

The State of the State:

Creating new
frameworks to
deliver change

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Centre for
Economic
Justice

The progressive
policy think tank

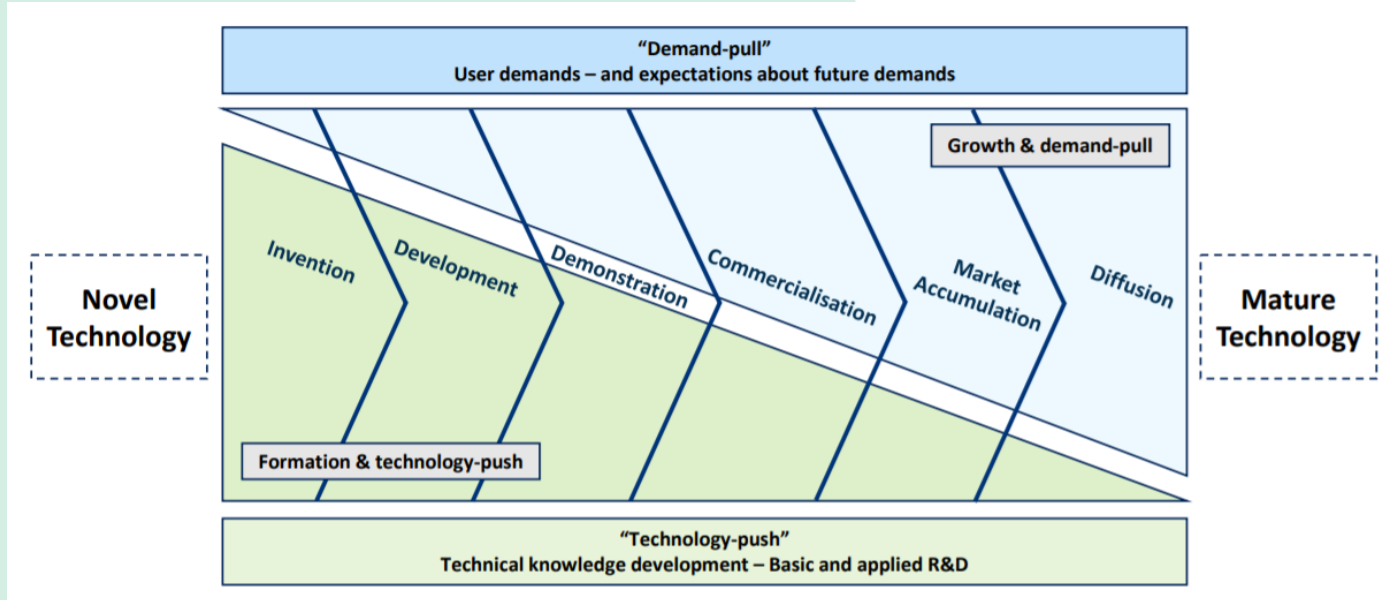
Challenges:

- › Decarbonisation and hitting 'Net Zero'
- › Ageing society
- › The potential and hazards of AI

All of these are “wicked problems” with no simple solution.

They *could* have technological fixes, but are also social and behavioural.

