



Future
Governance
Forum

POWER FAILURE: A NEW THEORY OF POWER

By Phil Tinline

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About The Future Governance Forum

The Future Governance Forum (FGF) is a progressive, non-partisan think tank focused on reforming the state with the ultimate goal of renewing the nation. We make politically credible recommendations for reforms that can be delivered nationally and locally, build strong networks to test new ideas, and collaborate and use our relationships with public, private and social sector leaders to innovate.

Our current programmes of work explore:

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By prioritising these questions we are thinking about new progressive models of governance for the long term. Our working model is to convene experts and find ways in which we can bring perspectives from very different organisations together to suggest ways in which the 'how' of government could be more effective at every level.

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Phil is the author of *The Death of Consensus* (Times Politics Book of the Year, 2022), which explores how political settlements break down and are painfully recreated, and *Ghosts of Iron Mountain*, about how American conspiracy theories express fears of state power. From 2002 to 2023 he worked for BBC Radio, producing and presenting documentaries about political history and how it shapes the present. His journalism has appeared in various outlets, including the Financial Times, the Observer, the Daily Telegraph, the New World, Prospect and the New Statesman.

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This report is based in significant part on over 50 interviews, conducted between May and November 2025, with MPs, civil servants past and present, and people working in think tanks, journalism, business, and the trade unions, charity and social enterprise sectors. In most cases, these interviews were conducted off the record in the interests of candour. This means that the few points where I refer to or quote a specific person are only a small fraction of the contribution these conversations made to my overall work. I would very much like to thank everyone I spoke to for being so generous with their time, insights and experiences, from which I learned a great deal, and which I hope are fairly reflected in the end result. Needless to say, any errors are mine alone.

Executive summary

To restore voters' trust in mainstream liberal democracy, Prime Minister Keir Starmer's administration has to deliver the change it promised in opposition. To do that, the government needs a new approach to power.

It needs to decide who has too little power, who has too much, and how it is going to fix that. This will require a clear appraisal of the ideas that cast necessary change as politically 'impossible', and the bravery to take on such ideas and those who enforce and promote them.

And to act on this, it needs to inhabit and wield its own power more effectively. This will require radical reform of the state.

This report explores how power is distributed across the public and private sectors, the ideas that underpin this, and how they need to change, on the basis of a new theory of power.

Chapter 1 uses polling and other evidence to sketch out the public's current, toxic theory of power, its implications for democracy, and why a new theory of power is needed to drive change and show that mainstream democratic politics can deliver.

Chapter 2 draws on history and political science to develop this new theory of power: how old fears hem politicians in, and how a broken status quo can be replaced by a new normal based on more pressing priorities. It also explores apparently neutral ideas, such as quantification and administration which rely heavily on rules, which fix the status quo in place, and which an effective government must interrogate.

Chapters 3-6 then trace this process through four key areas of public life to show how this thinking both centralises and disperses power. In broad terms, power has been sucked out of local government and autonomous institutions and up to the national level – only to be dispersed again within the broad centre of power, across public and private sectors, to the point where responsibility sits in so many places, it sits nowhere. This combines the downsides of both the centralisation and the dispersal of power. These chapters examine how the current government has challenged this so far, and what more it can do to escape the broken status quo. Each chapter focuses on an example of the same basic historical process of power shift laid out in Chapter 2; they can therefore be read in any order.

Chapter 3 concentrates on the power of the Treasury, the Bank of England's Monetary Policy Committee (MPC) and the Office for Budget Responsibility (OBR). It argues that these organisations have institutionalised a distrust in the ability of politicians to handle the public finances which is based on particular ideological beliefs about the state, as entrenched through the 1976 International Monetary Fund (IMF) crisis and 'Black Wednesday' in 1992. This institutionalised distrust excessively constrains the role of principled political judgement, and erodes trust in democratic government.

It recommends that the government:

- Embrace the fact that economic forecasting is political and uncertain, and that politics is finally a matter of principled judgement, not a process of conforming to uncertain forecasts or obeying rules.
- Set clear goals and stick to them, on the basis of that principled judgement. If the government's pursuit of these goals remains visibly steadfast in the face of shifting predictions, the sense of trust and certainty that follows will stimulate private investment in line with the government's goals.
- Reassert the primacy of the democratically elected government over the Bank of England, not by abolishing its independence, but by politely reminding the Bank whence its authority is derived, and inviting it into a closer, more co-operative relationship. This should involve a regular review of the MPC's mandate in the light of current economic pressures.
- Encourage the Bank to go beyond its welcome scaling back of quantitative tightening by addressing the remaining costs that this policy is imposing on the public.
- Clearly communicate to the public that OBR projections are not, and never could be, precise predictions, and encourage journalists to master this concept.

Chapter 4 focuses on the power of large corporations and their major shareholders. It argues that outdated concepts of shareholder primacy, alongside legally questionable claims about the need to prioritise fiduciary duty above duties to all other stakeholders, have helped to concentrate ownership and power. This erodes public trust in democratic government, impedes growth and deprives the state of tax revenue.

It recommends that the government:

- Encourage big businesses to involve themselves in local communities by incorporating public spaces into their real estate, avoiding neglect of their assets in high streets, and maximising local managers' autonomy to engage in local initiatives.
- Facilitate the establishment of regional banks committed to playing an active role in their communities.
- Propose a grand bargain with business on regulation, whereby government frees business from unnecessary complexity and risk aversion, in return for business acceptance of regulation that focuses on protecting consumers, maintaining proper market competition, and fostering innovation.
- Encourage constructive approaches which move away from narrow shareholder primacy on the grounds that evidence suggests businesses with empowered, motivated employees and other stakeholders can thrive. If need be, company law could be revised to reflect this.
- Use procurement more proactively to favour businesses that can demonstrate that they pay their taxes, and/ or whose approach benefits the public by rejecting narrow shareholder primacy, along with social enterprises.

Chapter 5 draws together the privatised utilities, outsourcing and consultancies. It argues that 1970s beliefs about the self-serving nature of civil servants and unionised workers, and about the inherent inefficiency of the state, led to increasing reliance on the private sector to deliver what were once core state functions. This has generated a cycle of dependency, eroding state capacity, and has dispersed power and responsibility, damaging democratic government's ability to deliver its promises and protect the public interest, in turn damaging public trust.

It recommends that the government:

- Acknowledge that the current case against water nationalisation – ‘the government can’t afford it’ – is inadequate, and either make the case for private ownership afresh (and framed positively) or consider previously unthinkable options, including renationalisation.
- Extend its moves to reverse the outsourcing model, normalising a broad understanding of ‘insourcing’, to include social enterprise as well as revived state capacity.
- Develop the model of reform advocated in Josh MacAlister’s Independent Report on Children’s Social Care and extend it to other service areas, such as early years provision and adult social care. This reduces service demand to tip the balance of power away from suppliers to the state and towards those citizens who use the services in question.
- Phase out reliance on generalist consultancies as a default, in favour of retaining and developing in-house learning. End the routine use of ongoing ‘call-off’ contracts with these firms by investing the cost of renewing such contracts in advance to restore state capacity. Radically reform risk-averse civil service procurement policy to remove the incentive for such contracts. Stop incentivising civil servants to change jobs so frequently that they cannot take responsibility for completing projects or develop and deploy specialist expertise.

