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# COMMON ENDEAVOUR

## BUILDING A STRONGER BRITAIN

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INTRODUCED BY JEEVUN SANDHER MP, LIAM BYRNE MP, ANNA  
GELDERD MP, LUKE MURPHY MP & ANDREW LEWIN MP



FABIAN SPECIAL

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Fabian Special

First published April 2026  
ISBN 978-0-7163-4140-6

Edited by Gideon Coolin and Iggy Wood

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British Library Cataloguing in Publication data. A catalogue record for this book is available from the British Library.

Designed by Iggy Wood

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# INTRODUCTION

JEEVUN SANDHER MP, LIAM BYRNE MP, ANNA GELDERD MP,  
LUKE MURPHY MP, AND ANDREW LEWIN MP

*“By the strength of our common endeavour we achieve more than we achieve alone, so as to create for each of us the means to realise our true potential.”*

*Clause IV, Labour Party Constitution*

The old Britain is fading. We progressives are stepping up to build the new. The certainties of previous generations are crumbling. But we do not fear this moment. Instead, we are resolved in building a stronger Britain.

The nation we govern today is unrecognisable compared to the one we governed two decades ago. Much of our economy is less productive. Our society is more divided, polarised between populists on the right and left. A global political order that has endured since the fall of the Berlin wall is breaking down. Economic and political crises – the financial crash, Brexit, the pandemic, and now an affordability crisis – have left our nation poorer, angrier, and weaker.

The number one issue facing voters is a decades-long decline in affordability. But in a hyperconnected world, many fear that the nation state has lost the capacity to drive change. War in Europe and the return of great power politics is putting our security at risk. Exploiting the challenges we face, tech bros and ethnocrat populists seek to pit us against each other to undermine our solidarity.

The old consensus is fading and the challenges are great – but we, as progressives, do not fear this moment. Fundamentally, we believe that every person should be able to live a good life, with all of us sharing in the fruits of our collective effort. That in a fractured world, a society shaped by strength of our common endeavour is more important than ever.

This vision of strength from unity is one we have called upon throughout our history at moments of peril. From the small gathering a century ago to found the Labour Representation Committee “no larger than a man’s

hand<sup>1</sup> to winning power; from Britain's darkest hour in 1940 to the defeat of fascism by Bevin's alliance of labour and capital;<sup>2</sup> from blitzed-out cities to building the welfare state; from four hundred years of turmoil to peace in Northern Ireland. All seemingly impossible achievements stemmed from us uniting our nation with courage, compassion, and the conviction needed to build a stronger nation.

This series of essays is part of our contribution as Labour MPs from across the broad centre of the party. They set out how we can apply our values to the problems we face in the second quarter of the 21st century.

We are proud of the scale of what has been achieved by this government and this prime minister in less than two years. The largest energy transition since we stopped burning wood, extending the compassion of the state to children living in dire poverty, ripping up the arcane planning rules that have stifled our country, and shifting the balance of power decisively towards workers and renters. Each represents a brick in the wall to build a country true to our values.

We have also had the space to do the deep thinking needed to meet this moment, producing ideas, refined by debate, to help define a vision that can be clearly communicated to the British public. Ideas like the ones we are putting forward here have come from hushed conversations in corridors, late-evening WhatsApp messages, and seminars held across parliament. In the interests of pluralism, each author has

been responsible for their own chapter – the assembled essays do not represent a collective view.

## **THE GENERATIONAL CHALLENGES WE FACE**

The ideas in this collection centre around four generational challenges: affordability, capacity, security, and solidarity. These are the interlinking crises of our age. Confronting them will make our country more united and more prosperous – a stronger Britain.

### **Affordability**

Across the country, people are finding it impossible to afford a decent life. We have seen two decades of crisis, underwritten by a catastrophic decade of fiscal austerity, lain on top of an economic model that was working only for some. People who cannot afford a decent life, and see no way for their children to either, no longer have a stake in our nation. And as people look forward and see our planet burning, they also see a world where life will indeed become even less affordable for their children. A nation where people cannot afford a decent life is one that draws inward, becomes more divided, and is weaker as a result.

Jeevun Sandher argues that the affordability crisis has been decades in the making. Unaffordable lives can be traced back to deindustrialisation and the decline of good jobs outside of London, which shifted the balance from workers to capital and from communities across our country to London. He argues that progressives can end the

affordability crisis for good by building a worker-based, community-led economy. Luke Murphy argues, in his chapter on climate politics, that repeated shocks arising in our interdependent world are weakening our ability to make and keep life affordable. Climate policy, in this context, has to be affordability policy too.

### Capacity

While our needs are greater, the British state is weaker. Economic growth has fallen – the ‘pie’ has stopped growing. That means more zero-sum politics – more for you means less for me<sup>3</sup> – giving groups strong incentives to make claims on the state. Austerity, outsourcing, and over-centralisation have led to a state that is too weak, with too little expertise, and too much micromanagement to effectively change the country.<sup>4</sup> A common and repeated refrain from prime ministers for decades has been the frustration that the levers available to them have little impact.

Luke Murphy argues for a stronger, more activist state, with an industrial strategy that can provide the long-term direction that Britain’s economy needs to escape malaise. Anna Gelderd reflects on the missed opportunities for building state capacity. Learning the lessons from the privatisation of the oil and gas sector, she argues for leveraging the data we all entrust with the state for the benefit of generations to come.

### Security

A rules-based international order where nations collaborated on common goals

has given way to great power politics, where strong nations do what they will, and middle-power nations either band together or suffer what they must. Talk of a rupture is understated. We live in an altogether new world.

Anneliese Dodds argues that like-minded nations standing together in defence of common values and norms can preserve a more stable world for us all. Andrew Lewin revisits the Brexit vote 10 years on, arguing that a stronger and closer relationship with our European allies is essential in a changed world. Alex Baker and Calvin Bailey make it clear that we are no longer in a pre-war moment: hybrid war has already begun. They argue that the threats we face require us to strengthen our resilience at home and work collectively with our allies abroad.

### Solidarity

When people cannot earn a decent living, see their local communities decline, and feel their way of life is threatened, they retreat into an ‘in group’ that provides safety, connection, and meaning. At the same time, the tech bros are profiting by monopolising our attention, in a world where more of our lives are played out online, making us more divided.

Liam Byrne argues that the dissolution of the social glue that keeps our communities together, shepherded by tens of millions in plutocrat money, is fuelling the rise of populists on the right. With little explanation offered for why life is so difficult and unaffordable, a simple narrative has taken hold: that

the reason your life is so poor is ‘that person, over there’ – the immigrant who looks different.

**A STRONGER BRITAIN**

This government’s task is clear. While the foundations that previous generations relied on are decaying, we refuse to passively accept the dying of the light. Only progressives have the vision and values to step up to build a stronger, united nation in its place. Only a nation forged with solidarity can provide the security and capacity we need to make life affordable for all.

Governments, past and present, have

taught us that success means a clear vision buttressed by strong values, with a hard-headed analysis of how to get there. Focus on the popular ends, by all means – but then make the clear and confident arguments for the measures needed to achieve them.

The task before us may be formidable, but it is outweighed by our determination. We seek to retain power so we can build a nation true to our values. By the strength of our common endeavour, we will build a nation where every single one of us can live a good life.

Through our common endeavour, we will build a stronger Britain.

# CHAPTER 1

## MAKING LIFE AFFORDABLE

*Dr Jeevun Sandher, the Labour MP for Loughborough and parliamentary private secretary to the Department for Business and Trade, sets out how to end the affordability crisis and build a nation where every person has a stake*

*“I’ve never found it so hard to get by in my day-to-day life and I don’t work a shit job. Sorry for swearing.”*

*Tom, Margate<sup>5</sup>*

Our affordability crisis has been decades, not years, in the making. Where workers and communities across the country used to be able to afford a good life, now only a few people and even fewer places can. Where unaffordability once led to a slowly simmering sense of resentment, it is now boiling over into the fury we see beaming through our screens and marching through our streets.

We know the stakes. Whether we make life affordable will determine whether we win the next election. But it will also determine whether we are able to keep our nation together.

We can build a nation where each of us – every worker in every community – can afford a decent life. Our Labour

values demand it; hard analysis shows us how to build it.

For people today, working hard does not pay off as it did for their parents and grandparents. For a double-income couple to afford two children, they each need to earn around £35,000 (or £70,000 together) to just afford the basics<sup>6</sup>. Yet around 2 in 5 full-time jobs pay less than this,<sup>7</sup> and across 80 per cent of the country, the average wage is under this amount. Many people, and most places, cannot afford a decent life.

The affordability crisis reaches much further and wider than any we’ve known before. When record numbers cannot afford a decent living,<sup>8</sup> and cannot see how their children will be able to either, it leads to frustration and fury.<sup>9</sup> And it is those who cannot afford a decent life that are fodder for the ethnocrats and plutocrats that wish to tear this nation apart.

Yet we can make life affordable for

every person and place again. By doing so, we can build a nation where all can stand together: one in which we all know that we have a stake in each other doing well.

### **UNAFFORDABILITY'S DEEP ROOTS**

*"You could leave one job, walk a couple of hundred yards and start another job ... it was a totally different world. I wish we could get it back, but I don't think it's going to happen."*

*Paul Jones, retired gas engineer,  
Pontypridd<sup>10</sup>*

It was not always this way. There was a time where most people in most places could earn a decent living. In the decades after the second world war, workers and communities shared in growing prosperity. Economic growth was the rising tide that lifted all boats. This all started to change in the 1980s. Now prosperity was generated by, and went to, the owners and users of new capital who largely lived in London and the 'greater south-east'.<sup>11</sup>

#### **From worker to capital**

The postwar era of mass-production manufacturing provided good jobs for (what was then mostly) men in factories across the country.<sup>12</sup> These jobs paid enough to live on. This was the worker-based economy.

The worker-based economy then gave way to a new capital-based economy with the automation era that began in the 1980s. New capital – in the form

of robots and machines – now did the tasks that workers used to in their local factory. Where a human used to drill a car door, a machine could do it faster, cheaper, 24 hours a day, 7 days a week.<sup>13</sup> The era of people leaving school and getting a good job in the local factory disappeared with the factory itself.

Of course, some workers benefitted from this new capital age. Those that could work with this new form of silicon capital – computers, and the software installed on them – and those who (as we'll see below) owned capital. For graduate workers, automation and the IT revolution helped make them more productive.