Technologies



Grubb, McDowall, & Drummond, 2017

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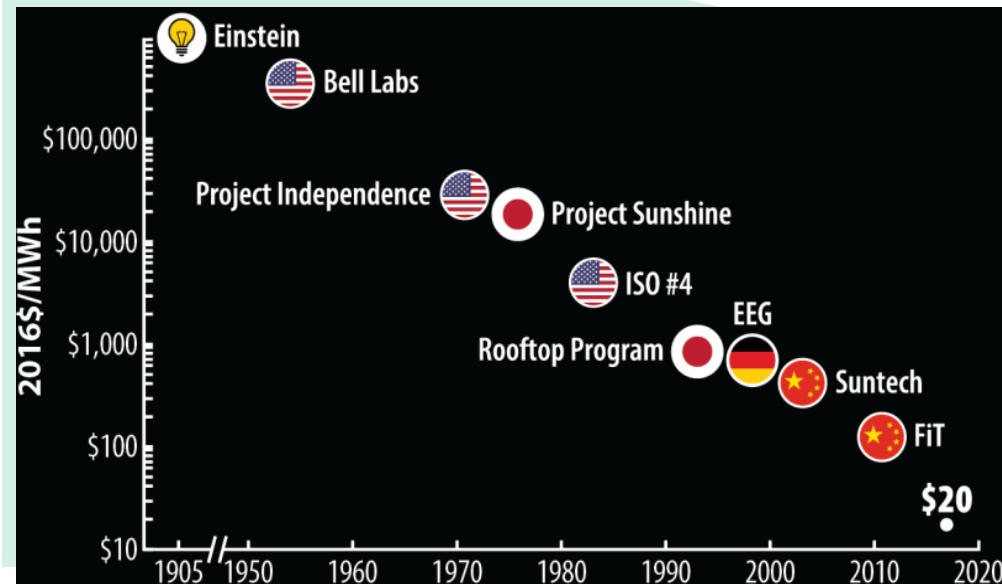
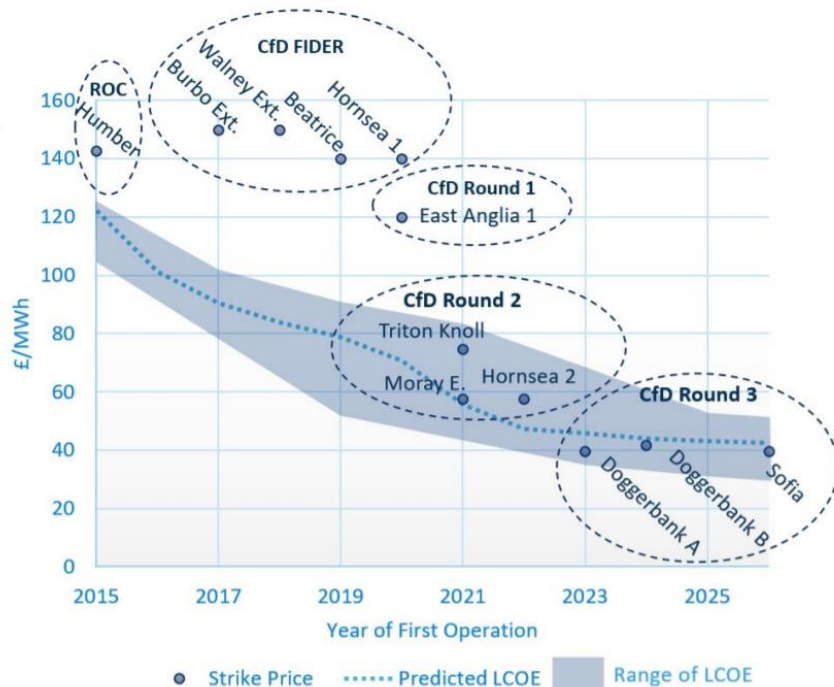
"More than any thing else technology creates our world. It creates our wealth, our economy, our very way of being"

W. Brian Arthur

***Is the role of the
state to choose? Or
to make a framework
where others choose?***



Focus on cost reduction



Jennings, Tipper, Daglish, Grubb and Drummond, 2020

Nemet, 2019

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Innovation and economic growth don't just have a rate but also a direction

