THE OPENING ESSAY · PART I OF III

The Failed Settlement

Why the present settlement has failed and why it persists.

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Britain's political settlement is exhausted.

For roughly half a century, governments of left and right have converged around a model that promised prosperity through open markets, globalisation and the free movement of capital, goods and labour. The state would regulate the economy, redistribute wealth and manage an increasingly diverse population through multiculturalism and an expanding matrix of overlapping rights.

Conservatives supplied much of the economic grist, whilst New Labour transformed it into a broader political settlement, accepting the market reforms of the 1980s but embedding them in a new global, post-national social liberalism. Economic policy came to rely on population growth, asset appreciation, consumption and services, whilst the state expanded to manage an increasingly complex and diverse population that would begin to reshape the nation.

For a time it worked. Market reform and open trade delivered real gains, and in the decade before the financial crisis productivity grew by around two and a half per cent a year. But those gains had come to depend on cheap credit, rising asset prices and imported labour, and when the crisis came they stalled. Since 2008 productivity has grown by around half a per cent a year, more slowly than at any time in the previous century.

Growth relied on rising numbers rather than rising output per worker, whilst prosperity relied on housing wealth rather than wages and the state relied on borrowing and imported skills rather than investing in its own people.

The results are now difficult to defend.

Living standards have barely grown. A home in England now costs more than seven times average earnings, more than double the ratio of the late 1990s, eroding aspiration and delaying family formation. Energy and infrastructure are expensive, strategic assets and productive capabilities have passed into foreign ownership and a historically large state struggles to build infrastructure, control its borders or provide reliable public services.

The social consequences look no better. Rapid demographic change combined with multiculturalism has weakened social cohesion, created unassimilated parallel communities and polarised political discourse, while national identity remains curiously unarticulated by the state that governs the country.

The deeper issue is that the settlement treated the nation as an economic platform disconnected from its people and its past. The state was agnostic towards the source of capital and labour, and ambivalent to foreign entities owning huge swathes of the countries strategic assets, whilst national culture evolved to whatever population happened to inhabit the territory at the time. The government's role was to try and maintain economic activity and manage the social fallout.

Under this model Britain has become larger in aggregate while becoming less productive per person, less cohesive, less capable, less affordable and less recognisable. Disagreements over immigration, Brexit, taxation, inequality, public spending and culture rage on, yet there is broad agreement that what we have is not working.

Old party loyalties are collapsing and elections have become volatile. Politics has become fragmented and antagonistic, and periodic disorder exposes communal tensions that sit uneasily with the claim that diversity is our strength.

The political establishment senses a loss of legitimacy but struggles to confront its causes, preferring to police discussion rather than address the conditions producing discontent. The existing political order has run its course and the field is open for a new settlement. But to replace it, we first need to understand why it has lasted.

I. Why the Settlement Persists

Four mechanisms maintain the status quo and each one has its own set of beneficiaries. The current settlement persists because it continues to reward those who maintain it.

Power without responsibility

Over three decades, governments of both parties deliberately handed decisions to courts, commissions, regulators and international bodies. Delegation allowed ministers to avoid contentious choices and to pass the blame for their consequences to someone else, and a minister who cannot be held responsible for a decision has little reason to take it back.

The institutions that received this authority acquired mandates, budgets and professional standing, which they now defend. The result is a state in which power is dispersed, responsibility is unclear and decisions face veto blocks.

The pattern runs across government. Planning decisions have migrated to inspectors, statutory consultees and the courts, while questions of immigration and deportation have migrated to tribunals applying rights law. Monetary policy was made independent, but then the same logic was extended to areas where it did not belong, among them equality, sentencing and the regulation of speech. Each transfer of power was defended and executed in isolation, but together they have produced a state in which no one is ultimately in charge.