The new capital era contains some, but not nearly as many, good non-graduate jobs in areas like construction and healthcare. But these are few and far between. Today, over 60 per cent of non-graduates earn less than £35,000.

Put all that together and we can see that economic growth in the decades before 2010 went largely to graduates who could use, and were more likely to own, capital. Those in the top 10 per cent saw their wages grow by 220 per cent since 1970, whereas those in the middle only saw a rise of around 180 per cent.<sup>14</sup> However, even these graduates started to lose out in the new capital-based economy.

#### **From communities to London**

This new type of capital-based growth was also focused on major cities where graduates could work and live together. Towns – where the factories used to be – were left behind. All high-income nations saw this shift, but Thatcher

made it worse. Our country was already among the most economically centralised in the developed world. But her government centralised even more powers in Westminster, leaving us with one major city region – London and the south-east – pulling away from everywhere else.

But those who grew up in London, and other high-productivity major cities, were now left with another problem: exorbitant housing costs. An increasing number of people flocked to the few areas where the good jobs were, but housebuilding did not keep up. Renters now pay a far higher proportion of their income on housing costs than those who own their houses.

This is the economy we live in today. One where you need to get a degree to get a good job, but also one where housing costs are so high that you can't afford a decent life without inheriting some capital too. The only surefire ticket for young people to live a decent life is to be born rich.

### **Making life more affordable**

New Labour could not fundamentally change the capital-based, London-led economy. Instead, they redistributed the increasingly concentrated wealth to workers and communities around the country.<sup>15</sup> This led to a reduction in poverty and some regional prosperity

while they were in power, but it was not institutionalised. It was easily and damagingly reversed by the Conservatives through austerity.

These long-term trends are the foundational causes of today's affordability crisis. The financial crisis, austerity, the pandemic, and post-Covid inflation made us all poorer. But these shocks came on top of longer-term trends that were already making it much harder for most workers and places to earn a decent living.

Making life more affordable for all means shifting the balance towards workers and communities, away from capital and London. In other words, creating an economy where every person and every place shares in prosperity, because all help to generate it.

### **MAKING WORKERS BETTER OFF**

Building a worker-led economy, where workers create and share in economic growth, means pulling the three levers we have at our disposal: improving wages and jobs, lowering household costs, and social security payments.

If you ask how we make workers better off, the usual reply is 'economic growth'. This is right, but is only part of the story. We do need growth to raise incomes and, crucially, tax revenues.<sup>i</sup> But even when we get the economy growing, we should not expect all

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<sup>i</sup> A full discussion of what the UK needs to grow is beyond this chapter – but a non-exhaustive list is: more transport infrastructure, cleaner/cheaper energy, devolution, and macroeconomic stimulus.

workers to share equally in its growth unless we build a worker-based economy. Economic growth in the current system means wages at the very top rising far faster than everyone else's.

To ensure low- and mid-pay workers can create and share in economic growth, we need skills training and to strengthen worker bargaining power. This government is doing both. But the jobs for these workers do not create themselves. We have to create good non-graduate jobs: ones that pay a decent wage and cannot be performed by machines. By and large, these are jobs that the market cannot provide. That is why we are creating jobs in the green transition, construction, and social infrastructure (healthcare, education, and caring), which all pay decent wages, must be done physically in Britain, and cannot be done by machines abroad.

For those who cannot get a job, the government can guarantee work, as we have with the Youth Guarantee.<sup>16</sup> A pilot scheme in Austria guaranteed jobs for all long-term unemployed people, finding huge improvements in wellbeing and employment in places where there simply weren't enough good jobs to go around. This was achieved at zero net cost by redistributing social security expenditure from straight transfers to income from work.

But getting a good job with a decent wage means little if the costs of essentials rise and rise. Essential goods – food, water, and energy – went up in price almost twice as fast as other goods after Putin's invasion of Ukraine.<sup>17</sup> This has hit the poorest households espe-

cially hard, because they spend about half of their income on essentials – twice as much as other households.

To get costs down requires investment in the long term and redistribution in the short term. Investment can make it cheaper to produce essential goods like energy and housing. Investing in clean energy, which is 40 to 50 per cent cheaper than natural gas, gets energy costs down for all.<sup>18</sup> If we invest in (social) homes, we get housing costs down for younger people. But this investment, naturally, takes time.

In the short term, people need relief through redistribution. The government has shown the way by reducing energy bills by £150, expanding free childcare, and extending the Warm Homes Discount.

The quickest and easiest way to make people better off is to give people cash in the form of social security payments. While we use social security to top up wages for those on the lowest-incomes, social security payments can, and traditionally have, gone to a much broader section of society. Child benefit used to go to every child in the country, and the state pension does still go to almost all pensioners.

Benefits that go to a broad set of people are the most popular. When Joe Biden sent \$1,400 cheques to every household in America, he built a universal coalition in support of social security – and, in 2022, had the most successful midterm elections for an incumbent party in 20 years. But without a broad set of people benefiting, it is impossible to retain popular support for these payments. Benefits for

the poor are poor benefits.

### **MAKING LOCAL COMMUNITIES BETTER OFF**

Only some people living in some places create and share in economic growth because our economy is driven by London and the south-east. That is a direct result of our economic centralisation. Creating a community-led economy means every place generating prosperity. This means giving towns and cities outside of London the connections, cash, civic assets, and control.

One of the key growth constraints is the absence of decent transport infrastructure outside London.<sup>19</sup> This makes it more expensive to transport jobs and harder for potential workers to find jobs. London receives three times more transport spending per person than the East Midlands. Addressing this iniquity will require both connecting places to the prosperous 'greater south-east' and connecting places outside of London to each other. We are doing both, connecting workers with better jobs, companies with clients, and making it cheaper for businesses to export goods.

Towns and cities hit hard by deindustrialisation also have a severe shortage of cash. People living in these places are more likely to be non-graduates, low-paid, or out of work. Getting more cash in people's pockets helps create thriving communities: when people have more to spend in their local high streets, businesses have higher revenues; in turn, they can hire more workers, and a community becomes more prosperous.

More cash gives people more to spend, supporting civic assets. But we

also need public provision to make places liveable. Liveable places – nice high streets, play parks, decent bars, and good restaurants – are essential for a good life. But they are also crucial **economic** assets. Capital chases skills, and skills settle in areas that are nice to live in. As things stand, there are far more civic assets in the wealthier south-east than elsewhere.

But, cash, connections, and civic assets aren't worth much if your town's economic destiny is decided in London. The two most successful city regions in the UK are also those with the greatest devolution – London and Manchester. This government is enacting the most significant programme of devolution since the modern British state was founded. Local decision makers, who know their communities, are best placed to direct investments that can make them better off.

### **CONCLUSION**

We stand at a crossroads. The frustration and fury that has been the response to life becoming unaffordable is tearing this nation apart. The plutocrats and ethnocrats we stand against are harnessing this fury to tear this nation apart, dividing us into weaker parts.

To build a stronger Britain, we have to end the capital-based, London-led economy of the post-Thatcher years and build a worker-based, community led economy where life is affordable for all. In doing so, we can create a nation where all have a stake – because the nation has a stake in them.

Let's make life affordable. For everyone.

# CHAPTER 2

## HIGH STAKES

*In his first essay, Luke Murphy, the Labour MP for Basingstoke and parliamentary private secretary to the Department of Transport, makes the case for a climate politics rooted in affordability*

For years, there was a broad cross-party consensus on tackling climate change. That consensus stretched all the way back to Margaret Thatcher, who told the UN in 1989: “the problem of global climate change is one that affects us all”.<sup>20</sup> And it was delivered over successive governments. The world’s first Climate Change Act, passed under Gordon Brown, was built on by Theresa May, who established ‘Net Zero by 2050’ in 2019.

Domestically, we have more than halved our emissions since 1990, while growing our economy by nearly 80 per cent over the same period.<sup>21</sup> Meanwhile, clean energy itself is driving economic growth, with the green economy growing three times as fast as the economy as a whole.<sup>22</sup> UK leadership has also secured action around the world. The 2008 Climate Change Act inspired nations like Denmark, Mexico, Sweden, France, New Zealand,

Ireland and Germany to adopt similar measures, contributing to reductions in worldwide emissions.<sup>23</sup>

That cross-party consensus, which saw the UK achieve so much domestically and internationally, is now broken. The Conservative party has turned its back on climate action and, under its current leadership, would go as far as to scrap the Climate Change Act.<sup>24</sup> Reform has gone even further, looking to turn net zero into a wedge issue – raising its salience and polarising voters.

While Reform UK is still yet to offer up a single meaningful policy commitment around climate and energy, its leadership is promising to tear up the legislation and investments necessary to address climate change. This would jeopardise our economic stability, our energy and national security, and undermine both domestic climate action and our global climate leadership.

## **THE PUBLIC'S VIEWS ON CLIMATE CHANGE AND POLICIES**

While the cross-party consensus may have broken, public concern about climate change remains widespread. Around three-quarters of the public say they are worried about climate change, and more than two thirds support ambitious action.<sup>25</sup> This is not a country divided between believers and deniers.

However, the increased polarisation between the right and the left is feeding a media environment that is far more hostile than voter sentiment. This has led to a “perception gap” in which politicians across the spectrum underestimate how supportive the public is of climate action.<sup>26</sup> According to recent polling by the IPPR and Persuasion, a majority of Labour MPs assume that public support for our net zero targets is lower than the actual level of support, 63 per cent.<sup>27</sup> This undermines the momentum behind climate action.

The level of support for climate action in principle, then, is both stable and high. However, this support softens around certain consumer-facing policies.<sup>28</sup> Essentially, where a policy is perceived to create ‘hassle’, consumers become more reticent, despite broad ideological support for climate measures. In addition to this, general low trust in government to deliver change also undermines support for specific policies.

This situation is made even more difficult because, since the early 2020s, climate change has no longer polled as one of the top issues for voters. Living standards consistently poll as the number one issue for the electorate.<sup>29</sup>

To keep climate action at the top of the government’s agenda, we need to ensure it is both a solution to the cost-of-living crisis in policy terms and is effectively framed as such in communications. It must provide tangible and visible benefits to voters, reducing energy bills while insulating households from international price shocks caused by the volatility of the global fossil fuel regime.

## **WHAT DOES THAT MEAN FOR MESSAGING?**

The most effective narratives are those that connect climate action to everyday concerns rather than presenting it as an abstract moral imperative.