Mariana Mazzucato



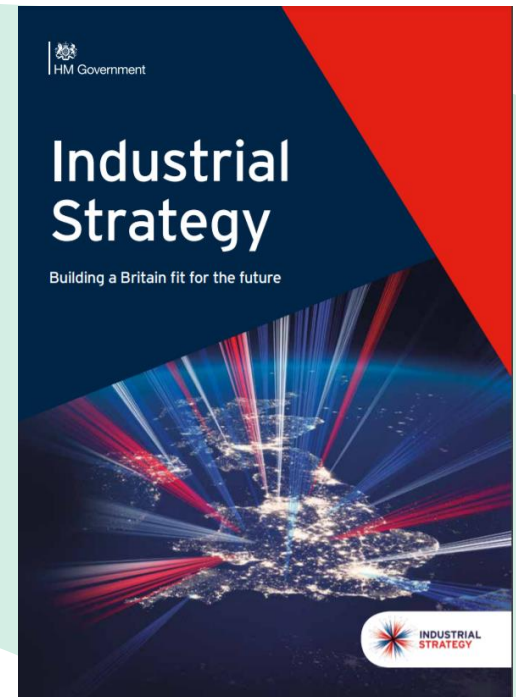
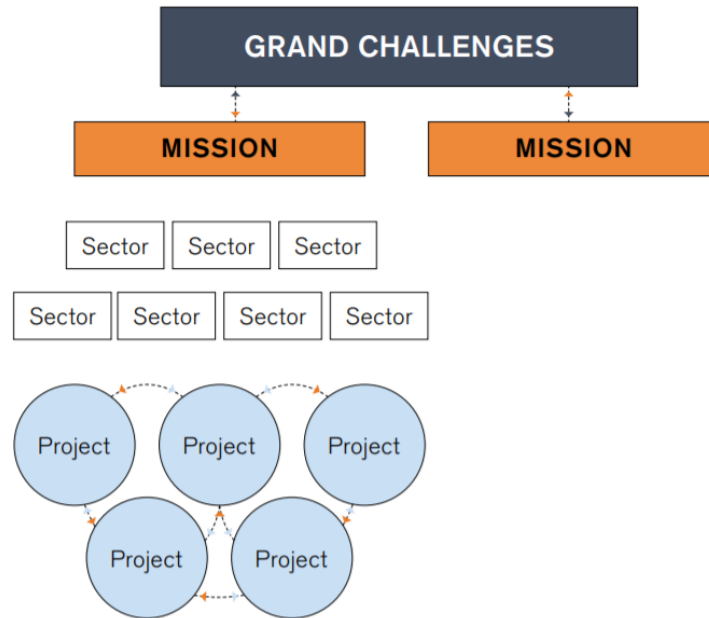
Mission-oriented innovation

Political agenda setting and civic engagement

Clear targeted missions

Cross sectoral innovation

Portfolio of projects and bottom-up experimentation



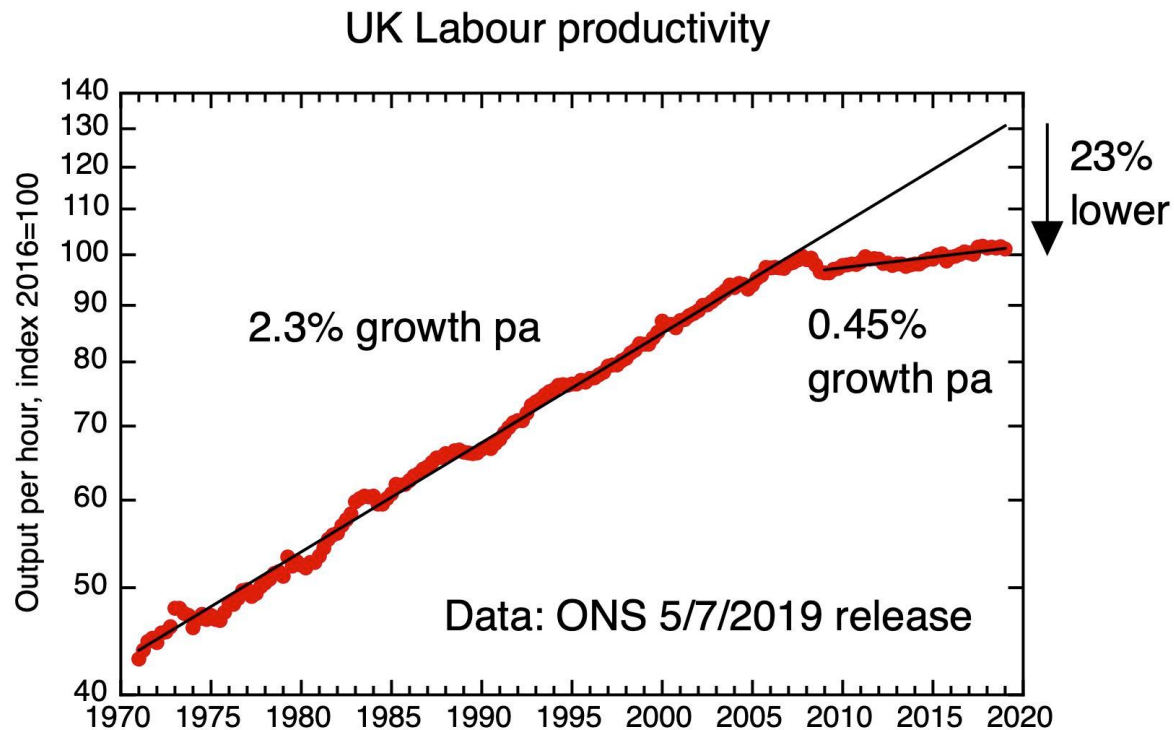
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*"If we lived in a rational world,
the collapse in productivity
growth since the global
financial crisis would be
at the front of all political
discussion, the origin
of stagnant wage
growth & sour politics"*