The short horizon

Population growth raised total output even as output per person stagnated, and because consumption and rising asset prices produced visible growth within a single electoral cycle, governments could report success without investing in what makes a country richer over time. Investment in energy, infrastructure

and industry, whose returns arrive after the next election, was the easiest thing to defer, and so it was deferred repeatedly. We reward activity today over capability tomorrow.

Housing shows the pattern most clearly. Restricting supply raised prices, and rising prices increased the wealth of existing owners, who are also the most reliable voters, so every government promised more homes while none was willing to bear the cost of making the structural changes that were required to actually build them. Energy followed the same course. Decisions on new nuclear power were put off for a generation while existing plants aged, leaving the country dependent on imported gas and exposed to external price changes.

Training followed the same logic. It was cheaper for an employer to recruit a qualified worker from abroad than to train one at home, and so the national stock of skills in trades and engineering was allowed to run down. We cap how many medical doctors we train and then import the balance by raiding skills from economically poorer countries. We rob our own citizens of opportunity whilst eviscerating development in other nations.

Each government has faced the same choices and made the same decisions. They have not acted irrationally, it is the inevitable logic of the governing settlement that hollows out the country's productive base.

The beneficiaries

It sustains itself because many do well from it. Employers can hire additional labour rather than invest in productivity, and those who owned property gained from its rising value. Asset holders prospered while wages stagnated, and institutions grew in power while their accountability to the public shrank. The cost falls on the next generation, on those trying to buy their first home.

Those who gained from this settlement were better organised and better represented than those who are paying for it. The young, the aspiring and the working class bore the costs, but they were not in the room when the rules were written.

Each party has built a coalition that contained people who benefited. For the right, migration and rising asset prices has delivered growth without the political cost of supply side reform. For the left, public spending and an expanding state delivered services and a growing professional class whose work depended on the status quo.

Over time the institutions created by the settlement became beneficiaries in their own right. Regulators, commissions and publicly funded charities developed careers, budgets and networks of expertise that depend on its continuation, and when reform is proposed they are the first to give evidence against it and are rarely answered by anyone with equal standing.

The lost capability

The state has lost the ability to do things. Britain now takes longer and pays more than comparable countries to build railways, power stations and roads. The planning application for the Lower Thames Crossing alone ran to 359,000 pages. Delivery has been replaced with consultation, assessment and review and the departments that once employed engineers and project managers now commission consultants to manage contractors.

Who defends the future?

To reverse this government must restore the power to decide AND rebuild the competence to deliver, but who will defend the long term when the short term costs are politically inconvenient? The interests that benefit from the present arrangement are organised and well represented, while the interests of the next generation are not.

The answer cannot rest on good intentions. It requires our institutions to be re-designed to protect the long term, create incentives that reward those who build and **create a national community whose members believe they owe something to those who come after them.**

The current settlement survives each election because its defenders are not a single class or party but a coalition of interests spread across both, and breaking it therefore requires more than a change of government.

It requires a change in what government is for.

II. The Political Vacuum

The real political divide now is not between left and right but between the governing consensus and the many people, on the left and the right, whom it has failed.

The exhaustion of that consensus offers an historic opportunity to define the settlement for the rest of this century. But it requires an honest account of what each political tradition has got right, what each has lost and how together they built the system that now fails us.

What the right lost

The free-market was correct about the great questions of the late twentieth century. It was right about markets against planning, individual liberty against collectivism and the extraordinary capacity of free people to solve problems that governments cannot.

Its error was to mistake the necessary conditions of a successful civilisation for a complete theory of one.

Markets are mechanisms that coordinate activity efficiently precisely because they do not ask whether a transaction serves the nation. That is their strength and it is also their limit.

A market has no reason to care whether a strategic industry stays British, whether housing remains affordable enough for families to form or whether a community holds together. Capital seeks returns, it does not decide what Britain should look like in fifty years.

So the right presided over labour becoming an internationally tradable input, housing becoming an asset class, strategic industries passing into foreign ownership and citizenship redefined as economic access rather than membership of a nation.

