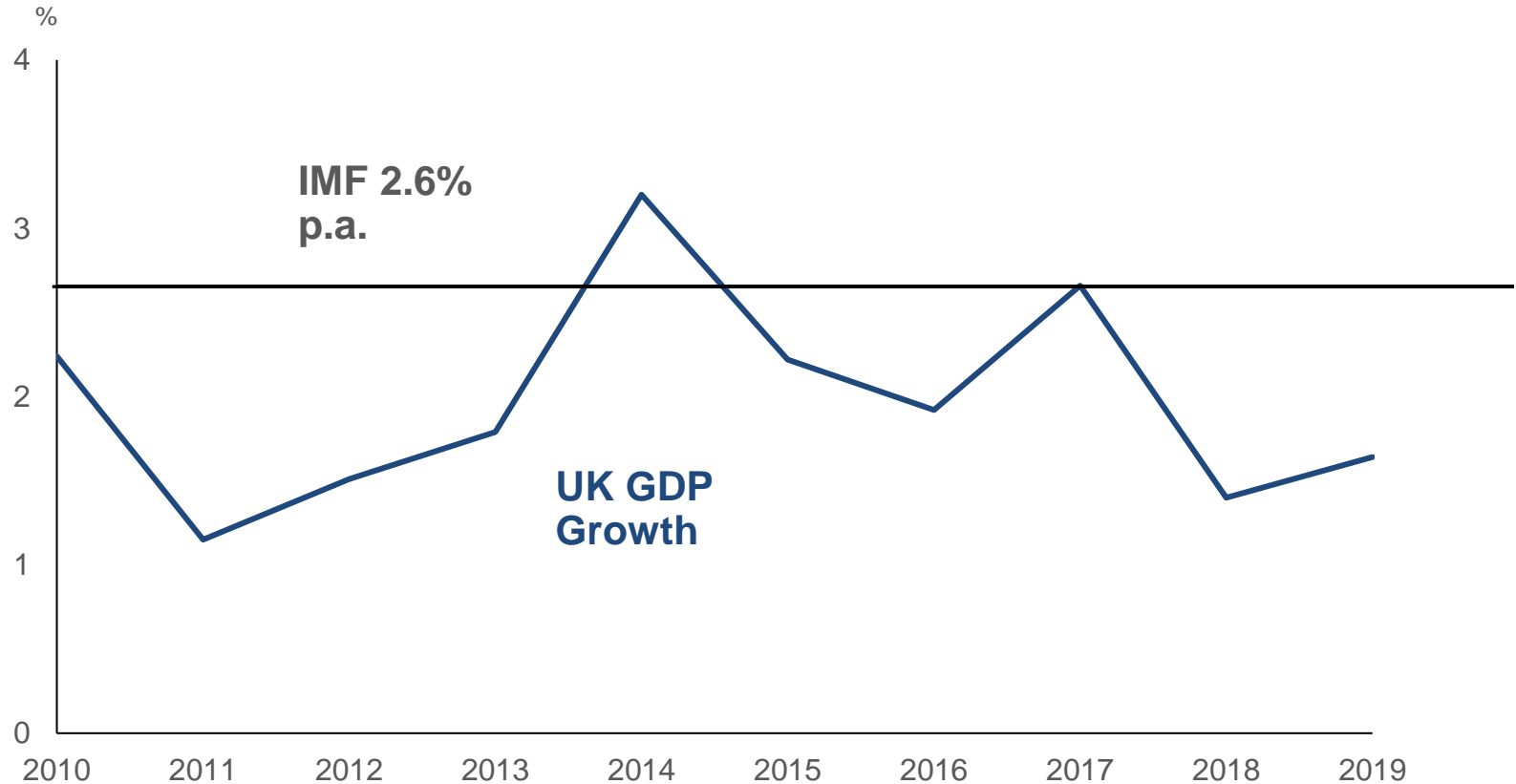
Or is it?

"the only way we can put more money in people's pockets and fund our public services over the long-term is by growing the economy and backing Britain's wealth creators."

Rachel Reeves, Daily Mail, 24th May 2024

How much growth do we need?