First, focusing on the everyday impacts. Climate change is no longer a distant threat. It is a part of all of our daily lives. Across the country, extreme weather is damaging our infrastructure, children are struggling to learn in stifling classrooms, and families are having to purchase premiums to insure their homes against flooding. In the south-east alone, there were more than 500 heat-related deaths in 2022, and in 2024, the region saw a 13 per cent rise in emergency hospital admissions for respiratory conditions linked to rising temperatures.<sup>30 31 32</sup> People across the UK are already dealing with the implications of our changing climate.

Second, our messaging must address how climate action can tackle the chief concern of the day – falling living standards. Policies should be framed in terms of lowering bills, not raising costs. This means emphasising the potential of renewable energy to deliver cheaper

electricity or the role of insulation in reducing household energy use. The government is already delivering on this with initiatives such as Great British Energy and the Warm Homes Plan, which are designed to make clean energy available cheaply to everyone up and down the country.

Third, we need to show how climate action is intrinsically linked to both energy and national security. The UK is currently paying the price for a broken global oil and gas system in which every household is left dependent on the whims of fossil fuel dictators. Our energy security and living standards are indivisible; since 1970, half of the country's recessions have been caused by oil and gas price shocks.<sup>33</sup> Both the Ministry of Defence and the Pentagon have, across decades, recognised climate change as a "major threat multiplier" that drives global instability and heightens resource pressures, ultimately increasing the risk of conflict.<sup>34 35</sup> The only way to protect our national security is to get off the fossil fuel rollercoaster and urgently move towards clean, domestically-produced energy.

Finally, fairness must be explicit. Voters need to see that the transition is being managed in a way that protects those on low and middle incomes while ensuring that higher emitters contribute their share. Programmes like the Clean Energy Jobs Plan are essential to this narrative since they demonstrate that the government will support workers transitioning out of fossil-fuel industries. Equally, by investing in apprenticeships in engineering and other hard skills needed for the clean

economy, the government is demonstrating that the transition provides an opportunity for young people within the industries of the future. Fairness is not a secondary concern; it is a precondition for legitimacy.

### **BUILDING ON THE GOVERNMENT'S APPROACH**

But the government will want to look for ways to go further and faster to build on its approach of ensuring the transition is affordable and fair. That means continuing to look at ways to reduce the cost of electricity.

Bringing down the cost of electricity would help drive economic growth and improve living standards. First, it would help businesses and industry become more competitive by driving down one of their highest costs. In 2023, the UK had the highest industrial electricity prices amongst the 31 International Energy Agency countries, with prices around 46 per cent higher than the median, and far higher than in France, Germany, and the US.<sup>36</sup> Bringing down these costs would allow businesses to invest and grow and, in the case of larger companies, compete internationally. Second, bringing down energy bills and cutting the cost of living would free up more money to be spent in the real economy, which is showing signs of weak consumer demand. Affordable clean power is a pro-growth measure.

Third, it would help drive the wider electrification of the economy, which itself would reduce the costs per unit produced as more demand for electricity came onto the system.<sup>37</sup> This could include the government looking to go

further by shifting levies into general taxation, thereby reducing the burden on electricity bills. At the same time, it could look at improving the efficiency of network spending, including increasing flexibility on the grid, to help ensure infrastructure is used more effectively at a lower cost. Finally, the government could examine ways to end natural gas determining the price we pay for electricity sooner than planned, one example suggested has been to bring gas plants into a regulated asset base (RAB) system.<sup>38</sup> The affordability and workability of such approaches will of course need to be closely examined.

#### **A VIABLE PATH**

Current events demonstrate that, in its ambitious commitment to clean energy and tackling climate change, the government is on the right track. But the government will want to build on its approach to ensure that the transition

continues to deliver for living standards, the economy, and security.

The choices that we make today will determine the environmental stability and living standards of generations to come. It is our duty to ensure that future generations are not left to shoulder a burden much larger than the one we face today. Today's children deserve to grow up in a world that is safe, healthy, and sustainable, all of which can be achieved through taking action to address climate change.

We must reject those who use climate as a wedge issue, who reject renewables and electrification and peddle false narratives around the costs of action compared to inaction.

Done right, climate action is electorally popular, economically advantageous and a moral imperative. The stakes are too high to leave this to those who come after us. The responsibility is ours, and the time for action is now.

## CHAPTER 3

### A REAL ASSET

*Anna Gelderd, the Labour MP for South East Cornwall and parliamentary private secretary to the Department of Energy Security and Net Zero, sets out how Britain can build the institutions needed to capture the value of our data*

We are living through a technological revolution powered by our data. We don't yet know where it will end up, but we do know that it will not be possible without the data generated by each of us. Currently, we are on a trajectory where the big rewards from our data go to very few people. Artificial intelligence allows a handful of privately owned companies to extract value from our data, and the wealth generated flows to a small group of shareholders.

We can choose a different path. If we act now, we can ensure that the citizens who generate this data are economically rewarded. Data generated through public institutions and public participation could be treated as a sovereign asset, held in trust on behalf of the people who created it. As a general principle it should not be sold outright but used under license and, when it is used to generate economic value, part of that value should be returned to the

public systematically and permanently. Not as a windfall to be spent, but as a national asset to be invested.

There is a precedent for getting this right, and a precedent for getting it wrong. We must heed these lessons. In the 1960s, Norway discovered oil beneath the North Sea. They made a political choice: to treat the resource as a national asset and build a sovereign wealth fund that would convert depleting reserves into permanent public wealth. Today that fund holds over £1.5tn.

Britain found oil in the same waters but made a different choice. North Sea revenues, which at their peak accounted for nearly 10 per cent of government income, were absorbed into general spending. They funded tax cuts and current expenditure rather than being invested for the future. Had the UK established a sovereign wealth fund in 1975 on Norwegian principles, it

could have been worth around £354bn by 2018. Instead, the revenues were spent. There is no sovereign fund, no accumulated public wealth to show for decades of extraction.<sup>39</sup>

Britain now holds a second national asset of comparable significance: the data generated by British citizens via our public services, our health system, our tax and benefits administration, our land registries, and our courts. This represents a sovereign asset whose value is only just beginning to be understood. Unlike oil, it will not run out – it is a renewable resource. Its value compounds as more of it is gathered and analysed. And unlike oil, we have not yet made the irreversible decision about who benefits from it economically over the long term. This time, as our population ages and the world of work changes, we must get it right.

### **DATA AS A NATIONAL ASSET**

Data, like oil in the ground, has latent value. It becomes economically productive only when something extracts and refines it. For data, that technology is artificial intelligence. AI systems given access to integrated public datasets can identify patterns, improve service delivery, accelerate research, and generate significant commercial returns. In this case AI is the instrument, not the asset, learning from the data it is given to provide actionable insights. The political question is the same one Norway faced: how to best capture the wealth generated from this valuable resource.

If public data is made available to private firms in a piecemeal way, at

marginal cost, the aggregate value of the integrated whole is lost. If developers build proprietary products on fragments of public datasets, the returns flow to private shareholders, often overseas. This was the mistake Britain made with oil. Public data should not be sold outright but licensed under strict conditions including audited access, in secure environments, with royalties, revenue shares and equity participation flowing back to a national fund. The data remains sovereign. The value accrues to the public.

### **BRITAIN'S DATA ADVANTAGE**

Most countries collect data through public institutions. What distinguishes Britain is the depth, breadth and institutional coherence of what we hold. The NHS provides universal healthcare to 67 million people under a single institutional roof, generating cradle-to-grave health records at a population scale that is unique. Most comparable nations have health systems fragmented across private insurers, regional authorities or multiple providers.

Our advantage extends well beyond health. HMRC and the DWP hold decades of tax, employment and benefits records covering the entire working population. The Land Registry holds one of the most complete property ownership records in the world. Companies House, the ONS, the courts service, the DVLA, Ordnance Survey, Transport for London and National Rail: together these institutions generate an interlocking web of administrative, economic, geographic and social data without parallel in most democracies.

In federal systems such as the US or Germany, equivalent data is split across dozens of jurisdictions with different laws and formats. The UK, as one of the most centralised unitary states, with a common legal framework, can in principle integrate, link and analyse its public data as a coherent national sovereign resource. That integration creates some of its greatest value. The UK's data protection regime, maintained as UK GDPR, provides the legal infrastructure for controlled access that makes a licensing model credible.

Britain's unique data advantage has not gone unrecognised. In November 2024, Professor Cathie Sudlow published an independent review of the UK health data landscape, commissioned by the chief medical officer for England, the UK national statistician and NHS England. Its findings were stark. The UK holds a rich abundance of health data, but is not maximising the benefits to society. Research is too often prevented or delayed by institutional complexity. The review recommended that health data be recognised as critical national infrastructure. That diagnosis applies to the wider public data estate. This sovereign asset is world-class, but we are currently failing to adequately manage it or consider who benefits from its increasing value.

### **A SOVEREIGN DATA WEALTH FUND**

Norway's lesson is that the institutional structure must be built before the revenues flow. The state must step in early. Norway created its fund in 1990, before the largest oil revenues arrived. The UK, by contrast, had been spending

North Sea income for over a decade before anyone proposed saving it. By then, the habit of treating the money as ordinary revenue was entrenched. The same risk applies to data. Commercial interest in public datasets is growing. If the framework for capturing value is not built by the government now, any future revenues will be absorbed into general spending, dissipated without a longer-term strategy and the public will not be the beneficiaries. That is the trajectory we are already on and must change.

Thankfully the government has recognised the strategic value of public data. The AI Opportunities Action Plan, endorsed by the prime minister in January 2025, set out how the UK can benefit from AI and noted that government datasets are a public asset whose valuation requires careful consideration. The National Data Library, backed by over £100m at the 2025 spending review, is being built to coordinate access. These are necessary foundations. But the National Data Library is infrastructure for access, not a mechanism to capture value. Without a sovereign wealth fund to ringfence the returns, licensing fees and royalties will flow into general revenue and be spent, learning none of the lessons from North Sea oil.

The Norwegian fund demonstrates what works: structural separation from day-to-day spending decisions, radical transparency in reporting, and cross-party consensus maintained across successive governments for over thirty years. Parliament sets the mandate. An independent body manages operations at arm's length from government. A fiscal rule limits annual withdrawals

to the fund's expected long-term real return, currently 3 per cent, ensuring the principal is preserved and grows.

