

London Symposium

The Price of Stagnation

Britain's Retreat from Dynamism

Robert Colvile





The Price of Stagnation: Britain's Retreat from Dynamism

There is no question that Britain is becoming a less dynamic society. We often discuss this dysfunction through the prism of abundance, progress, growth, and the lack thereof, and lament all the issues we face, such as planning rules, energy prices, and scarce resources.

But we also face an even more basic issue: we do not let cities or communities grow or die.

Consider the enormous churn that appears in a list of the U.K.'s largest cities and towns from the 16th to the 20th centuries, as we adapted our economy to the techniques, technologies, and opportunities of the day.

Old Sarum, the rotten borough, became a joke—but it used to be a living community. Now, the idea that we will let anywhere die and we will let anywhere grow is anathema. My mother recently called me to worry about the flooding that a new solar farm being built up on a hill near her village might cause, despite the fact that solar farms are built on stilts. She also worried that the accompanying reservoir would attract birds to the area that might increase the risk of bird strikes at the R.A.F. base three miles away.

Growing up in a picture-perfect, chocolate box, Oxfordshire village with three different Morris dancing teams, where Downton Abbey was filmed, has given me an innate understanding of the NIMBY mindset. Britain is now a country where, as our team at the Centre for Policy Studies (CPS) has shown, the median voter by turnout in the median constituency is 55 years old. Many of those voters have paid off their mortgages, own their own homes outright, and are essentially insulated from the economic consequences of their decisions. They have no real incentives, beyond a vague sense of compassion, to permit building things which might disrupt the environment around them.

But there is also something bigger at work here. Since I took over the CPS, we have done a lot of work on growth. In one of the projects, "Why Choose Britain?", we asked over two hundred

people who were making investment allocation decisions, deciding whether to invest billions of pounds in Britain or another country, what they thought of us.

As policy wonks, we expected tax and regulation to be the key issues. And they did come up. But what also came through was how much investors paid attention to Britain's culture. They wondered how much we wanted their investment, how much we cared, how much we tried to make it easy for people, how easy it was to talk to government, and how easy it was to get through the queues at Heathrow. Was the U.K. a country that truly wanted people to come to it and invest and create jobs, or did we offhandedly say, "It would be sort of nice if you came, I suppose." And it turned out, we generally said, "Nice if you came, I suppose." Emmanuel Macron, in contrast, was sitting in France practically hijacking the jets as they flew over so that he could get the executives to the Elysee Palace to secure their investment by promising them anything they needed. On the day of his re-election, Macron's team had pre-prepared emails ready to go to the top executives at global pension funds saying, "We're here. We're back. Let's pick up where we left things." The French system is different from Britain's, but Macron's enthusiasm shows an impressive desire to change, which is almost entirely absent here.

Here is one example. The then-Prime Minister Rishi Sunak spent a vast amount of personal time and effort trying to lure Andreessen Horowitz to Britain. They agreed to make it their European headquarters and to spend and invest billions of pounds. Then they found themselves dealing with some low-level bureaucrat in the Financial Conduct Authority who said, "You want to do crypto stuff? We don't really have any laws on that, I'm not quite sure you can." Andreessen Horowitz decided that the opportunity they thought London offered just did not exist anymore, so they relocated back to the States after just eighteen months. This story is not quite typical, but it illustrates Britain's failure to really pursue opportunities.

Regulation is also a major issue. For governments, regulating is incredibly easy, and it becomes even easier as money becomes scarcer. If you have no money to spend, the only rational response is to try to use other means to achieve your ends. The CPS has done work showing that no one is really paying attention to the quality of that regulation or to the effects the regulations are going to have. A good example is the regulation requiring second



staircases in any building taller than 18m meters that was mandated because of the Grenfell Tower disaster. London Mayor Sadiq Khan's housing team and I agree on very little: but we were both screaming about the limbo the second staircases rule was leaving in London. Then, when the new regulator was set up, it took so much time to approve new construction—signing off every single aspect of every single building—that it effectively halted the building of tall buildings in London.

As a result, the main consequence of the Grenfell Tower disaster is going to be that London will build many fewer houses and more people will continue to live in unsafe conditions. We are at the point now where we have set up an entirely new regulator, separate from the existing planning system, to approve every single building design, almost by hand. This is in addition to threatening the builders with ten years of jail time if their builds have problems. Surely staying out of jail is a good enough motive for people to adhere to the planning rules?

But there is a wider issue here. One of our CPS board members likes to say that Britain only has one problem, and that problem is that our risk appetite is set to the lowest possible setting. This is something that the financial crisis entrenched. If you consider the market cap of U.K. banks now compared to the market cap of major American banks, and estimate the amount of lending that hasn't entered into the economy as a result of that, it is a good proxy explanation for at least a chunk of the vast disjunction in per capita G.D.P. growth between our countries.

I wrote a book a few years ago called *The Great Acceleration, How the World is Getting Faster, Faster* (2016), about how life is getting faster and more uncertain, and the effect technology is having on the media and other spaces. A pollster recently said to me that if Theresa May had not ruined it, the best slogan for any political party in the U.K. would still be "Strong and Stable." The more uncertain things are and the worse things seem, the more people crave security, stability, certainty, and the feeling that things are not going to change.

The irony is that because Britain has not had any growth or dynamism, because people's lives have stagnated, they are now almost clinging more to what they still have. There was a Labour Together focus group that found that if you talk to young people now about aspiration, they just laugh in

your face. The dream is not to have the big house and fast car, but rather just a house and a car and for things not to be quite as bad as they have recently been. That is stoking anger in certain parts, but it is also just stoking this sense of risk aversion.

Unlike some who are optimistic and enthusiastic, I sometimes see my CPS career as essentially being raging against the dying of the light. Even though it is encouraging that Labour have picked up on many of the issues I discuss, I am not hopeful that things can improve, because people are so risk averse. So many people do not want anything to change. There is also an increasingly common idea among some people in the policy world that if only Britain had some kind of crisis, an organization like the I.M.F. could come in and save us, or we could finally make the changes that we need. But if we are talking about needing someone or something else to save ourselves from our national political dysfunction, that is already a profound admission of defeat.

Robert Colvile is director of the Centre for Policy Studies and Editor-in-Chief of CapX, as well as a columnist for *The Sunday Times*. In December 2019 he took a leave of absence to work as one of the authors of the Conservative Party's election manifesto, which also contained a range of policies advocated by the CPS. He was previously head of comment at the *Daily and Sunday Telegraph* and news director at BuzzFeed UK, as well as an editor, columnist and leader writer with the Telegraph. His critically acclaimed book *The Great Acceleration: How the World is Getting Faster, Faster* was published by Bloomsbury in 2016, and he was for many years a research fellow at the CPS alongside his journalism work. He is an advisor to the JCB Group, on the Advisory Board for PricedOut, the campaign for affordable housing, and was an expert member of the Government's Strategic Trade Advisory Group between 2020 and 2023.



The University of Texas at Austin
Civitas Institute