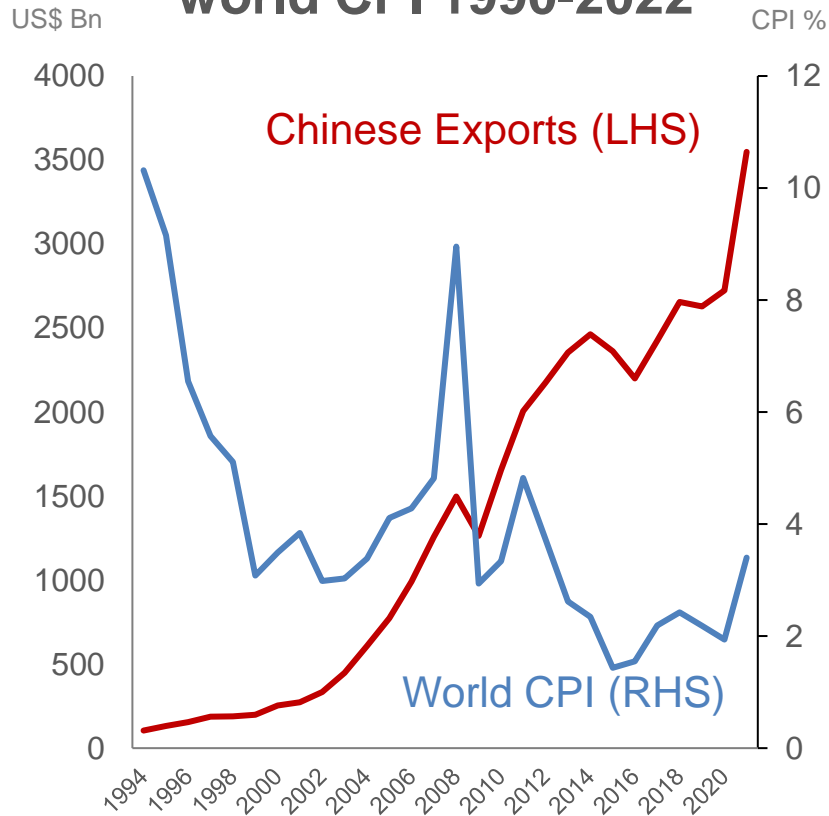
United Kingdom GDP Annual Growth 2010-2019 (%)



Sources: Office of Budget Responsibility, IFS, Bank of England, OECD

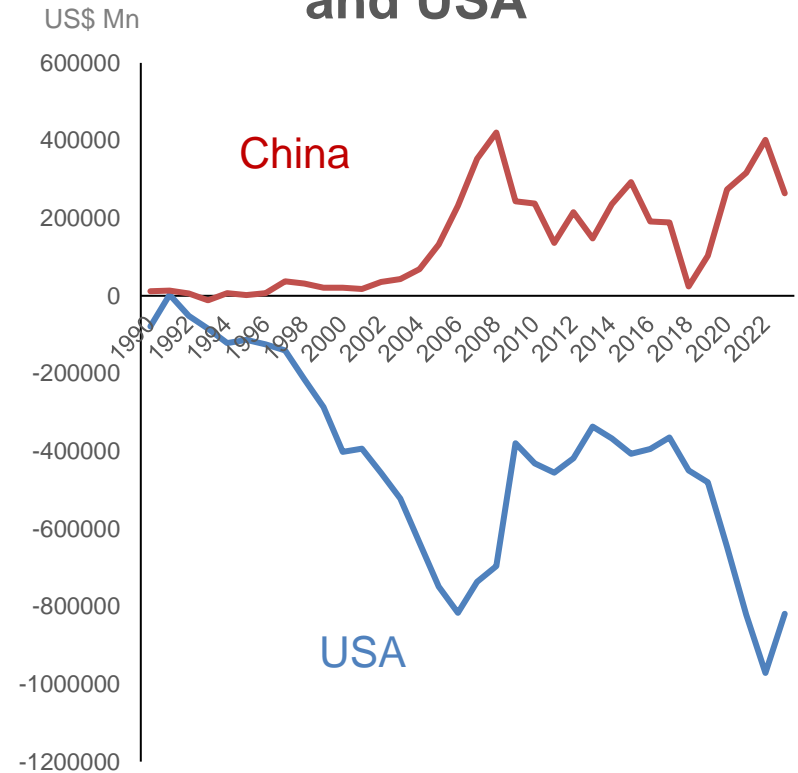
Not the best timing...