A British fund could adapt these features. It would be established by an act of parliament, with its mandate and withdrawal rules set in statute. An independent oversight board, incorporating civil society, technical experts and public representatives, could supervise licensing and monitor compliance. A separate data stewardship body would oversee the licensing framework itself: determining which datasets can be made available, to whom, at what price, and under conditions that ensure our data never leaves sovereign control. Transparency must be a founding commitment, with holdings, performance and licensing arrangements published in full.

### **SHARING THE BENEFITS OF TECHNOLOGY**

Our national data assets can also support the growth of UK AI firms, a crucial part of our industrial strategy. The economic returns from the uses of our data could support public services, regional transitions, retraining, science, and green industry. Parliament could also consider whether a modest citizen dividend, tied to data assets, might, in time, provide a tangible form of shared ownership.

As AI systems grow more capable, the economics of work will shift. Analytical and knowledge work is already being restructured. Physical and care work may prove more resilient in the near term, but no category of employment can be assumed immune

as AI and robotics advance together. The direction is clear: a growing share of economic value will be generated by systems trained on our data, rather than by human labour alone. Without deliberate intervention, that value will accrue to the owners of those systems. A sovereign wealth fund seeded by returns on public data provides a mechanism to ensure the public shares in the gains, and that the proceeds can support retraining, transition and the strengthening of public services as the labour market changes.

There is also a strategic dimension. As AI becomes embedded in defence, security intelligence, infrastructure, and public health, dependence on foreign, private, AI systems creates vulnerabilities beyond economic returns. States that route critical functions through systems they do not own are exposed to corporate decisions and geopolitical pressures beyond their control. This is not an argument against international cooperation, but for sovereign capability alongside it: an AI model we own, running on infrastructure we control, trained on data we hold and governed under democratic oversight. Such a model need not compete on every benchmark with the largest American or Chinese systems. It needs to be best-in-class in the domains that matter to national governance. The UK's advantage lies in data that private firms cannot currently access at scale.

### **THE CHOICE BEFORE US**

Norway made its choice with oil in the 1970s and maintained it across three decades and successive changes of

government. Britain made a different choice and paid the price. We now hold a second national resource, more durable than oil and increasingly valuable as it grows. The architecture we need is clear: recognise public data as a national asset, establish a coordinated licensing framework, create a ringfenced sovereign wealth fund, build governance structures that ensure transparency and accountability, and commit across

parties to protecting the fund from short-term spending pressures.

This is not a technology policy, but a sovereign wealth policy. AI is the wealth extraction technology; data, the resource. The fund would be the institution that ensures value goes back to the public, treating data as a shared resource managed in the public interest.

British data should enrich the British public.

# CHAPTER 4

## SOLID STATE

*In his second essay, Luke Murphy MP proposes ways a more active state can end Britain's economic malaise*

The UK is at a pivotal moment, facing a once-in-a-century economic transformation driven by rapid technological advances. As Liam Byrne has argued,<sup>40</sup> the UK is also at the foothills of one of the most demanding strategic eras in our modern history. Britain faces a set of long-term challenges, geopolitical ruptures, climate risks, ageing demographics, technological change and eroding social trust.<sup>41</sup>

These challenges drive and compound the seismic economic headwinds the UK faces. The economic squeeze facing the UK – in which productivity has stalled for over a decade, dragging down wages and living standards, while chronic underinvestment in skills, infrastructure and innovation points to deep structural weakness, and persistent regional inequalities continue to hold back national performance – cannot be tolerated any longer.

Britain enters this era with some

unique strengths and comparative advantages in key sectors. But it is abundantly clear that the laissez faire economic approach taken in UK over the past few decades has failed. Only an active state, charged with raising the productivity across the economy, driving up living standards and driving growth in every region across the country, can ready the UK for this new era.

### **WHAT AILS THE UK ECONOMY**

Productivity has stagnated since the global financial crisis, holding back wage growth and overall living standards. As the recent downgrade in productivity forecasts by the Office for Budgetary Responsibility (OBR) shows,<sup>42</sup> this is not simply a cyclical issue, but a structural one, reflecting underinvestment in skills, infrastructure, and innovation. Overall investment, public and private, has lagged for a generation.<sup>43</sup>

The international economic

environment has also become more unstable and fragmented. The UK is facing growing competition from major economies such as the US, the EU and China, all of which are deploying significant state support through subsidies, tax incentives, and industrial policy to draw investment into key sectors from clean energy to advanced manufacturing.

The rupture in the world order we are now experiencing<sup>44</sup> is driving geopolitical tensions and reshaping thinking, relationships, and global supply chains. The pandemic, the illegal invasion of Ukraine, and now the Iran war have highlighted the fragility of just-in-time production models. There is now a need for much greater emphasis on resilience, security, and domestic capacity in critical sectors such as semiconductors, energy, and pharmaceuticals.

The UK also faces persistent regional inequalities. Economic activity remains heavily concentrated in London and the south-east, while many other regions struggle with lower productivity, weaker investment, and fewer opportunities. This imbalance is both a significant economic dampener and a long-standing political challenge.

Finally, the transition to net zero presents both a major opportunity and a significant challenge. The shift to a low-carbon economy will reshape entire industries, from energy and transport to construction and heavy manufacturing. Countries that lead in these sectors stand to capture new markets and create high-quality jobs. Those that lag risk deindustrialisation and dependence

on imported technologies.

The transition is a global challenge, but some British firms (heat-intensive firms, for example) struggle with structurally high energy costs compared to their international competitors. This puts those businesses and industry at a disadvantage, creating barriers to new investment.

### **WHY THE UK NEEDS A MORE ACTIVE STATE**

Taken together, these forces make a compelling case for a more active state and reinforce the government's decision to depart from the economic consensus of the past four decades. That consensus saw UK economic policy shaped by a hands-off approach to industry. Successive governments set broad framework conditions in tax, regulation, and competition and then largely left markets to determine outcomes. Industrial strategy, when it appeared at all, was too tentative, fragmented, or short-lived. The legacy of this approach is an economy struggling with productivity growth and stagnating living standards.

That era is over. Markets alone simply will not deliver the scale, speed, or coordination required to address this moment. The question is no longer whether the UK needs an industrial strategy, but what kind of strategy it needs and how active the state should be in delivering it.

The government's ten-year industrial strategy was therefore a landmark moment.

In stark contrast to what had come before, the strategy provides the

long-term commitment and stability that is so essential to securing the confidence of businesses and investors whose horizons often span decades – far longer than the length of a normal parliamentary term. The strategy also rightly recognises that an active state must work in partnership with business and investors to drive investment and entrepreneurship.

A strategy is as much about what you don't do as it is about what you do. The identification of eight key growth-driving sectors – advanced manufacturing, clean energy, creative industries, defence, the digital and tech sector, financial services, life sciences, and professional and business services – was also essential to ensure the UK plays to its strengths in driving growth.

The commitment to support innovation and investment that runs right through the strategy is also very welcome. The expansion of the Office for Investment, the launch of the Regulatory Innovation Office, and the commitment to regulate for growth rather than just for risk underline the government's commitment to fostering a pro-business environment.

It is no surprise that in reviewing the strategy, parliament's cross-party business and trade select committee noted the 'palpable optimism' from businesses and investors regarding the 10-year commitment, with consistency being a key missing ingredient in British industrial policy for decades.<sup>45</sup> The Make UK executive survey this year highlighted the industrial strategy as the biggest driver of investment in UK manufacturing last year.<sup>46</sup>

## **HOW THE GOVERNMENT CAN SUPERCHARGE ITS INDUSTRIAL STRATEGY**

The government's industrial strategy provides a comprehensive, long-term framework for stimulating investment, particularly in high-growth, frontier sectors, setting out missions, sector plans and a suite of policy measures designed to "increase business investment and grow the industries of the future" over the next decade. This has been welcomed by the business and trade committee for its ambition and emphasis on shaping the UK into a globally competitive, innovative economy.

However, despite these strengths, there remain critical areas where the government could go further to ensure the strategy delivers fully on its objectives.

First, a recurring challenge has been institutional fragmentation. While the new industrial strategy aims to create a "more muscular approach" to coordination between business and government, the current landscape still contains overlapping authorities and mixed mandates across departments, agencies and regional authorities.<sup>47</sup>

This can create obstacles for businesses, particularly SMEs. The industrial strategy identifies the need for improved cross-institutional collaboration, yet the business and trade committee's analysis suggests that more structural clarity is needed to avoid duplication of work, improve accountability and enable more effective decision-making. For example, one area the government can and should press on with is creating a "single front door" for business ensuring engagement with government is as simple and

cost-free as possible.

Second, addressing the UK's consistently high energy costs. The Labour government inherited the highest electricity prices for industrial users of the 24 countries that report to the International Energy Association (IEA). Electricity prices for UK industrial users were almost 50 per cent higher than in France and Germany and four times higher than the US or Canada.

Over the last 10 years, UK electricity prices for industrial users have ranged from 17 per cent to 49 per cent above the IEA median.<sup>48</sup> This data highlights that these high energy costs are a long run issue but one that the Ukraine crisis exacerbated, driven by our dependence on imported gas, the wholesale price of which set the UK electricity price 97 per cent of the time.<sup>49</sup>

As business groups have argued,<sup>50</sup> energy costs are a key determinant of the UK's global competitiveness, economic performance, and they underpin productivity and growth across the entire economy. The high non-domestic energy prices inherited by this government make some British industries less attractive compared to international rivals. The Iran crisis potentially worsens the outlook on energy costs for businesses in the short to medium term.

The government took decisive action on this issue in its industrial strategy, announcing the British Industrial Competitiveness Scheme, which aims to reduce electricity costs for thousands of energy-intensive sectors. From 2027, the scheme will reduce electricity costs for 7,000 businesses that use

electricity intensively. Companies in manufacturing sectors such as automotive, aerospace and chemicals will be exempted from paying for the renewables obligation, feed-in tariffs and the capacity market. Energy-intensive industries will also receive a 90 per cent discount, up from 60 per cent, for other policy costs that help to fund the electricity network, cutting costs for about 500 businesses from 2026.

However, with the Iran crisis driving up wholesale costs in the short-term and with non-commodity costs (primarily network costs and levies) set to grow in the short to medium term, more may need to be done. This might include looking at options to take more levies into general taxation, supporting business and industry to improve energy efficiency, and looking at regulatory change to reduce energy costs.<sup>51</sup>

Third, the government can accelerate its focus on place across departments. The UK remains one of the most centralised countries in the western world and one of the most regionally unequal.<sup>52</sup> The government's industrial strategy rightly recognises the need to engage and coordinate with regional leadership in delivering industrial policy; improving regional growth is one of the government's strategic objectives that the strategy is designed to support.