Richard Jones



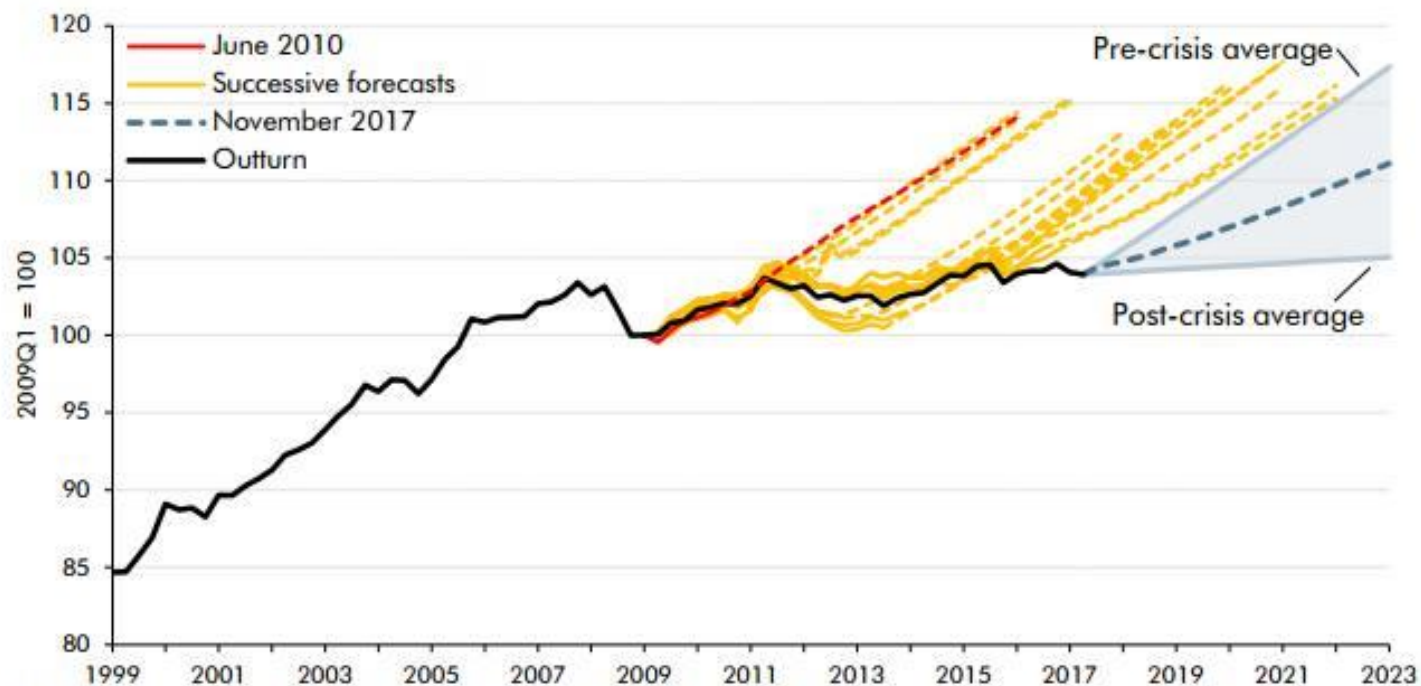
Productivity puzzle



Data: ONS, Analysis: Richard Jones

Productivity puzzle

Chart 1.2: Productivity growth (output per hour) – forecasts and outturns

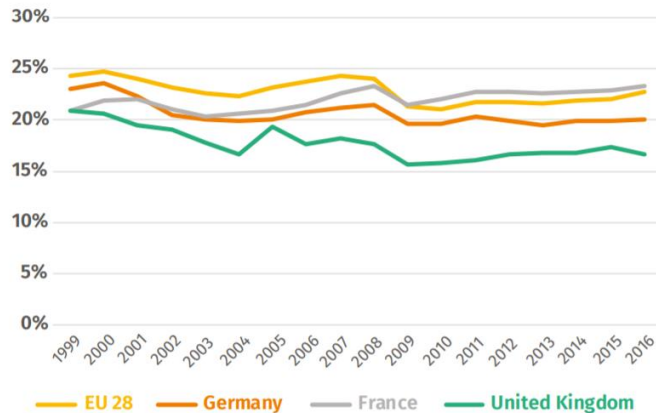


Note: Solid lines represent the outturn data that underpinned the forecast.

Source: ONS, OBR

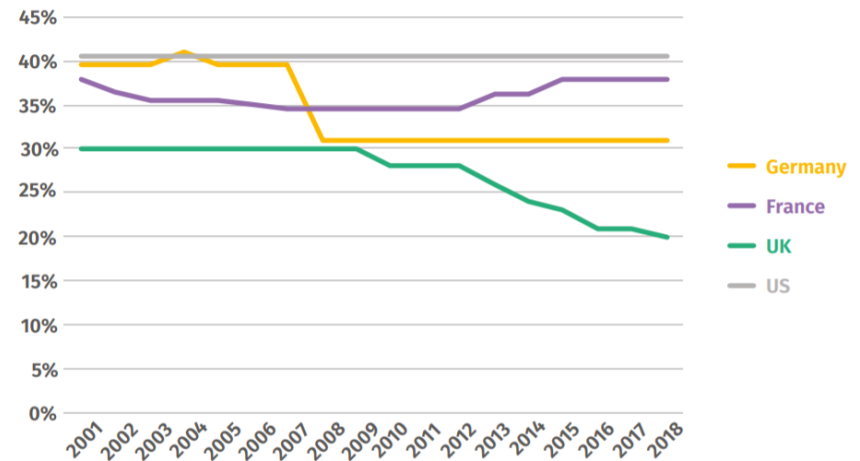
Boosting investment

UK business investment has declined despite reductions in the rate of corporation tax, and is lower than in France and Germany, where corporation tax rates are higher
Investment rate of non-financial corporations as a percentage of non-financial corporations' Gross Value Added, 2000-2015 Q1, selected countries and EU 28 average



Source: Eurostat (2017)

The rate of corporation tax in the UK is now well below those of our major competitors
Corporation tax rate by country (%), selected economies, 2000-17



Source: Oxford University Centre for Business Taxation (2017)

Note: This does not include the changes in the rates of US corporation tax passed by Congress in December 2017.

Urgent need for new frameworks

- 1 Understand technology and how it comes into existence**
- 2 Understand how to steer the direction of the economy**
- 3 Understand the drivers of productivity**

The Treasury

What does the Treasury do?

- a budgetary ministry – agreeing how much departments can spend
- a fiscal ministry - setting tax policy
- a financial ministry - financing and managing the UK's public sector debt
- an economics ministry - long-term growth of the UK economy
- a financial services ministry – UK's financial services sector

What's wrong with the Treasury?

- Too powerful and obstructionist
- Too concerned with expense, over potential return
- Short term
- Centralised and centralising
- Advocacy for the financial
- Self-Reinforcing structures, policies, and analysis

We need to rebuild the state to steer markets towards societally desirable outcomes

- › We are at the tail-end of a failed 50-year experiment
- › Markets have failed to deliver the outcomes we need
- › Our economy is dominated by dysfunctional markets and extractive dynamics
- › It is the role of an enabled, coordinating state to shape markets, and to direct and transform the economy