Chinese exports and world CPI 1990-2022



Source: World Bank

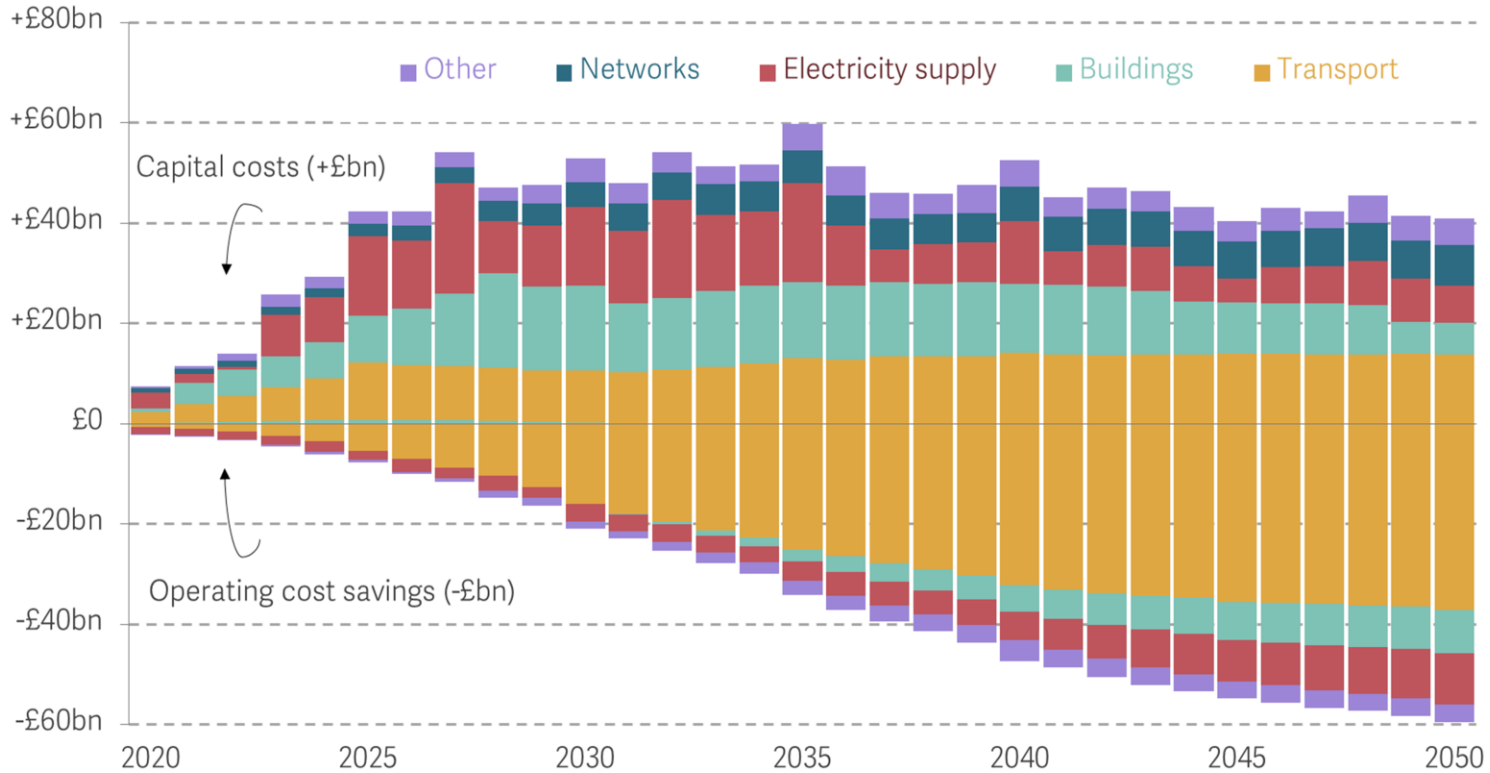
Current accounts China and USA



...on several fronts.



Capital and investment costs and operating cost savings in the Balanced Net Zero Pathway:
UK



Notes: Values above the x-axis refer to additional annual capital investment. Values below the x-axis refers to savings due to operational operating cost reductions.
Source: Analysis of Climate Change Committee, The Sixth Carbon Budget: The UK's path to Net Zero, December 2020.

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What's the plan?