In practice, the strategy sets out a significantly more place-based approach than previous frameworks, emphasising the importance of city regions and industrial clusters as drivers of growth. It identifies the highest-potential clusters and commits to working with local leaders to unlock investment,

including through the creation of ‘integrated industrial strategy zones’ and enterprise zones under a single, streamlined delivery mechanism.<sup>53</sup>

But one of the challenges of successfully delivering a place-based industrial policy is the centralised nature of the UK’s governance and economy. Except for the regional development agencies in place between 1998 and 2010, the UK institutional set up has remained overly centralised, with institutions and policy initiatives having been largely national in focus, in large part because strong local and regional institutions have not existed with the power or influence necessary to shape policy according to the realities on the ground.<sup>54 55</sup>

This reflects the fact that control of taxation and revenues is far more centralised in the UK than many comparable countries. In the UK, Westminster controls and allocates 92 per cent of tax revenues,<sup>56</sup> and most significant strategic policy decisions on areas like infrastructure, education and transport are made in Whitehall rather than municipal town halls. This centralisation undermines the ability and capacity of local institutions to meaningfully shape and design industrial strategy interventions.<sup>57</sup> As academics have argued, the UK is trapped between policies set at a national level which are too broad to be meaningful, and at the local level, which are too small to reap the benefits.<sup>58</sup>

Devolving greater powers and resources to local and regional authorities can enable more tailored and effective interventions. Local institutions are often better placed to understand

the specific needs and opportunities of their areas. Importantly, the government recognises the need to go much further and faster. Last year, it promised a ‘devolution revolution’ with a mayor for every region of England,<sup>59</sup> a promise that is in the process of being delivered. More recently, the chancellor has rightly promised to go even further, committing in her second Mais Lecture to developing ‘a roadmap for future fiscal devolution’, to be published at this year’s budget. This is the essential next step – in the chancellor’s words: “giving regional leaders control of a share of some national taxes which have, for too long, been allocated by central government.”

In many other countries, employing a wider range of additional taxes at a local or regional level is the norm. In some cases, local or regional governments can set tax rates or decide what gets taxed, and they keep the money collected. In other situations, they just receive a portion of the tax money from their area but have no control over how the taxes are set. In the chancellor’s case, she intends to introduce the latter. To really make the industrial strategy fly, pushing the accelerator on creating the institutions locally and regionally, and devolving power and resources – taking a maximalist approach in doing so – will be essential to ensuring we can have a truly ‘place-based’ industrial strategy.

Fourth, the government will need to build on its approach to foundational industries, including steel, cement, ceramics, glass, paper and basic chemicals. These are sectors that the public and the economy rely on, but

which have historically delivered low profit margins and limited GDP growth, and subsequently they often fall outside the spotlight within growth driven industrial strategies.

However, they are central to protecting supply chain resilience and national security. In an increasingly unstable world, where barriers to trade are being erected not eroded and conflicts which affect our supply chains are becoming more frequent, further interventions to support foundational sectors will be required.

Setting out a long-term approach for the UK's foundational industries and strengthening domestic capacity in essential materials and goods would complement the strategy's high-growth focus, enhance economic resilience, and ensure that the benefits of frontier sector expansion are fully underpinned by secure and sustainable supply chains.

## **CONCLUSION**

Navigating one of the most demanding strategic periods in modern history and delivering the economic transformation this century demands will be no easy

task. It will require two essential qualities from government and its approach to industrial policy: persistence and flexibility.

While geopolitical competition and security concerns rightly shape how we engage with other major economies, there are still lessons to be drawn from how successful industrial strategies are implemented.<sup>60</sup> As one expert on industrial policy has observed, what often distinguishes effective approaches is not a perfectly designed long-term blueprint, but a sustained focus on key technologies over many years. Strategies, tools, and even priorities may evolve, but consistent commitment has enabled steady progress and, in some cases, global leadership.

For the UK, success will depend on maintaining that same long-term focus while also being willing to adapt. Industrial policy must be iterative, testing ideas, learning from outcomes, and adjusting course as circumstances change. In an era of geopolitical uncertainty and economic pressure, combining persistence with flexibility will be more important than ever.

# CHAPTER 5

## THE NEW NORMAL

*Anneliese Dodds, the Labour MP for Oxford East and the former women and equalities minister and development minister, examines Britain's alliances as a middle power in a changing world*

I am writing this article two weeks into 'Operation Epic Fury'. Trump's initial prediction of a short, sharp conflict with Iran appears unlikely, given the lack of regime change despite heavy bombardment. The length of the conflict will be heavily dependent on political developments in both the US and Israel, with varying degrees of downside estimates of its likely impact on global growth and security.<sup>i</sup>

Trump is not alone amongst US presidents in commencing a war as an attempt to initiate regime change in another nation. Operation Epic Fury is, however, unique in being opposed by a majority of the US population. It

has also, of course, been met with a brick wall by many of the US's allies – including the UK.

The Labour government's approach seems to embody Keir Starmer's comments at the Munich security conference this February – that the 'very ground of peace' has been 'softening under our feet', and that, relatedly, the UK must cooperate more with Europe and 'diversify[...] and decreas[e] some dependencies' on the US.

Yet it was at the *previous* security conference, 13 months ago, that Vice President Vance made clear the removal of the American guarantee for Europe's security, as well as underlining the US

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<sup>i</sup> Some have suggested that the disruption from the war to global oil and gas supplies will be akin to the 1970s/1980s oil price shock. The impact on the global economy will likely be less, however, given that most economies are less oil intensive now than they were then, and that European economies, in particular, appear more resilient to energy shocks following the disruption of the Ukraine war.

administration's promotion of far-right parties on the continent and elsewhere. And globally, conflict has been on the rise since 2021, with deaths in battle, violence against civilians, and levels of population displacement all increasing over recent years.

Simultaneously, adherence to global norms has been wearing thin. Free and fair elections are becoming less common globally. This democratic recession started as far back as 2005, with a number of democratically-elected leaders sliding towards authoritarianism. And many international norms that were codified following the devastation of the second world war are being rapidly degraded, not least the Geneva Conventions' provisions concerning prisoners of war and humanitarian assistance.

This more conflict-ridden world is the one the 2024 Labour government has stepped into; but it is also a world where the centre of economic gravity has decisively shifted. At the time of the previous Labour government, almost a third of people worldwide lived on \$3 or less a day; today, fewer than one in 10 people live in that form of extreme poverty, with two-thirds of them in sub-Saharan Africa. When the last Labour government entered office, the UK's economy was larger than China's; now, it is a quarter of China's size. And in 2022, the Indian economy also overtook the UK's, precisely 75 years on from independence.

These trends – a fracturing transatlantic relationship, the backwards slide of democracy, and the eastward movement of the global centre of

economic gravity – have brought Britain to a new place in the world. In this new world, the UK needs a far more proactive approach to consolidating its alliances with likeminded nations if we are to better protect our interests and security. Our modern alliances must span beyond the US to encompass the EU and its member states, but also other countries, including so-called 'middle powers' and global south nations. Increasing our hard security must go alongside far deeper and more sustained work to promote the UK's attractiveness to new allies, especially when it comes to our shared interests in strengthening international rules and norms. This approach must be framed for the world we confront **now**, with the balance of economic and soft power having shifted irreversibly over recent decades.

### **WHAT TO DO?**

The worst response would be to believe that conflict and contestation we see today will end soon – for instance, by pinning our hopes on a shift back to a Democratic president in the White House. Responding with passivity, acting as a bystander while international norms are shaken, will harm rather than protect our country's interests. This is not only because we cannot outgun those 'great' men seeking to refashion the global order to their interests. It is also because the UK's interests are best served by a hardheaded pursuit of the rule of law, and the strengthening of alliances with other nations that are committed to it.

Along with colleagues from other political parties, I supported Global

Nation's recent report 'Rules Britannia'.<sup>61</sup> It suggested that a commitment to the rule of law, buttressed by alliances with likeminded countries in Europe and middle powers, offered the strongest protection for our country's security and interests. I would add that the coalition we need to build must stretch beyond the middle powers to encompass other potential allies, who currently have a positive view of the UK but would not count themselves as natural partners. Much of that positive view is, of course, due to our country's soft power.

A large part of that British soft power has arisen from the international perception of our commitment to the rule of law. This is one of the many reasons that Boris Johnson's premiership was so disastrous for our international standing. Our common law systems are still the bedrock of commercial and international agreements, and our legal services contribute handsomely to UK plc. Britain is uniquely placed as a member of more multinational alliances than any other country, from the Commonwealth to NATO and from the UN security council to the G20, G7, OECD, Council of Europe and more. And our country's safety and stability, alongside our academic excellence, are some of the many reasons why so many world leaders have spent time in the UK as students and pupils.

We are therefore in a position of

strength rather than weakness when it comes to reinforcing the UK's alliances with others, committed to sovereignty, stability, and the rule of law.

### **ALLIANCES IN OUR INTERESTS**

The US will always be a partner of the UK, not least because of our people-to-people links, our shared history and culture, and the crucial role that NATO plays in our security. But the prime minister's reference to the need to 'diversify and decrease some dependencies' is crucial when the current US administration is frequently acting as a destabilising force, and seeking to dismantle many of the institutions which have served our country's interests, as well as those of global security and stability. As the 2025 National Security Strategy put it, "British interests are best served by the preservation of international security and effective multilateral cooperation on issues from economic stability to energy policy."<sup>ii</sup>

### **THE EU**

First, the UK must continue to deepen our relationships with the EU. As Rachel Reeves acknowledged during talks with the European Commission in February, "we are sliding towards a world where the rules are less clear", and "[a]gainst that backdrop, the UK and EU share values and objectives when it comes to

<sup>ii</sup> This is echoed in the Strategic Defence Review's point that "[a]lliances and partnerships are the bedrock of global stability and are even more important to the UK in the context of growing risk and uncertainty" (P.73, Strategic Defence Review, 2025, Making Britain Safer: secure at home, strong abroad).

the economy, to trade and to security,” so we must, as far as possible, “speak with one voice.”