Chapter 6 explores the confluences of two controversial policy areas that concern where people get to live – the European Convention on Human Rights (ECHR), and housing and planning policy – alongside a legal mechanism relevant to both: **judicial review**. It argues that in housing and planning, we have entrenched the state's power to block and dissipated its power to build. More broadly, we have come to rely excessively on systems of rules, rather than democratic political judgement. The importance of protecting our fundamental human rights should be self-evident; the best way to restore the legitimacy of the existing system is to reform it, to ensure it achieves a fair and broadly accepted balance between the rights of the individual and the capacity of the democratically run state to govern on behalf of the public.

It recommends that the government:

- Proceed with legislating, as promised, to tighten the application of Article 8 of the ECHR to give greater weight to the public interest. Identify and stop any misapplications of Article 8 by case workers and first-tier tribunals. Set this in the context of both reasserting the authority of democratic governments, and remaking the case for human rights as a defence against abusive power. Underline that this dual approach is complementary, not contradictory, and that it offers the best route to re-legitimise the Convention. And overcome the fear that has developed in Whitehall of fighting cases in the European Court.
- Continue to tackle regulatory obstacles to housebuilding. In the short-term, building 1.5m homes by 2029 may require turning the Ministry of Housing into a mission-driven task force, convening regular meetings with developers, utility companies and local authorities to identify and remove blockages, with ministers making bolder use of their powers. In the longer term, sustained housebuilding at the required scale may be best served by reviving the state's capacity to build at a local and regional level, and by moving away from a system based on extreme risk aversion, confrontation and exploitation of process complexity towards one based more on trust.

These and other recommendations are all designed to be in pursuit of the goals set out in the conclusion: that it is now urgently necessary to reject the idea that the democratically run state is inherently inefficient, and to restore trust as a central principle in intra- and inter-organisational power relationships. It proposes a three-step approach:

Step 1: Reject the claim that government is the public's enemy

Challenge and overcome outdated fears that block necessary action. Recognise that given the crisis of public trust in democracy, caution is often as risky as risk. Accept criticism of state failure and drive radical reform, but always on the basis of restoring the standing of the democratically run state as the public's representative in national power struggles.

Step 2: Reassert democratic political power, as enacted through the state

Replace rules, projections and a fear of uncertainty with confidence expressed through principles, and a greater role for trust and direct personal responsibility.

Step 3: Side with the public against its powerful enemies

Call out the ways private power disempowers the public, and demonstrate that the democratically run state is the antidote. By confidently reasserting the legitimacy of public power, expressed through the state, the government can seize a once-in-a-generation opportunity to shift power in ways that improve working people's lives.

Introduction – Why bother talking about power?

British politics is stuck. As the country has veered from crisis to crisis, politicians of different parties have struggled to raise their thinking to match the scale of the frightening challenges we face, and to act decisively enough to change the situation. Too often, the conversation in Westminster, Whitehall and the media starts and ends with inherited restrictions: money and its unavailability, supposedly unbreakable rules, half-remembered calamities and cautionary tales, the ostensible bounds of the possible.

But this misses something which is both government's own core function, and a threat it faces daily from external forces: the exercise of power.

Britain lacks robust thinking about how power functions in both the public and private sector, and in the relationship between the two. Political science tends to focus on defining ideologies, delineating public opinion, and examining the role of institutions. Journalists show too little curiosity about how power functions beyond Whitehall. Few economists factor the idea into their thinking; on the question of the responsibilities of business, for example, 'power has more or less disappeared from the discussion altogether'.¹

For those leading relatively empowered lives, this makes intuitive sense – interrogating power risks stirring up needless conflict. But in the face of warnings that 'the sense of disempowerment people feel over their everyday lives' is feeding 'widespread discontent with the political status quo',² ignoring the issue has become an unaffordable self-indulgence. Whether the Cities of London and Westminster like it or not, large swathes of the public have developed a rough-and-ready theory of power of their own – a theory that is corroding trust in mainstream politics, more profoundly than at any time in the century-long life of British mass democracy.

To counter it, we first need to explore why the public sees power this way, and then develop an alternative theory – which can form the basis of a more focused and effective governing programme.

This will involve identifying the problematic concentrations and dispersals of power that leave too many people feeling disempowered, and thwart the government in its attempts to make their lives better. It will mean locating and interrogating the ideas that entrench the current distribution of power, tracing how they began as heresies and became common sense – then sketching out how, in turn, they now need to be challenged and replaced. This is what Clement Attlee achieved in the 1940s and Margaret Thatcher achieved in the 1980s, throwing off the democratic crises of the 1930s and 1970s. In the 2020s, it has come time to do this once again. And so to convince people afresh, before it's too late, that mainstream liberal democracy can deliver.

¹ Michelle Meagher, *Competition is Killing Us*, Penguin, 2020, p.68.

² Nick Plumb, '[The Shattered Front: High street decline and the rise of Reform](#)', Power to Change, June 2025.

Chapter 1 – The causes of populism

The public's theory of power

In a series of reports on British public opinion published in July 2025, a theory of power is visible which appears to be widely held across the population.³ Synthesising the findings, along with related research, that theory emerges as something like this:

Everything is expensive. Nothing works. The people who are supposedly in charge are either useless or just don't care. They say what they think we want to hear, but really, they just help their mates, and themselves. They don't play by the rules, so why should we?

This is in many respects unfair, but it springs from real disempowerment. To understand how to challenge this theory, we need to understand what drives it.

Disempowered citizens

According to More in Common, 'More than one third of adults say that citizens' actions or choices have little to no influence on how society functions.'⁴

One controversial manifestation of this is the taking-over of hotels to house asylum seekers, but lack of consultation on this particular issue symbolises a much broader sense of disempowerment. The fate of these 'crumbling seaside palaces' is seen to mirror 'the decline of the towns themselves'.⁵ Hotels are frequently closed with little warning, creating 'a damaging sense of community powerlessness': another possession taken away.⁶

A report by British Future and the Belong Network found 'People felt that their needs were not being met, and their voices not being heard, in the context of the cost-of-living crisis, housing shortages and pressures on the NHS. Social and economic factors were exacerbating grievances towards out-groups'.⁷

3 Alongside other research, this chapter draws on four reports published in July 2025: Luke Tryl, Anouschka Rajah, Ed Hodgson and Sophie Stowers, '[Shattered Britain: Making sense of what Britons want in a country that feels broken](#)', More in Common; Jake Puddle, Jill Rutter and Heather Rolfe, '[The State of Us: Community strength and cohesion in the UK](#)', British Future/ the Belong Network; Deborah Mattinson, Claire Ainsley and Tom Brookes, '[Build Back Belief: Why Voters Around the World Lost Faith in Government and How to Win it Back](#)', Progressive Policy Institute; and UCL Policy Lab, More in Common and Citizens UK, '[This Place Matters: reimagining community cohesion in Britain](#)'.

4 Tryl, Rajah, Hodgson and Stowers, 'Shattered Britain', p.41.

5 Jennifer Williams, '[The crumbling seaside palaces at the centre of Britain's asylum crisis](#)', Financial Times, September 2025.