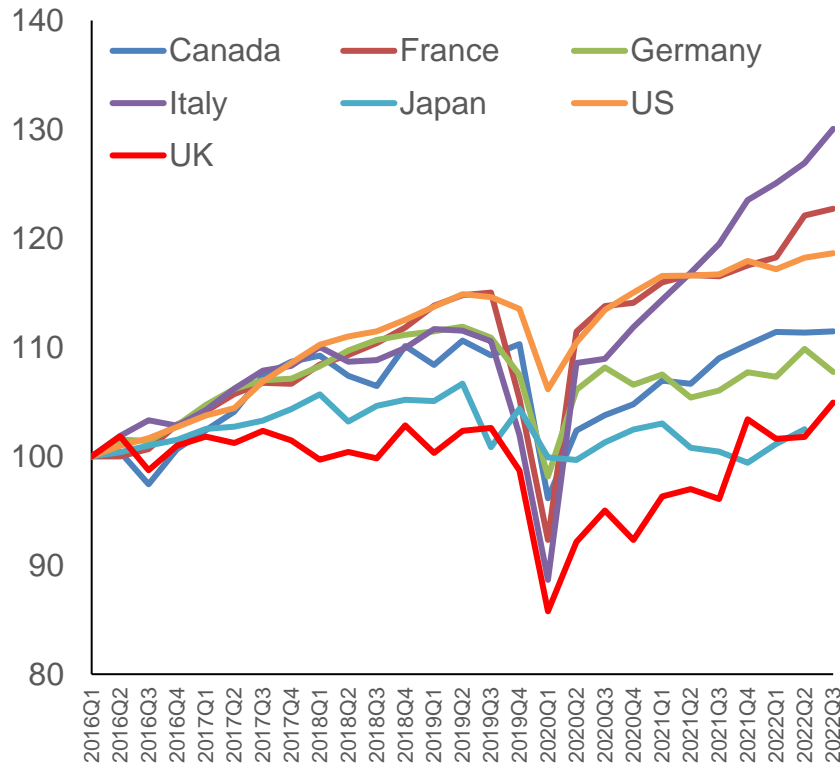
- Restoring economic stability.
- Unleashing investment with a new National Wealth Fund, including GB Energy.
- Reforming planning rules.
- **Reforming decision-making to shift power away from Westminster.**
- Reforming the jobs market.
- Reforming the immigration and skills system.
- Introducing a modern industrial strategy.

Source: Labour Party Manifesto 2024

Private investors want public support...

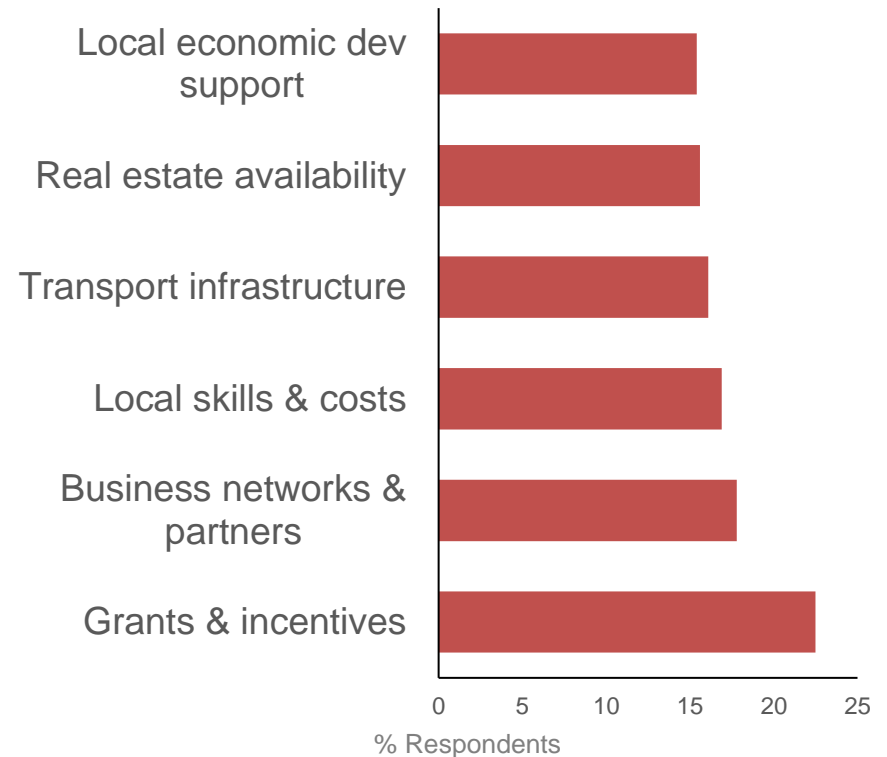
Business Investment 2016-2022

Index Q1 2016 = 100



Source: OBR

Drivers of investment in UK regions (2023)



Source: EY UK Attractiveness Survey 2023

...at the local level.