It would be naïve, of course, to suggest that the EU itself has only one voice. Ursula Von der Leyen, the president of the Commission, has sought recently to downplay the projection of the rule of law as opposed to ‘hard power’. Yet on defence, decision-making still lies decisively within capitals, and here António Costa, leader of the European Council and a member of Labour’s Portuguese sister party, has been crystal clear: “it is in [the EU’s] interest to ensure that the world remains rules-based and cooperative” – not least, one might add, when the EU still lacks sufficient hard power to be solely reliant on it.

It has been encouraging to see the Labour government sign the first defence treaty ever between the UK and the EU, deliver the EU-UK May summit, and conclude bilateral agreements with EU member states, including the Kensington Treaty with Germany. Talks on Erasmus+, energy, carbon trading, and food and drink augur favourably in advance of the next UK-EU summit that will take place later this year.

It is, however, in the areas of defence and democratic resilience where much stronger and deeper coordination is urgently needed. The UK’s exclusion (so far) from Safe and Made in Europe is worrying. Our inclusion in the Ukraine loan facility suggests that there are still openings for the UK, but we will surely need to work harder to push for ambition and encourage the EU (and especially France) to do the same.

Europe – speaking here of its continent *and* islands – needs to be able to defend itself, and that means far greater joint procurement and production than has been the case until now.

Debates on the EU’s economic security need to extend to the UK as well. These must cover ensuring greater sovereign control, in Europe, of the AI and other automated infrastructure needed for modern defence and security. Given the enormous set-up costs of growing effective AI systems, the UK’s Sovereign AI Unit needs to expand its remit beyond supporting national champions to collaborating with likeminded nations on the production and control of core layers of the AI stack. In addition, the government must move beyond bilateral information-sharing with EU nation state ministers on AI and other developing technologies towards a structured, ministerial-level tech dialogue between the EU and UK. This must cover the potential for regulatory alignment where this is necessary to protect against foreign interference and to promote tech sovereignty.

### **MIDDLE POWERS AND BEYOND**

In the field of tech regulation, we can see other nascent alliances between the UK and likeminded nations – from Canada to Australia, Japan and South Korea. However, our modern alliances must also span global south nations from Brazil to South Africa, India and Indonesia, and reflect strategic partnerships with nations from Jordan to Saudi Arabia and Nigeria. These alliances will, of course, have a variable geometry given that some will be with

countries that are not democracies. But they must all be based around the core principles that are in the UK's interests and those of the nations mentioned above: territorial sovereignty, collective security, adherence to humanitarian principles, and free and fair trade.

This 'middle power consensus' is contested by China, Russia, and arguably now also the US. It places the UK, and the nations mentioned above, in a position where we have to defend our values, prosperity, and security. We must work together, and increasingly as a bloc, in the face of declining global solidarity<sup>62</sup> and attacks on multilateral mechanisms by China, Russia and the US.

This need is mentioned within the UK-India 2035 strategy, which states that both nations "will work together to promote reform of the United Nations... and [other] multilateral institutions... ensuring these bodies...are equipped to address emerging challenges". Putting this into practice will, however, require a shift in political and diplomatic approach, in order that our country instinctively connects as early and repeatedly with middle power partners in the development of policy positions as it often does with transatlantic and European ones.

Relatedly, the UK must urgently intensify its partnership with both the African Union and likeminded African nations. The UN has predicted that by

2050 one in four of the world's population will live on this extraordinarily diverse and speedily growing continent. The UK has offered some support towards better recognition of this in the multilateral system, pushing for African representation on the G20 and in the World Bank and IMF. Nonetheless, as things stand, our nation is being overtaken by a plethora of others, including China, some of the Gulf nations, and Russia.

Turning this around needs more than seeking to revitalise the Commonwealth, as important as that is. It must also acknowledge the need for the UK to have stronger *bilateral* relations with certain African countries, and the opportunities available with many francophone nations which are seeking a new set of global alliances.

The Labour government's 'Africa Strategy' was rather unusual in the field of foreign policy for involving extensive and open consultation with African governments, business, and civil society. Now that it has been released, it must be visibly delivered: for tangible, trusted UK investment and economic partnership, for reform of debt restructuring, for intensified military and security cooperation,<sup>iii</sup> and for African voices to be loudly heard during the UK's G20 presidency in 2027. The UK's sizeable African diaspora can play a more significant part in this than at present.

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<sup>iii</sup> There are some excellent existing examples of this including the UK's links with the Senegalese military, and longstanding connections of course with Kenya and Somalia.

**CONCLUSION**

Volatility is the new normal, and will be hard to face alone. Our alliances today should not only reflect historical connections, but a hardheaded assessment of which nations share our values and goals, not least our country's commitment to international norms

including territorial sovereignty. As the great philosopher Aristotle said, "a friend to all is a friend to none" – so we must be selective. But as the not-so-great philosopher Winnie-the-Pooh said, "[y]ou can't stay in your corner of the Forest waiting for others to come to you. You have to go to them sometimes."

# CHAPTER 6

## URGENCY AND CONVICTION

*Andrew Lewin, the Labour MP for Welwyn Hatfield, argues that changing times warrant a re-examination of Britain's relationship with the EU*

Brexit has failed on its own terms. It has left our economy weaker, limited our ability to deal with irregular migration, and reduced our influence in the world. It is a decision that looks far different in 2026 than was promised in 2016. Back then, Barack Obama was still in the White House, and war in Europe was as unthinkable as a US president threatening to seize Greenland by force. In the intervening years, the world has changed – and the promises made to people who voted Leave have been systematically broken.

A comprehensive UK/US free trade deal was supposed to be the “easiest trade deal in history” according to Liam Fox, the post-Brexit trade secretary. It never materialised. The EU remains our largest trading partner, but after leaving the customs union and single market, the cost to do business with our closest neighbours has risen dramatically. The added regulatory and financial burden has resulted in 16,000 UK businesses

stopping exports to the EU entirely. The hit to UK GDP is estimated to be at least £40bn; some economists put it higher still.

Small boats carrying people seeking asylum didn't land on UK shores when we were an EU member state. Had they done so, they would very likely not have ended up living in British hotels. Instead, they would have been legally returned to the first EU country in which they arrived under the Dublin III regulation. We left the Dublin III regulation in December 2020. By 2022, the small boats crisis was a pre-eminent issue in UK politics.

The failure of Brexit was crushingly predictable, but it is not the job of Labour politicians to lament what we have lost. Rather, it is our responsibility to have a vision for a future UK/EU relationship, make a consistent political argument for it, and be clear eyed on how we can work with our allies in Europe to deliver on it.

## A NEW DEBATE

In 2016, we were in the foothills of the populist wave. Ten years later, few people could have imagined that the US would be introducing blanket tariffs on its allies. Fewer still would have considered it possible that Ukraine would be in the fourth year of an existential fight for survival against Vladimir Putin, in which hundreds of thousands of lives have been lost and the frontline moves at a speed that historians of the first world war would recognise.

Our central argument for a closer and stronger relationship with the EU cannot simply be that 2016 was a mistake. It must reflect the world as it is today. This starts from the conviction that in a changed and undoubtedly more dangerous world, the case for the UK rebuilding closer economic and security ties with our nearest neighbours has never been more compelling.

The other essential foundation is a good and improving relationship with our friends in the EU27, one that rebuilds trust lost during the Brexit years and a common view that a deeper partnership is desirable, achievable, and in our mutual interest.

## THE LABOUR GOVERNMENT AND A UK-EU RESET

We are headed in the right direction. Our government was elected less than two years ago, but relations between Brussels and London have dramatically improved. Rachel Reeves was the first chancellor to attend a meeting of EU finance ministers since we left the EU, and the prime minister hosted Ursula Von der Leyen for the first annual

summit in May last year. The summit was more than just a symbolic moment – the common understanding signed was the first concrete move towards closer partnership in more than a decade.

The Erasmus+ deal is already signed, creating opportunities for up to 100,000 young Brits to live and learn in the EU from 2027. Students and apprentices will benefit, and there is a welcome focus in the Cabinet Office on ensuring that the opportunities extend to people from all backgrounds.

Negotiations on a wider UK/EU youth mobility scheme are happening as I write this piece, and our government should feel emboldened. There is consistent majority support from the public for a youth mobility deal. People recognise that young Europeans come to the UK to work, contribute, and deepen cultural connections. They know that another generation of young Brits should not miss out on opportunities to live in the EU that were open to their parents. Moreover, with net migration falling sharply in 2025 to 204,000, and continuing to trend lower, the UK can have an ambitious youth mobility deal *and* deliver on our manifesto promise to cut overall migration from 2024 levels.

The common understanding also includes the joint ambition to agree a new sanitary and phytosanitary (SPS) agreement, UK participation in the EU's internal electricity market, and a plan to link our respective emission trading schemes. These would all be substantive steps forward and would cut costs for both businesses and consumers.

It is hard to overstate the importance of the current negotiations. I have

spent time in Brussels and with to EU representatives based in London, and a phrase I have heard repeatedly to describe the Brexit negotiations from the EU's perspective is 'scarring'. The Conservatives' approach did serious damage to our economy and our credibility. For the EU to entertain a further and more ambitious deal with the UK, we must first make sure we turn the common understanding into a robust agreement.

### **A SWISS-STYLE DEAL?**

The chancellor said in early 2026 that stronger trade ties with the European bloc are "the biggest prize" for Britain. Despite the barriers erected by the Brexit deal, the EU accounts for 42 per cent of UK exports and 52 per cent of imports. The greater our participation in the single market, the greater the economic benefit to the UK.

The Swiss have a complex but unique arrangement with the EU. The Swiss rejected EEA membership in 1992 and their relationship has evolved through bilateral treaties. Switzerland voluntarily adopts parts of EU law and integrates into the EU's single market, but not as full members.

The common food safety area set out in the Swiss deal is a good precedent for our negotiations for an SPS deal. Similarly, the Swiss-EU agreement on electricity also provides a framework for our own approach to electricity trading. They also have a deal on mutual recognition of conformity assessments – currently outside of the scope of UK/EU negotiations, but crucial for removing technical barriers to trade in the future.

Given that the UK economy is driven by services, which comprise almost 80 per cent of our GDP, any option that increases our access to the single market has to be taken seriously. One of the great ironies of the Brexit saga is that the EU single market was driven forward by a Conservative government in the 1980s because they recognised how much we stood to gain.