6 Professor Jonathan Darling, '[How the UK became dependent on asylum hotels](#)', University of Durham, 2 July 2025.

7 Puddle, Rutter and Rolfe, 'The State of Us', p.41.

It is unsurprising that '87 percent of Britons across all parties [have] either not very much trust in politicians or none at all'.⁸ These feelings are stronger where economic disadvantage is higher: '72 percent of those who nowadays are "struggling" on their household income almost never trust politicians to tell the truth, compared with 49 percent living "comfortably"'.⁹

But many of us feel disempowered not just as citizens, but as customers, and as employees – power relationships which tend to take up rather more of our time.

Disempowered customers

Alongside immigration, the most pervasive driver of disempowerment indicated in recent polling is the impact of rising prices. A third of respondents report "finding it hard" to get by on their current household income'.¹⁰ More in Common reports that 'Among many Britons there is a feeling that they do not have control over their own lives and that they could be thrown off course by the next energy bill rise or interest rate hike... Britons worry about not knowing what price hikes might be round the corner, particularly given the volatility and unpredictability of food and energy price rises in recent years'.¹¹ This induces a feeling of being 'almost disposable. Pushed to the side in favour of others'.¹² The primary concerns are the costs of housing, transport, food and energy.

Disempowered employees

Part of the loss of power experienced in deindustrialised areas springs from the disappearance of relatively secure, decently paid, respected work of clear importance to the country – and the amenities that went with it. The old employers have been replaced with less rooted, sometimes multinational companies that 'could up and leave at their pleasure', and whose employees tend not to be in trade unions, and are 'often on insecure and ill-paid contracts'.¹³

More broadly, disempowerment is driven by the view that the working class used to be 'the backbone of the country', as a Labour switcher to Reform in Lancashire put it – but that today 'you don't get rewarded for a day of hard work'. The Progressive Policy Institute (PPI) reports that among working-class voters they polled, 59% agreed that 'You get less in return for working hard than a decade ago'. Only 12% disagreed.¹⁴ By the time the cost-of-living crisis began to bite in 2022, pay had already been stagnant for 14 years.

⁸ Tryl, Rajah, Hodgson and Stowers, 'Shattered Britain', p.12.

⁹ Ian Montague and Natalie Maplethorpe, '[British Social Attitudes 41: Five years of unprecedented challenges](#)', National Centre for Social Research, June 2024.

¹⁰ Puddle, Rutter and Rolfe, 'The State of Us', p.26.

¹¹ Tryl, Rajah, Hodgson and Stowers, 'Shattered Britain', pp.15 and 50.

¹² Former Labour voter, woman, Lancashire, quoted in Mattinson, Ainsley and Brookes, 'Build Back Belief', frontispiece.

¹³ Sacha Hilhorst, 'Afterlives of legitimacy: A political ethnography of two post-industrial towns in England', unpublished DPhil thesis, London School of Economics and Political Science, 2024.

¹⁴ Mattinson, Ainsley and Brookes, 'Build Back Belief', p.12.

The dying high street

One image pollsters found coming up time and again, bringing all these disempowerments together, is the dying high street. Where once there were GP practices, pubs and cherished shops, now there are vacant lots – and nail bars, vape shops and barbershops, which some suspect of being fronts for organised crime.¹⁵ In many parts of the country, this has further exacerbated the spatial decline accelerated by the austerity-driven closure of libraries, youth spaces, Sure Start and leisure centres. One recent study by Power to Change suggests that such sustained losses correlate with increasing support for Reform UK.¹⁶

High street shops are also plagued by shoplifting, whether driven by poverty or the opportunities opened up for orchestrated looting by shop workers' lack of confidence that anyone will turn up if they challenge this criminality and need to call the police. As the Labour minister Kirsty McNeill puts it, if the government:

'made interventions which drove up pay and brought bills down, but people's high streets were still terrible, and they still – when they went into their local Co-op – saw hard-working staff just absolutely besieged by shoplifting, and felt "there's absolutely nowhere nice I can go and celebrate my kid's eighteenth or last day of school, but I'm absolutely beset with nail bars and so on" – I don't think we'd have succeeded.'¹⁷

So if the public feels disempowered, who does have – or should have – power?

Uncaring politicians

To many voters, politicians have quite enough power, but fail to use it as they should. 80% of British people tend to think 'politicians don't care about people like them'; 88% of those who describe themselves as 'financially struggling' take that view.¹⁸ More in Common found that 'Over half the public say that the challenges facing the UK require straightforward action. Those who already have the lowest level of faith in politics and are the most politically disengaged are the most likely to feel this way. This means that the public attribute the inability of politicians to implement common sense solutions to ignorance, incompetence, and indifference, rather than forces outside of political control.'¹⁹

¹⁵ See Puddle, Rutter and Rolfe, 'The State of Us', p.45; Mattinson, Ainsley and Brookes, 'Build Back Belief', pp.53, 55 and 56; Hilhorst, 'Afterlives of legitimacy'; and Sacha Hilhorst, 'The cost of apathy in England's mining towns', New Statesman, August 2025.

¹⁶ See Puddle, Rutter and Rolfe, 'The State of Us', p.27; and Hilhorst, 'The cost of apathy'.

¹⁷ Interview with Kirsty McNeill MP, 30 July 2025.

¹⁸ UCL Policy Lab, More in Common and Citizens UK, 'This Place Matters', p.18.

¹⁹ Tryl, Rajah, Hodgson and Stowers, 'Shattered Britain', p.41.

In long-term fieldwork conducted in the post-industrial towns of Mansfield and Corby, the sociologist Sacha Hilhorst found that many of the people she interviewed ‘understood politics primarily through the frame of corruption’. They felt that in the past, politicians reciprocated voters’ trust by showing that they cared – by delivering local amenities, for example. But now, in these voters’ view, politicians took their votes, and constituents received far less in return than they used to. The idea that today’s politicians are literally corrupt is a serious and generally very unfair accusation,²⁰ but it is evidently sincerely felt; Hilhorst interprets it as a way to make sense of the ‘abuse of entrusted power’.²¹

Disempowered politicians

To other voters, politicians are impotent, unable to deliver on their own promises to ‘stop the boats’, for instance. They see nimble, audacious tech companies delivering wonders, while huge government departments struggle with core tasks like building and fixing infrastructure, and cutting NHS waiting times. As More in Common notes, ‘The perception that the government is powerless to respond to these basic expectations is driving disillusionment’.²²

Paradoxically, therefore, politicians seem at once powerful and powerless. Many see them as ‘at best, weak and incompetent, trapped in failing systems, at worst, wilfully propping up the status quo’.²³ This feeds the sense of unfairness that underlies much of the discontent: that those in power are helping the wrong people. The public are desperate for change, but despair that it will ever happen. After so many let-downs, a politician’s promise is seen as a trick.

But if politicians are the public’s primary villains, they are not alone. The public also detects other powerful forces, whom politicians are failing to use their power to stop. These include those who disempower the public not as citizens, but as customers and employees.

Where does power lie?

On this theme, polling conducted for this paper by Dynata in August 2025 suggested a striking generational split.²⁴ We asked respondents to choose which of two groups they think is ‘most to blame for the problems in Britain today’: either ‘Immigrants and asylum seekers and the politicians who let them into the country’, or ‘Rich and wealthy business elites and the politicians who let them get away with things’.