Not all of this was caused by market liberalism, but the philosophy had little to say about it. Demographic continuity, cultural inheritance, family formation and national capability were not being pursued badly. They were absent from the conversation.

Markets should remain the normal mechanism of economic life, but they must serve the nation, not the other way round.

What the left lost

The left's loss is greater, because it abandoned everything that it was.

Equality before the law. Free speech. Democratic self-government. Non-discrimination. The dignity and interests of working people. These were the causes of the left long before they were anything else. Chartists, trade unionists and suffragists fought for them against an establishment that denied them.

The current settlement has turned these inside out. The left has lost its soul.

Equal treatment became group entitlement. Citizens are increasingly treated according to the category the state assigns them rather than as individuals under one law. Free speech became something to be managed. The left that once defended the heretic and the dissenter now polices the boundaries of acceptable opinion. Democratic self-government gave way to rule by courts, commissions and regulators. Questions that once belonged to voters were placed beyond their reach. Non-discrimination became preference. The principle that no one should be advantaged or disadvantaged by who they are was replaced by the management of outcomes between groups.

And the interests of working people were traded away. Mass immigration put downward pressure on wages at the bottom of the labour market, pushed up rents and transformed communities without their consent. Justified with a self loathing of the nation and a call to dissolve borders. Working class communities who objected were told their concerns were illegitimate.

The left were once internationalist in outlook and that meant solidarity between nations, not their dissolution. The labour movement was organised nation by nation. The left championed the self-determination of peoples around the world. It would not have occurred to a miner in the Rhondda or a mill worker in Lancashire a century ago that his country belonged to anyone but its own people, or that the continuity of his people was something requiring an apology.

The left of course does not reject that principle today. It defends the right of indigenous peoples to their cultures and their lands. Everywhere else it understands that a people has a legitimate interest in its own continuity. But it refuses to extend that understanding to the English, the Scots and the Welsh as a whole.

The South Wales coalfield, the heartland of the labour movement, shows how continuity actually works. Between the 1880s and the First World War the valleys absorbed English, Irish and Italian migrants on a vast scale. Within a couple of generations their children were Welsh, made so by chapel, union, school, rugby and the pit. The people continued because a confident culture absorbed newcomers rather than merely accommodating them.

That is assimilation. It is how a historic people renews itself without ceasing to exist. And it is what the modern left seems to have forgotten.

What both handed away

The managerial state belongs to neither side. Both built it and both now find their programmes blocked by it.

The Conservatives began the process. Privatisation, the creation of executive agencies and the rise of independent regulators moved functions out of direct ministerial control. New Labour carried the model from the economy into the constitution through the Human Rights Act, devolution, a Supreme Court separated from Parliament and the Equality Act. The governments that followed kept all of it and added more.

These were choices made by elected politicians. Each party in office found it convenient to leave contentious questions to someone else. Each party in opposition discovered too late that the levers it hoped to pull had gone.

It is why Britain has become accustomed to changing its governments but not its direction. Voters elect one party and then another, only to discover that the levers of power are no longer connected to anything.

Recovering the synthesis

Each tradition kept a fragment of the inheritance and lost the rest.

The right kept liberty and enterprise but lost the nation. The left kept the language of equality and solidarity but lost the principles that gave them meaning and the people they were meant to serve. Nationalists kept belonging and continuity but too often lost the confidence and ambition that built and defined the nation in the first place, retreating into grievance and nostalgia. The managerial state kept the machinery of collective action but lost any sense of limits, accountability or national purpose.

Our national inheritance contains all of these without being reducible to any one of them. Individual liberty and common identity. Markets and solidarity. Equality before the law and a confident national culture. A capable state and a free people. Continuity and ambition.

The task is not to choose between them. It is to put them back together. This is not a compromise that splits the difference on each question. It is a recovery of what was once taken for granted: **that a free people governs itself, that its laws apply equally to all, that its economy should serve its members and that it holds its inheritance in trust for those who come after.**

Sources

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