While taking a Swiss model seriously, we can't ignore the trade-offs. It would certainly involve UK financial contributions to the single market and a renewed debate about freedom of movement. Freedom of movement exists between the EU and Switzerland, although Switzerland has negotiated an 'emergency brake', that can be pulled if numbers are judged by their government to be the cause of, "economic or social damage."

### **THE E6: NEW POSSIBILITIES?**

Switzerland is not the only country with a bespoke arrangement. In 2025, six EU member states formed the E6. Together, Germany, France, Italy, Spain, Poland and the Netherlands comprise 70 per cent of the EU's population. They decided to establish a new forum that could move faster than the EU27 on a shared agenda.

The E6 has four stated priorities: deepening European capital markets, expanding the international role of the euro, tightening coordination in defence procurement, and ensuring the resilience of European supply chains. This is a reaction to a different world, where a pandemic, the war in Ukraine, and anxiety over global supply chains is

driving reappraisal in the EU about how best to work together.

The emergence of the E6 leads me to believe that pro-Europeans in the Labour party need not limit our ambition to a Swiss deal, a customs partnership, or any pre-existing agreement. The global shifts we are living through are as great as any since the fall of the Berlin wall, and with such change, the mutual interests of the EU and the UK are changing too.

In 2006, leaving the EU was a fringe idea in UK politics. A decade later, it was a sad reality. In 2026, the world order

has changed, and the stakes are higher than ever. Bound together by geography, history, and shared values, the UK-EU relationship is as essential to our security and prosperity today as it has been in decades. It falls on this generation of Labour MPs, and this Labour government, to rebuild our alliances in Europe and to reimagine what is possible. The world is changing at pace and so is our continent. We cannot fear the shadow of the 2016 referendum, we need to make the case for a renewed and stronger relationship with the EU and to do it with urgency and conviction.

# CHAPTER 7

## REAL AND IMMEDIATE

*Alex Baker, the Labour MP for Aldershot, and Calvin Bailey MBE, the Labour MP for Leyton and Wanstead, propose institutional reform to meet a new era of conflict*

For far too long, we have been living in the comfortable delusion that war and instability are distant hypotheticals. Even after Russia's invasion of Ukraine – a vast and devastating war on Europe – complacency has persisted. But the belief that we are insulated from geopolitical chaos and resurgent aggression could not be more wrong. Conflict is our present reality, wreaking havoc on the UK and our most vital interests.

The US-Israel war on Iran has drawn in British assets and personnel to mitigate the ensuing damage, placing pressure on already stretched forces and limiting us to consequence management. Russia's brutal campaign against Ukraine continues, alongside a wider strategy<sup>63</sup> of quieter aggression across Europe designed to test and undermine our infrastructure, our industry, our institutions, and our social cohesion; in other words, our ability and resolve to resist domination.

We must be clear, then, that this is not a 'prewar moment'. Preparing for potential conflict is yesterday's problem. Today's is preparing, through rearmament, for further escalation. In doing so, we must be clear-eyed, focusing on our core security problems and the allies with whom we are most strategically aligned and on whom we can most rely.

Our core problem is European security, including in the 'high north' – that is, in and around the Arctic – and across every operational domain, from air and naval defence to the eastern borderlands, from space to cyber and information warfare. And while we can and must work better with fellow middle powers around the world – particularly Canada and Japan – our core partners are our fellow Europeans. This creates an overwhelming strategic imperative for cooperation.

It would be easy to become locked in facile debate about how much the quantum of investment needs to

increase and where that money will come from. That is the trap being set, with jaw-dropping hypocrisy, by the Conservatives, who hollowed out our armed forces and weakened cooperation with our European allies. Labour has a responsibility to look past that trap, because only we are capable of recognising the strategic imperatives and delivering the comprehensive change required to defend Britain today.

Rebuilding our defences will require spending more, and quickly, a task made harder by the disappearance of the 'peace dividend'. But while the fiscal questions are difficult ones, they are just one part of the challenge. We will only be able to create sustainable resilience if we can also spend smarter, faster and more collaboratively. That means confronting three interconnected problems: how we finance defence, how we procure capability, and how we work with our closest partners to deliver both at scale.

### **THE ILLUSION OF "JUST SPEND MORE"**

There is now a broad political consensus that defence spending must rise. The government has already committed to the largest sustained uplift since the cold war. But there is a growing recognition that simply increasing budgets will not deliver the capabilities we need.

The reason is straightforward: defence inflation. Since 2022, the cost of munitions, platforms and logistics has risen sharply, driven by global demand and constrained supply. More money, when poured into a system that cannot scale efficiently, risks being absorbed

by rising prices rather than increased output.

At the same time, we hear a consistent message from industry, particularly from small and medium sized enterprises across the supply chain: order books are full; demand is strong; but the capital required to expand production simply is not flowing. As set out in recent work on UK defence financing,<sup>64</sup> the system suffers from deep structural barriers: limited access to credit, fragmented funding pathways, and long payment cycles that strain cashflow. SMEs often struggle to secure even basic financial services, while banks remain cautious about lending into a sector characterised by uncertain timelines and single-use outputs.

The result is policy failure. At a time of heightened threat, we have both demand and industrial capability. What we lack is insufficient financial and procurement architecture to connect the two and drive the sustainably increased industrial capacity needed for rearmament within our fiscal means.

### **A SYSTEM BUILT FOR THE WRONG KIND OF CHALLENGE**

Part of the problem lies in how the UK has traditionally approached defence. We continue to treat defence procurement as a series of discrete, short-term purchases, managed within annual budgets. But modern defence capabilities, including combat air, advanced munitions and cyber systems, are long-cycle investments, and only affordable for middle powers like the UK on the basis of exports or joint procurement. These capabilities require

patient capital, stable funding and the ability to manage risk over decades rather than years.

When that system-level financial support is absent, strategic risks to programmes, such as those from political decisions, diplomatic divisions, or technology change, do not disappear. They are pushed downstream into individual programmes, where they reemerge as delays, cost overruns and reduced capability.

We have seen this pattern before, including in long-running debacles like the Ajax vehicles programme. Programmes become overstretched not because of engineering failure, but because financial and industrial risks are not properly managed at the system level.

Financial and procurement reforms are necessary to fix this problem and enable our defence enterprises to deliver rearmament at scale rather than woefully poor value for public money.

### **REFORMING PROCUREMENT**

Across Europe, fragmented procurement systems continue to drive up costs and slow delivery. National silos lead to duplication, inefficiency and missed opportunities for scale. Even where cooperation exists, it is often underused or constrained by competing priorities.

The prime minister's recognition of this point in Munich<sup>65</sup> was welcome. Alongside the heightened attention of our closest allies to the urgent need for coordinated rearmament, it creates an opportunity to break through these long-standing barriers to effective European defence.

The challenge is as much domestic as

it is international. In the UK, procurement processes are often ponderous, devilishly complex, and risk-averse to an extent that is utterly counterproductive. For SMEs, in particular, long contracting timelines and delayed payments create significant barriers to entry. The consequence is a narrower industrial base, reduced competition and innovation, and ultimately poorer value for the taxpayer.

Reform must therefore focus on three principles:

1. Pace. We need procurement processes that can move at the speed of the threat, not at the speed of bureaucracy.
2. Resilience. That means embedding SMEs into supply chains, improving payment practices, and ensuring that smaller firms can access the opportunities created by increased defence spending.
3. Alignment. Procurement decisions should be linked to long term industrial strategy, ensuring that investment builds industrial capacity that is sustainable rather than short term.

### **THE MISSING PIECES: FINANCING DEFENCE AT SCALE AND IN COOPERATION**

If there is one issue that underpins both procurement challenges and industrial constraints, it is finance.

Across Europe, governments face a difficult balancing act. Defence spending must rise, but so too must investment in public services such as health, housing, and education. Fiscal space is limited and political pressures

are real.

This is why we need to rethink not just how much we spend on defence, but how we pay for it. One solution is the creation of new financial institutions<sup>66</sup> designed specifically to support defence and resilience, such as a multilateral Defence, Security and Resilience Bank.<sup>67</sup> The principle is simple. By pooling the financial strength of multiple nations, such a bank could raise capital at lower cost, provide long-term financing to industry, and underwrite the risks that currently deter private investment.

This is not about bypassing fiscal discipline, but about recognising that defence, like infrastructure, requires long-term investment frameworks. It is about separating decisions on capability from the mechanisms used to finance it and, in doing so, creating the conditions to tackle defence inflation and create genuine defence capabilities at lower cost. Crucially, it would also support SMEs across the supply chain, providing access to credit, stabilising cashflow and enabling firms to scale in response to demand.

None of this can be achieved in isolation. Geography and reality dictate that the UK's security is inseparable from that of our European neighbours. Russia's aggression, instability in the Middle East and the broader fragmentation of the global order all reinforce the need for closer cooperation. Recent steps towards joint procurement initiatives<sup>68</sup> are welcome. But cooperation must go much further and much faster, encompassing financing, industrial strategy and supply chains.

The wider machinery of government

could be improved. The defence of our nation is overwhelmingly important. But despite cross-government agreement on the strategic 'ends', the policy space remains dominated by self-defeating orthodoxy. Parts of government whose job it is to deliver the 'means' must work coherently with those focused on the 'ways' to enable the ambitious and imaginative solutions we require.

Europe already has many of the institutions needed to deliver the faster, deeper change we need. NATO provides an invaluable framework for coordination. National development banks – already present in many partner countries – offer models for financing. What is missing is the integration of these elements into a coherent system.

A multilateral approach to defence financing would not only strengthen Europe's industrial base but enhance our strategic autonomy. It would enable us to respond collectively to shared threats, while maintaining national control over defence policy.

For the UK, this represents both a necessity and an opportunity. With our financial expertise, industrial capacity and global outlook, we are well placed to lead in this space.

## **TECHNICAL CHANGE, STRATEGIC CONSEQUENCE**

History offers a clear warning. When defence is underfunded, poorly structured or fragmented, the consequences are felt not just in capability gaps, but in lost industrial capacity and diminished strategic influence.

Today, the biggest risk is not that we

fail to spend enough, but that we fail to spend effectively. If we continue with a system that cannot scale, that struggles to finance growth, and that remains fragmented across national boundaries, we will fall short of what this moment demands.

But if we act, by reforming procurement, by rewiring defence financing, and by deepening cooperation with our European partners, we can build a far more resilient system. Shared European hard power with reduced dependencies would enable us to shape world events in line with British interests. First and foremost, this means deterring further Russian aggression, but it would also

reduce the risk that extraordinarily damaging misadventures like the present US-Israel war on Iran reoccur.