Those aged 45 and over tended to blame immigrants and asylum seekers: 43% of those aged 45-60 and 51% of those aged 61 and over picked this option. By contrast, those under 45 tended to blame wealthy elites. This was the choice of 51% of those aged 29-44, and 63% of those aged 18-28.

²⁰ The UK scores well by international standards on Transparency International’s [Corruption Perception Index](#). See Transparency International, [‘Corruption Perceptions Index’](#), accessed 14 December 2025.

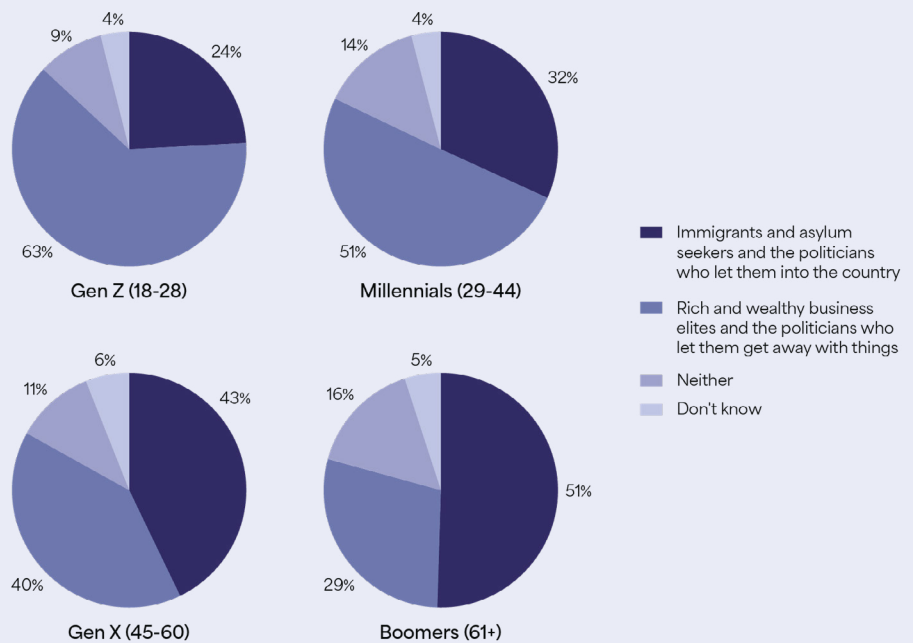
²¹ Sacha Hilhorst, [‘Political legitimacy after the pits: Corruption narratives and labour power in a former coalmining town in England’](#), *British Journal of Sociology* 76(2), pp.278-294.

²² Tryl, Rajah, Hodgson and Stowers, ‘Shattered Britain’, p.51.

²³ Mattinson, Ainsley and Brooks, ‘Build Back Belief’, p.36.

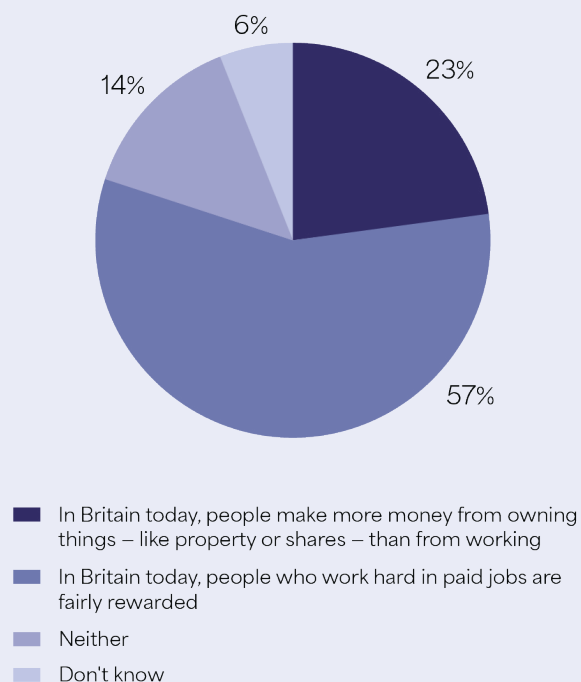
²⁴ Dynata for FGF/Persuasion UK, n=3000, nationally representative sample, August 2025

If you had to choose, which of these do you think is most to blame for the problems in Britain today?



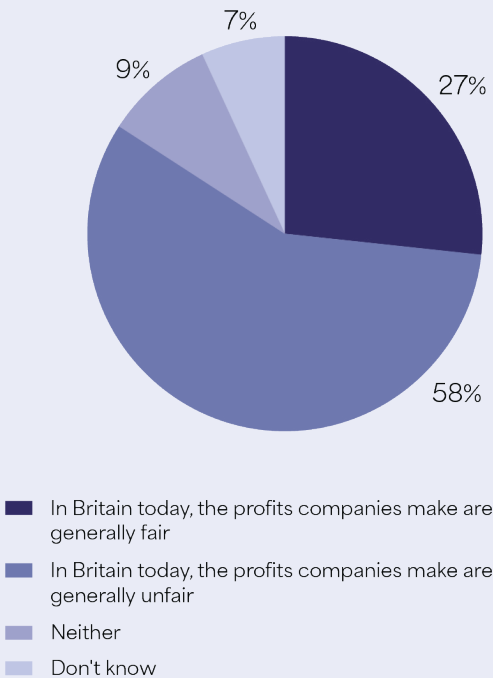
Asked whether 'people who work hard in paid jobs are fairly rewarded', or whether 'people make more money from owning things – like property and shares – than from working', 57% of all respondents picked the latter option.

Which comes closest to your view?



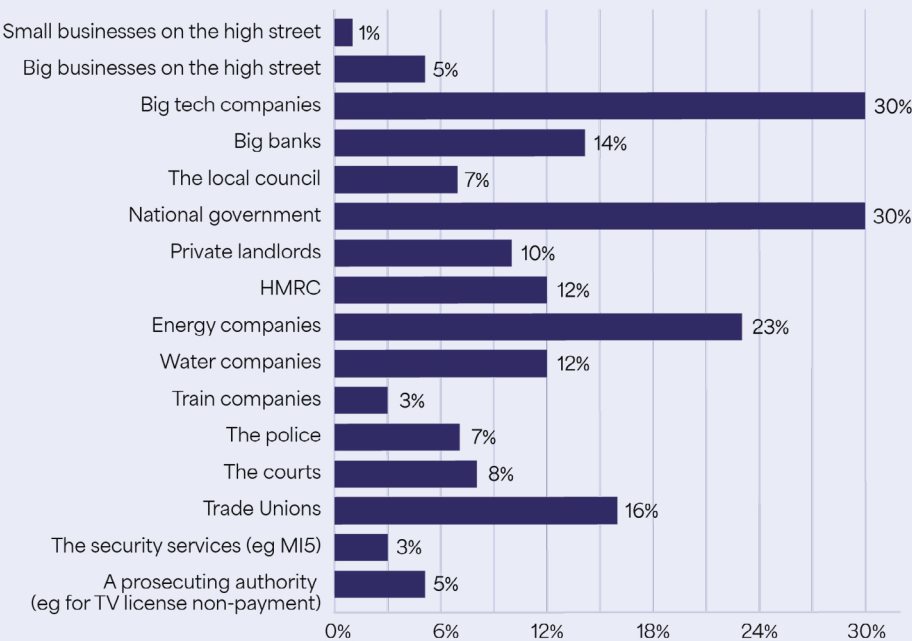
Similarly, 56% thought ‘the profits companies make are generally unfair’.