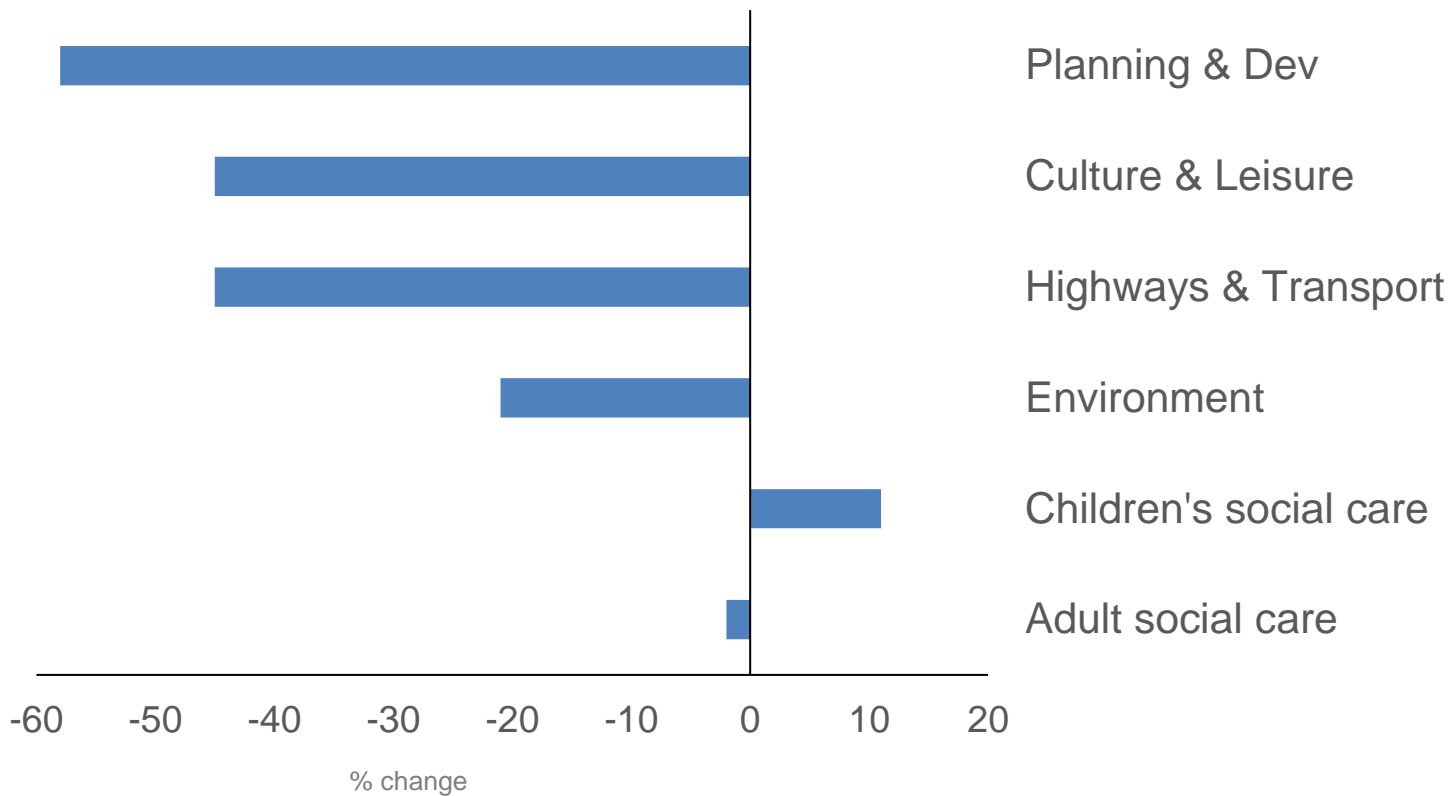
Mapping Local Authority services to Economic Growth Activities

Growth Activity	Market Making	Attract-iveness	Labour market	Innovation	Health
National Wealth Fund	●	●		●	
Planning reform		●		●	
Access to work			●		●
Skills & Immigration		●	●		●
Industrial Strategy	●	●	●	●	
New deal for working people			●		
Transport & Infrastructure	●	●			

Source: Staffordshire University analysis

Time for a new approach...or an old one?

Change in per capita Local Authority spending 2010/11 to 2019/20



Source: IFS



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