The problems of procurement, financial architecture, and joint procurement are technical, but they can no longer be obscure. These questions matter enormously to the future of our country; this is not simply about defence, but national resilience, economic strength and our ability to protect the values we hold dear.

The threats we face are real and immediate. The question is whether we are willing to match them with the scale of response required. Now is the moment to do so.

# CHAPTER 8

## LESSONS FROM HISTORY

*Liam Byrne, the Labour MP for Hodge Hill and Solihull North and chair of the business and trade select committee, examines the forces pulling Britain apart, the rise in populism, and how progressives can beat them.*

The uncomfortable truth is that to beat the populists, we must first understand why they are winning.<sup>69</sup> Not in a grudging, dismissive way, or by kidding ourselves that voters have been duped, and politicians like Farage are simply good showmen. We must seek to understand in a rigorous, forensic way that takes seriously the forces that have made populism not merely an improv protest, but a Force 10 political project.

The scale of the challenge is now impossible to miss. In 2024 – democracy’s big year, over the course of which 1.5 billion people went to the polls – every single governing party facing an election in a developed country lost vote share. From Washington to Warsaw, voters rolled the dice with populist leaders they felt they knew. Populists now command around a quarter of the world’s democracies and leaders like Trump, Farage, Le Pen, and Meloni now command the pitch. Yet is this peak

populism, or populism’s tipping point?

### **DEMOCRACY’S BROKEN PROMISE**

At one level, the populists’ success should not surprise us. In the glades that opened when the Berlin Wall fell, we built a global economy of trade and technology that was at first an extraordinary boon. But over time, thanks to a cascade of bad decisions, that same economic model handed extraordinary riches to a lucky few while leaving millions behind. As Ben Page, the former chief executive of Ipsos Mori, memorably put it: “we created a society of haves, have-nots, and have yachts”. Then came the great financial crisis – the moment that, as Sam Freedman rightly argues, “everything got worse.” Productivity collapsed. Wages flatlined. Services were hollowed out.

In the west’s heartlands, the promise that every generation would do better than the last collapsed. The escalator

stopped. For millions, it began to run in reverse. Average earnings in major western economies have grown at just 0.6 per cent a year since 2008 – a 60 per cent collapse from the pre-crisis trend. That means that, whereas once wages doubled every generation, now they double every era; at the current rate, it will take over a century for wages to double. As YouGov’s Peter Kellner told me: “a large part of the rise of populism can be traced to younger generations who fear they will never do as well as their parents.” Professor Jane Green has a sharper phrase: millions now are not just “have-nots” – they are “won’t-haves”.

Things are so bad that free countries are now growing more slowly on average than dictatorships. Democracies are hemmed in by what the Economist calls the ‘deficit-populism doom loop’:<sup>70</sup> when politicians appease markets, voters revolt; when they appease voters, markets revolt. To millions of people, the system feels not just broken, but rigged. Kelly Beaver, chief executive of Ipsos Mori, put it plainly to me: “a majority of people believe the state is rigged for the rich and powerful. The elites are not working for people like me”. My own polling with Best for Britain and YouGov confirms this. The most zealous Reform voters overwhelmingly believe that ‘the economy is rigged to advantage the rich and powerful’, and far less likely to believe that ‘a hard day’s work delivers a fair day’s pay’.

Coupled with this, the ‘social glue’ that once held communities together has dissolved. Four in five hardcore Reform voters believe their area has

declined – and over half say their area has declined ‘a lot’, more than double the national average. Ethnographic research finds that communities that feel ‘shat on from a great height’: high streets in decline, community spaces and public halls boarded up, beauty spots fly-tipped. This adds up to a real sense of decay. As Claire Ainsley put it to me, the crisis runs deeper than wages or living standards: “it’s partly wealth – earning power – but it’s as much dignity as anything else. And status”.

In these conditions, populism thrives as voters react to higher levels of immigration. Voters who feel their lives have buckled, their dreams have been betrayed, their communities are spiralling out of their control – in an economy where the rules are rigged against them while others cut ahead in the queue – are furious with those they see as the authors of their agony. Not least because social media now quickly deepens divisions.

Peter Kellner puts it like this: “democracy has always been both a moral and an instrumental project”. We value it, but it has to work. And right now, millions do not believe it does. Democracy, once cherished for its promise, is now distrusted for its performance. Populists win when millions feel the ‘fairness code’ – the foundation of our communal life – is well and truly broken. People who have done everything right – worked hard, paid taxes, raised families – feel cheated by a system that no longer rewards their effort. In these conditions, voters search for easy answers: over 60 per cent of hardcore Reform voters strongly

agree that ‘we need a strong leader to take the country back from the rich and powerful’.

### **UNDERSTANDING THE MARKET FOR POPULISM**

If we are serious about defeating populism, we cannot simply denounce it. We have to understand it with the same rigour we would apply to any political challenge. That means understanding the demand side: who is actually voting for Reform, and why. It also means understanding the supply side: the message, the media infrastructure, and, crucially, the money that funds the whole enterprise. Only by understanding all of this can we build a project capable of beating it.

On the demand side, the first and most important thing to understand is that Reform’s coalition is not monolithic. Our research with Best for Britain and YouGov reveals at least five distinct voter tribes within it. The ‘disgusted disruptors’ – one in five – hold the most ferociously antiestablishment views and feel a strong sense of personal injustice. The ‘left-behind collectivists’ – one in four – are struggling hardest financially, yet hold the strongest faith in the welfare state and the NHS. The ‘traditional conservatives’ – one in seven – are the most financially secure but also the most pessimistic. The ‘melancholy middle’ and the ‘civic pragmatists’ make up the rest: less ideologically committed, more potentially persuadable. Reform’s supporters are not a single army marching in step, but a fragile alliance bound more by discontent than common convictions.

This matters enormously for strategy. While these tribes are largely united on immigration, they are sharply divided on everything else: on the climate, welfare, the NHS, and even Europe. Many of the most persuadable Reform voters worry about pay, pensions, bills, and social security. They are open to Labour, the Lib Dems, and even the Greens.

### **THE MESSAGE, THE MEDIA – AND THE MONEY**

On the supply side, today’s populists are among the best communicators in the world – better than mainstream politicians and better masters of new digital channels. The reason is simple: for too long, mainstream politics has offered word salads, while populists holler a *cri de coeur*. They offer simple stories for complex times. Their politics plays like country music: three chords and the truth. The first chord is patriotism and renewal. The second is nostalgic conservatism: a hunger for what has been lost, evoking a golden age before betrayal by elites, Europe, or globalisation. The third is the summons to struggle, casting politics as moral combat. Three chords: pride, peril, and the promise of return. Different tunes with the same refrain.

And here lies the paradox: the language of renewal is drenched in decline. The call to arms is wrapped in grievance. The dream of a future is shackled to the myths of the past. Populists promise movement, yet bind us to memory. They preach freedom, yet thrive on fear. They summon unity, yet prosper on division. This style is

perfectly adapted to dominate digital platforms, where the algorithms reward emotional content and moral outrage. Social media today is not a marketplace of ideas. It is a casino of emotion, rigged by design.

The media infrastructure that amplifies this message is not accidental. Our research with the data science company Signify mapped the digital information ecosystem that Reform voters inhabit and found it is dominated not by British voices, but by American antagonists. Elon Musk, Donald Trump, Tucker Carlson, JD Vance, Joe Rogan, Jordan Peterson – these are the top influencers whose content circulates through the networks that shape Reform opinion, amplified by American big tech. As one journalist who tracks these networks told me: “Musk hijacked the entire narrative around the UK for about six days. With forty tweets”. Britain’s populist movement is, to a remarkable degree, an American franchise operating on British soil.

And then there is the money. One hundred and thirty years after American oil magnate Mark Hanna quipped that ‘politics could be understood only by following the money’, the lesson still holds. Over five years, we have tracked over £175m flowing through Britain’s populist media-political complex. Around three-quarters comes from just four men, with hedge-fund manager Paul Marshall alone contributing over £61m. The overwhelming majority has been routed not into political parties, but into media systems. GB News alone has received nearly £96m. From clicks to crypto to Christianity, populists have

built a formidable machine: raising vast sums of money, converting money into votes, and votes into power. It is an extraordinary operation, but we can stop it.

### **THE PATH TO DEFEAT**

The lesson of history is blunt. In Weimar Germany, the tragedy was not only the audacity of democracy’s enemies, but the timidity of its defenders. As historian Christian Goeschel put it: “They [the SPD] should have been so much more courageous in promoting the Weimar Republic [...] in fighting against the Nazis. They were basically tiptoeing”. The robust defence of liberalism, he concluded, cannot be left to legal process or half-measures. It must be fought for, boldly, or it will be lost.

In 1933, confronted by the rise of extremism on both left and right, Franklin Roosevelt showed the alternative. He did not out-shout the demagogues; he out-performed them. He made government work again so that people could believe again. He transformed anger into agency and despair into determination. He launched the New Deal not as a soundbite, but as a covenant between government and the governed – a promise that democracy would deliver dignity, work, and security for all. In doing so, he rearmed democracy with justice: proving that progress need not mean disorder, and that freedom without fairness means nothing.

That is the challenge before us now. Defeating populism requires three things. First, mobilising a majority

bigger than the populist bloc, by lifting living standards, restoring pride in place, and rebuilding trust that government can work. Second, taking apart their story to beat them on their own terrain, exposing their economic fantasies, their selective patriotism, their falsehoods on social media. Third, shutting off the dark money that finances their bleak ambitions. But none of this is possible without first doing what this essay has tried to do: understanding the forces we are

up against. The antidote to populism, at its core, is optimism plus fairness plus performance. Populism thrives in broken conditions. Fix the conditions and the populists lose their fuel. But that takes boldness in the solutions we offer. Like Franklin Roosevelt, we cannot simply take shelter from the storm. We must sail the tempest.

*Liam Byrne MP is the author of Why Populists Are Winning – And How to Beat Them (Head of Zeus, 2026)*

## ACKNOWLEDGEMENTS

Thank you to Holly Huntrods, Josh Lee, Jade Fearon-Jones, Olivia Coyle, Mace Dickinson, Brendon Querioz, and Sameer Siddiqui for their support.

Thanks also to the team at the Fabian Society, particularly Joe Dromey, Rory O'Brien, Ash Singleton and Miles Ward.

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