Which comes closest to your view?



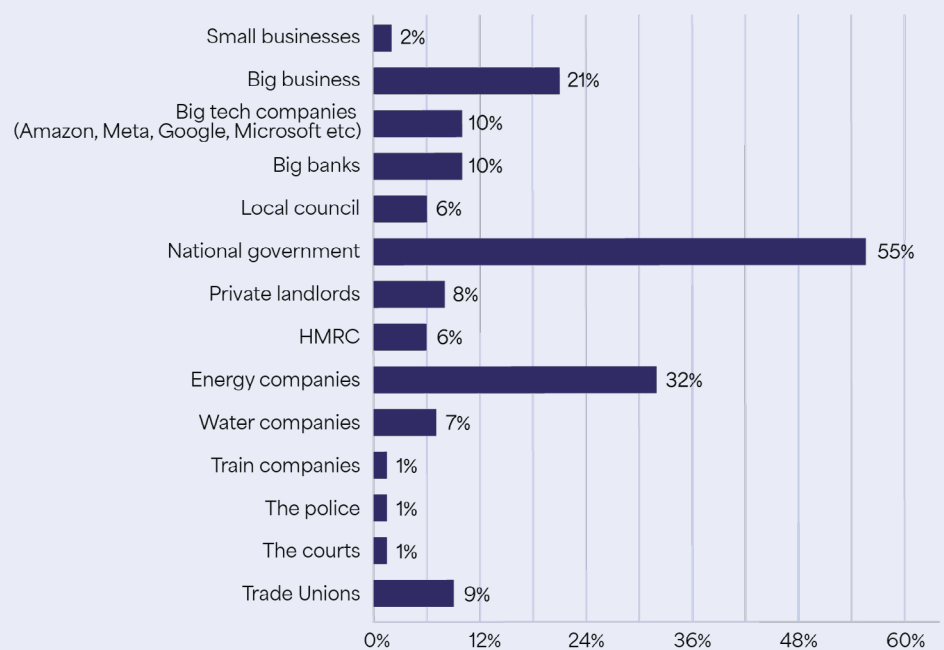
And when asked which groups in society had too much power, big tech companies scored equal highest with national government (30%); in second place were energy companies (23%).

If you had to say, which of these groups has TOO MUCH power in Britain today? Pick up to two



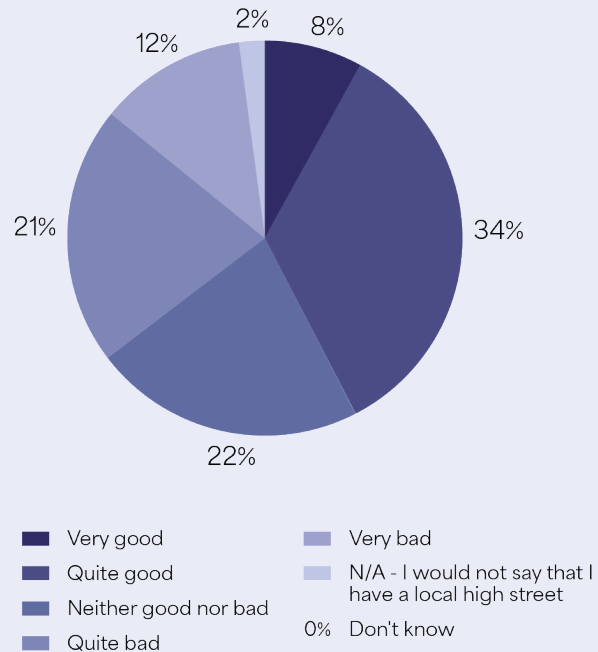
However, if the public does sense that forces other than government are partly responsible for their troubles, these are harder to see clearly. Throughout the survey, there is a consistent pattern of aiming blame primarily at national government. When asked who they held responsible for the cost of living – other than national government (55%) – blame was quite widely diffused. 32% blamed energy companies, 21% blamed big business, and 10% apiece blamed big tech and big banks.

If you had to say, who do you think is to blame for the rising cost of living in Britain today? Pick up to two

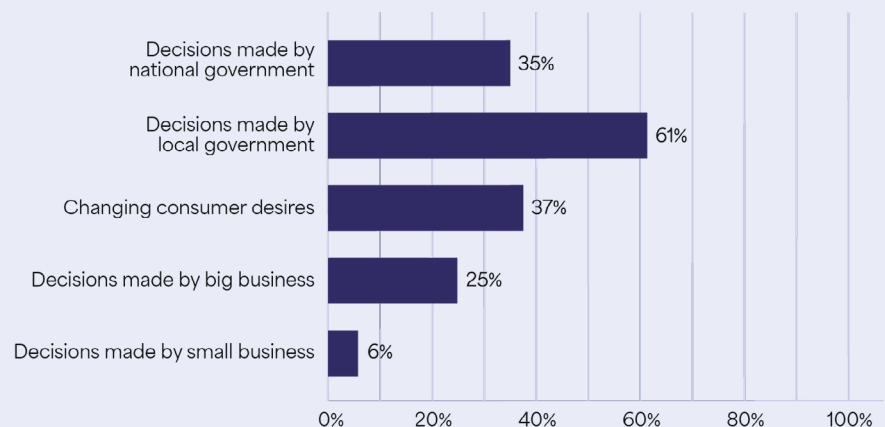


One way of reading this is that people do not have a clear sense of who is really responsible for prices and other economic decision-making, with the exception of the energy companies, so they default to blaming government, on the grounds that it has, or should have, the power to intervene. More strikingly, among those who consider their high street is in a poor state, 61% blamed 'decisions made by local government' and only 25% blame 'decisions made by big business' – despite the increasing disempowerment of local government in recent decades.

Moving on again, overall, how would you rate the quality of your local high street?



(For those who rated their high street as 'quite bad' or 'very bad':) If you had to say, who do you blame most for the poor quality of your high street?



Likewise, the groups that attract most blame in recent research, other than politicians, are businesses and, to a degree, the wealthy. This is not entirely surprising: by 2016, income inequality had 'reached a level considerably above where it was in the early 1990s'.²⁵ PPI reports that the voters they spoke to in the UK (and the US and Germany) 'feel they are being taken for a ride by "greedy corporates" who are raising prices opportunistically'.²⁶ The 2025 Edelman Trust Barometer Global Report finds that 64% of UK respondents believe

²⁵ Richard V. Burkhauser, Nicolas Hérault, Stephen P. Jenkins & Roger Wilkins, 'What has Been Happening to UK Income Inequality Since the Mid-1990s? Answers from Reconciled and Combined Household Survey and Tax Return Data', National Bureau of Economic Research, February 2016.

²⁶ Mattinson, Ainsley and Brookes, 'Build Back Belief', p.29.

business leaders ‘purposely mislead people by saying things they know are false or gross exaggerations’, up 12 percentage points on 2021,²⁷ though it also found that business was seen as competent and ethical.²⁸

The ‘rich’ occupy a similar role in the public’s view of how power functions. Edelman found that 60% of respondents thought ‘The wealthy’s selfishness causes many of our problems’, and 68% that ‘the wealthy don’t pay their fair share of taxes’.²⁹ More in Common found that ‘The segments which most distrust business often take the same view towards the ultra-wealthy’, with many ‘feeling that the rich do not pay their fair share’.³⁰ No wonder that there are widespread objections to the gap between rich and poor³¹ and that 70% of Britons would prefer an economic system where that gap shrank, ‘even if people are less wealthy overall’.³² Perhaps one reason government is so unpopular is that it is seen by many as following policies that benefit big business (by 39%) and the ultra-wealthy (by 52%).³³

‘Rigged’

As the cultural thinker Suzanne Alleyne has written, disempowerment – ‘the daily, perpetual frustrations of moving nowhere despite your best efforts’ – is physically exhausting. But it also feeds a theory of power, as the disempowered person becomes ‘stuck in a system that feels rigged against them’.³⁴ More in Common reports that many voters believe ‘the rich and powerful play by a different set of rules to ordinary people’, which chimes with the widespread feeling that hard work is no longer rewarded.³⁵

This sense of ‘one rule for them, another for us’ (or, more specifically, ‘lots of rules for us, very few for them’) is connected to another high profile political issue: the sense that those arriving on small boats are ‘jumping the queue’.³⁶ PPI reports that working class and lower middle class voters ‘strongly believe that others benefit by not playing by the rules – whether illegal migrants or rich bosses’.³⁷ One of Hilhorst’s interviewees talked of reading that a politician’s cousin was ‘the owner of this pharmaceutical company’ who had ‘been awarded contracts worth billions because of this pandemic’. One interviewee for More in Common’s ‘Shattered Britain’ report thought ‘the contracts and the procurement was all blatantly, blatantly just lads helping the other lads from the

²⁷ Edelman Trust Institute, ‘2025 Edelman Trust Barometer Global Report: Trust and the Crisis of Grievance’, January 2025 p.10.

²⁸ Ibid, p.24.

²⁹ Edelman Trust Institute, ‘2025 Edelman Trust Barometer Global Report’.

³⁰ Tryl, Rajah, Hodgson and Stowers, ‘Shattered Britain’, p.184.

³¹ Puddle, Rutter and Rolfe, ‘The State of Us’, pp.42 and 51.

³² Tryl, Rajah, Hodgson and Stowers, ‘Shattered Britain’, p.185.

³³ Ibid, pp.186-7.

³⁴ Suzanne Alleyne, ‘[I always knew powerful people had blind spots – now neuroscience has proved it](#)’, Guardian, November 2022.

³⁵ Tryl, Rajah, Hodgson and Stowers, ‘Shattered Britain’, p.185.

³⁶ Ibid, pp.51 and 108.

³⁷ Mattinson, Ainsley and Brookes, ‘Build Back Belief’, p.14.

public school’.³⁸ No wonder that, according to More in Common polling in April 2025, ‘The overwhelming majority of Britons (74 percent) think that the system is rigged to serve the rich and influential.’

In a survey of ‘Farage-adjacent TikTok’, the political economist Will Davies found it suffused with ‘the idea of the “scam”, of which government, politicians, asylum seekers and big business are all equally guilty’:

‘Government raises taxes on the pretence that it will look after people, but instead “wastes” it through inefficiency or misappropriation. Businesses keep on hiking prices, in ways that suggest something fishy is going on. One TikTok video shows a man comparing how much a toilet roll costs in the supermarket to how much it costs when bought in bulk: clear evidence of a scam.’³⁹

Similarly, the pollster James Kanagasooriam suggests that both business and politics have developed a reliance on ‘shrouded attributes’: flashy short-term promises with a long-term downside, which they hope we won’t notice.⁴⁰

‘Change’

Even from those who don’t see scams everywhere, there is a widespread demand for politicians to use their power to transform the country. According to More in Common, ‘seven in ten people said the General Election gave Keir Starmer a mandate to radically change Britain’.⁴¹ As FGF’s ‘In Power 01: Transforming Downing Street’ notes, this is the *fourth* attempt in the last decade to tap into ‘genuine and powerfully felt concerns that what the country needs above all is change – from the Vote Leave and Leave.UK campaigns in 2016, to Jeremy Corbyn’s Labour Party in the 2017 General Election, [to] Boris Johnson’s Conservative Party in 2019’.⁴² Labour now urgently needs to show voters that change is coming.

The frustration this breeds is particularly tangible among the young, including newly elected Labour MPs. This is visible in the rapid emergence of groups demanding the removal of barriers that impede state power, whether to drive growth, build infrastructure, or secure the border.

³⁸ Tryl, Rajah, Hodgson and Stowers, ‘Shattered Britain’, p.35.

³⁹ Will Davies, ‘TV Meets Fruit Machine: William Davies on Faragist TikTok’, *London Review of Books* 47(11), June 2025.

⁴⁰ James Kanagasooriam, ‘Short attention spans are ruining politics’, *The Times*, September 2025.

⁴¹ Tryl, Rajah, Hodgson and Stowers, ‘Shattered Britain’, p.62.

⁴² Helen MacNamara and Nathan Yeowell, with John Mackenzie, Adam Terry and Grace Wyld, ‘In Power 01: Transforming Downing Street’, FGF, November 2025, pp.5-6.

At present, too many mainstream politicians appear to lack the confidence to try to change how people think. Instead of being honest about unavoidable trade-offs, then persuading voters to support explicitly political choices by framing them in a compelling story of what has gone wrong and what it will cost to put it right, they get stuck in a trap. They end up merely explaining the difficulty of getting things done, which corrodes public trust and makes getting things done more difficult still.

Labour in particular has a longstanding tendency to take office seeing itself as a tenant in the corridors of power. In the throes of financial crisis in 1931, the Labour government strove desperately to stave off the unthinkable: coming off the gold standard. Chancellor Philip Snowden was convinced this would mean 'irretrievable disaster': the pound would slump in value, inflation would soar, and Britain would see 'the destruction of the social services and the reduction of the standard of life for a generation'.⁴³ The government split, and fell.

Yet within weeks, the new national government was forced off gold – and neither the pound nor the economy fell to ruin. The pound dropped somewhat in value, allowing interest rates to ease, releasing a years-long housing construction boom, and the economy actually lifted. One of Labour's ousted Cabinet Ministers was left lamenting: 'No one ever told *us* we could do that.'⁴⁴

Change begins with the boundaries of the 'possible'

To make changes that will re-empower people, politicians need to identify what is disempowering the public – and the state, in its attempts to improve people's lives.

Perhaps one reason politicians are so stuck is that they are too accepting of the public's theory of power. If they go along with the idea that they themselves – MPs and ministers and their civil servants – are to blame for the public's disempowerment, then the logical solution is to get rid of politicians and Whitehall and try something else.

Instead, democratic politicians need to challenge the claim that the state is irreducibly useless and/or self-serving. The public's theory of power starts with real frustration and accurate information but ends up heading, with the help of myth, misinformation and drastic goading, towards unnecessarily extreme measures. So how might genuine frustration be channelled towards genuine solutions? In this, the public's theory of power could be made more of a partner than it might seem.

As we've seen, the public also sees other powerful forces as a problem – it just tends to default back to blaming the state. This may be because government is so much more visible than other forces. Or because the idea that the state is fundamentally malignant is so entrenched. Or maybe (as seen in our polling) because people tacitly believe the state does have power, but it is failing to put it to good use.

⁴³ Philip Snowden, *An Autobiography: 1919-1934 (Volume 2)*, Ivor Nicholson and Watson, 1934, p.961.

⁴⁴ Sidney Webb, quoted in Hugh Dalton, *Call Back Yesterday*, London: Muller, 1953, p.298. Emphasis in original.

In our poll, when asked to assess the power of the British state today, 50% of respondents said it had 'too much'; only 18% said 'too little'. One way of reading this is that the state is simply over-powerful; another is that *given its failure to deliver*, it has power it is not putting it to good use – but power nonetheless.

For there is a telling discrepancy in how the public allocates blame. As PPI notes, 'these voters all strongly believe that it is *not just politicians* who "benefit by not playing by the rules"' (emphasis added). Yet, crucially, 'much of their ire is directed to politicians of all parties'.⁴⁵ British Future reports a similar finding.⁴⁶ This tendency is reinforced by media coverage which often appears much keener to blame the state and politicians than any other powerful force in society, with the possible exception of the water companies. One comment piece for The Times drawing on some of this polling was headlined 'We've become a low trust society – the state must step up'.⁴⁷ So it must, but it cannot do it alone, and nor is it tenable, or politically strategic, for the state to take all the blame.

A new theory of power

In the Ipsos Veracity Index, it is striking that – with the glaring exception of politicians – public sector roles generally rank higher than those in the private sector. Nurses, doctors, teachers, professors, museum curators, judges, police, civil servants are all in the top half; bankers, estate agents, business leaders, private landlords, advertising executives are all in the bottom half.⁴⁸

Perhaps, therefore, it would be possible to build on existing public perceptions, but then refocus how the public sees how power works – that politicians are not to blame for everything, and that they are trying to make people's lives better, but that, as we shall see, their power has been diffused beyond their reach and entangled in complexity, while other forces and ideas stand in their way.

This will require identifying, challenging and overcoming some deeply entrenched ideas – but here, politicians and the political media could learn something from the public. As the pollster Steve Akehurst of Persuasion UK observes, 'the theatre of "public opinion"' is often 'just a drama for elites'. Many of the constraints in which politicians entangle themselves are old norms, folk memories and taboos:

⁴⁵ Mattinson, Ainsley and Brookes, 'Build Back Belief', p.14.

⁴⁶ Puddle, Rutter and Rolfe, 'The State of Us', p.45.

⁴⁷ Sebastian Payne, 'We've become a low-trust society – the state must step up', The Times, May 2025.

⁴⁸ Mike Clemence, 'Ipsos Veracity Index 2025', Ipsos, December 2025.

‘There are just lots of areas where elites basically hem themselves in for reasons to do with received wisdom among elites... you can see how the system perpetuates itself, because, it will, in the short term, punish anyone that steps outside of those norms. And therefore, as a politician, you need to be brave enough to walk through that storm.’

As he suggests, this has been exposed in the United States by Donald Trump, who has successfully ‘trespassed across all of those norms and exposed them precisely for what they are, which is fictions, basically’.

As PPI puts it, working-class voters often ‘concede that the parties and candidates on the populist right may not have all the answers’, but things are broken and mainstream parties ‘can’t or won’t fix things’, so the prospect of a populist government that ‘will shake things up’ is ‘a risk worth taking’.⁴⁹

Other politicians such as Franklin Roosevelt and Margaret Thatcher have achieved radical change without trashing liberal democracy – instead restoring its credibility after years of crisis. But it meant overcoming entrenched ideas and the concentrations of power those ideas enforced, by defining the bounds of the ‘possible’.

As the then newly-elected Labour MP Josh Simons put it in September 2024, drawing on his experience of defeating a strong challenge from Reform: ‘We’re too quick to say “we have to do X, because bankers, economists, lawyers told us so”. Voters think, “What’s the point of voting for people who are told what to do?”’⁵⁰

To avoid a future that makes the public’s theory of power a reality, which blames politicians for everything and lets other powerful forces off scot free, politicians will need to ask themselves why the state is seen as irreducibly useless, and democratically elected representatives are so distrusted. Then they will need to overcome the fears and taboos that hold these ideas in place. The stakes could hardly be higher.

49 Mattinson, Ainsley and Brookes, ‘Build Back Belief’, p.34.

50 Institute for Public Policy Research, ‘[Insurgent government: How can government deliver for the people?](#)’, panel discussion, September 2024.

Chapter 2 – Solutions become problems

An alternative theory of power

This chapter sets out a process through which we can trace how power has shifted in Britain in recent decades – specifically:

- how the power of the post-war state provoked heretical ideas about how it had to be constrained;
- how those ideas have come to be applied so broadly, and for so long, that they somehow ended up both centralising power and disempowering the state and eventually the public; and
- how, by calling this out, the disempowerment of the public can be addressed, and support for mainstream democratic politics, running the state in the public's interests, can be revived.

Power's three dimensions

In the relative calm of the post-war United States, one theory of power was dominant. As outlined by scholars such as the Yale political scientist Robert Dahl, this pluralist theory held that it was only tenable to measure who had how much power by focusing on visible conflicts, and who won them.

By the 1970s, this looked hopelessly complacent. In *Power: A Radical View* (1974), the British sociologist Steven Lukes set out an alternative. Lukes was writing in a Britain where, rather like today, the underlying political settlement was stuck in flux and crisis – when even ‘the governability of the state’ seemed in question.⁵¹

Scholars had already argued that there was a second dimension to how power worked, below the level of visible conflict, which functioned through the quiet influence of bias. Which interests, it asked, had the power to decide which issues were out of bounds? Beneath this, Lukes identified a third, more insidious, dimension of power. The bias of a system does not necessarily require individuals to make conscious choices. It can be sustained by group behaviours and institutional practice. He questioned the assumption that ‘if people feel no grievances, then they have no interests that are harmed by the use of power’. A grievance against such harms, he suggested, could be present in ‘a vague feeling of unease’.⁵² The feeling induced by watching your high street decline, for example, but not really knowing who to blame.

As Hilhorst writes in her ethnographic study of political attitudes in post-industrial English towns, the fact that many residents had come to see the political system through a ‘corruption frame’ undermined its legitimacy in their eyes – but also ‘fostered acquiescence to it, as it was hard to mobilise when confronted with ill-defined, overwhelmingly powerful forces’.⁵³

⁵¹ Steven Lukes, *Power: A Radical View* (third edition), Bloomsbury, 2021, p.14.

⁵² Ibid, p.33.

⁵³ Hilhorst, ‘Afterlives of legitimacy’, pp.3 and 214.

A more structural understanding of power might restore agency and reduce the appeal of all-encompassing imagery of corruption, rigging and scams. Lukes' model offers a way to locate where people are chafing against power without being able to identify its nature, and how, with a little help, they might do so.

How new ideas shift power

Recent British history suggests that ideas move through Lukes' three dimensions over time. In the crises of the 1970s, heretical new ideas came into conflict with dominant old ones and the interests they protected, before eventually those new ideas won out, entrenching new concentrations of power – and laying the ground for what we now regard as political common sense. This process has begun to happen again, and must now be completed.

At one level, this is not an ideological phenomenon: any given distribution of power may well eventually become problematic. It is striking, for example, how similar the arguments in favour of nationalising Britain's utilities in the 1940s were to the arguments for privatising them again in the 1980s. In each case, the dominant thinking concentrated power in the hands of one interest. In each case, heretics proposed to shake up the ownership of the system – and so break the concentration of power, driving out waste and inefficiency. Whether power was to be shifted from private sector to public, or from public to private, the promise was that the change would push prices down and investment up. Yet once this was done, in each case, customers eventually complained of prices rising, and of worsening service.

Over time, solutions become problems. As power concentrates, those holding it learn to game the systems designed to constrain them.

Drawing this together suggests a gradual process whereby today's distribution of power and the ideas that underpin it became established, and have now come under challenge. In template form, it might run something like this:

I. Problem: In the 1960s and 1970s, the post-war political model, based on high-taxing, high-spending, assertively interventionist government, hits a series of crises. It is challenged by a series of heretical ideas (Lukes' first dimension). These ideas call for the reduction of the power of the state and its allied interests, on the basis that this will solve problems and prevent them happening again.

II. Power shift: These heretical ideas and their political champions win power. After much contestation, these ideas become accepted as normal, and can rule the old, opposing ideas off the agenda (Lukes' second dimension). This moves the boundaries of the politically 'possible'. The power shift disempowers those groups whose interests were prioritised by the old ideas and concentrates power with those whose interests are prioritised by the new ideas (some groups remain disempowered throughout).

III. Overextension: As the new model is applied more broadly, and for longer, it starts to generate problems, partly caused by what it ignores, and whom it disempowers. It becomes a barrier to responding to new problems, some of which it is causing.

IV. Entrenchment: By this time, however, the new settlement is embedded in institutional culture, standards, norms, education and group behaviour (Lukes' third dimension). This is underpinned by the fear of allowing a resurgence of the old crises that the now-dominant settlement was designed to prevent.

V. Public discontent: As challenges to this settlement grow, it has to assert its power and its founding ideas more overtly; politicians acknowledge public disempowerment and discontent but feel unable to respond because the orthodox approach, based on once-vivid problems and fears, has become embedded both psychologically and institutionally (back to Lukes' second dimension). The public develops despairing theories about why they are disempowered, as outlined in Chapter 1. Extreme voices promise simple, illusory, all-out solutions.

VI. Government response: Public discontent compels government to acknowledge that old fears and norms are no longer the most pressing concern, that the long-dominant ideas they have held in place are outdated, and that new ideas emerging in response to new crises need to be heard – that power needs to shift again (back to Lukes' first dimension). The challenge is to be radical enough to scrap outdated ideas and re-empower the public, and so to render more extreme solutions unnecessary.

'Neutral' ideas that hold the post-1979 settlement in place

The heretical ideas of the 1970s also became 'common sense' by another means. They were strengthened, particularly under New Labour, by the advance of a set of 'neutral' concepts aimed at constraining power in the name of inclusivity, objectivity and impartiality. But these concepts are not neutral; they have ended up helping to entrench the post-1970s political settlement. And what began as an effort to address distrust in the state has ended up exacerbating it.

Quantification

The first of these ideas is that good public policy should not be based, any more than absolutely necessary, on fickle human judgement, but on numerical data. In 1995, the historian of science Theodore Porter traced the roots of using quantification as a basis for policy to the expansion of the American federal state: its need to make decisions of greater scope and scale than before, and to justify them to the public.

The state's expansion discredited the idea of relying on the supposed leadership qualities of 'born-to-rule' elites. Quantification offered a way to justify decisions more scientifically. It was a way to 'break that [elite] culture down, or to compensate for its absence'. Porter suggested that this had likely helped loosen the grip of 'old-boy networks', opening professional culture to women and ethnic minorities.⁵⁴

But something else was driving this change too: the sense that the American public did not trust the government. Reliance on nothing more than 'seasoned judgement' came to seem 'undemocratic'.⁵⁵ The 'transition from expert judgement to explicit decision criteria did not grow out of the attempts of powerful insiders to make better decisions'. Rather, it 'emerged as a strategy of impersonality in response to their exposure to pressures from outside'.⁵⁶

Like many old solutions applied too extensively, quantification eventually caused problems. In response to that 'overwhelming public distrust', its signature method - cost-benefit analysis - was deployed more and more widely, becoming 'a universal standard of rationality, backed up by thousands of pages of rules'.⁵⁷

The underlying problem Porter identifies is that trying to exercise power objectively on the basis of faith in numbers involves ruling many things out of consideration - and choosing which people and issues are to be counted is intensely political. As Porter puts it, 'numbers have often been an agency for acting on people, exercising power over them - even turning people 'into objects to be manipulated'.⁵⁸ However much quantification was intended to democratise, it also disempowered. It was trying to be inclusive by excluding.

In *Seeing Like a State* (1998), the American political scientist James C. Scott cast this phenomenon as part of a broader administrative tendency to simplify the world to make it legible enough to rule. Administrators sought to mould reality to their models, marginalising much of value - particularly informal systems and local knowledge and culture. Instead, plans imagined 'standardized citizens... uniform in their needs and even interchangeable' who 'for the purposes of the planning exercise, [have] no gender, no tastes, no history, no values, no opinions or original ideas, no traditions, and no distinctive personalities to contribute to the enterprise'.⁵⁹

But this model misses out several vital things. First, 'patterns and norms of social trust, community, and cooperation, without which market exchange is inconceivable'. Second, what the model does not know. And third, what the people it belittles do know. Planners 'regarded themselves as far smarter and far-seeing than they really were and, at the same time, regarded their subjects as far more stupid and incompetent than they really were'.⁶⁰

54 Theodore Porter, *Trust in Numbers: The Pursuit of Objectivity in Science and Public Life*, Princeton University Press, 1995 (new edition 2020), p.76.

55 Ibid, p.7.

56 Ibid, p.xxiii.

57 Ibid, p.189.

58 Ibid, p.77.

59 James C. Scott, *Seeing Like a State: How Certain Schemes to Improve the Human Condition Have Failed*, Yale University Press, 1998, p.345.

60 Ibid, p.343.

Scott discerned this process at work not just in bureaucracies, but in big businesses:

‘large-scale capitalism is just as much an agency of homogenization, uniformity, grids, and heroic simplification as the state is, with the difference being that, for capitalists, simplification must pay. A market necessarily reduces quality to quantity via the price mechanism and promotes standardization; in markets, money talks, not people. Today, global capitalism is perhaps the most powerful force for homogenization, whereas the state may in some instances be the defender of local difference and variety.’⁶¹

This approach can spot bad projects and save money, but it can also close off transformative development. And trusting number-driven systems over humans can trigger disaster. Fujitsu’s Horizon software system for the Post Office was thought to be flawless, so logically any postmasters whose figures did not add up were thieves. Only after many lives had been ruined did it dawn on those in power that the fault might lie with Horizon.

Economic man

From the 1970s onwards, this focus on the measurable came together with one of the heretical ideas that proposed radical solutions to the decade’s crises. *Homo economicus* – ‘economic man’ – is a notional being motivated solely by rational self-interest based on sufficient information. This was a usefully computable figure for economists’ models. It was also what free market economists and theorists believed humans were actually like.

Crucially, ‘public choice’ theorists argued that self-interest drove not just businessmen, but state officials. As Gordon Tullock and James M. Buchanan argued: ‘politicians and bureaucrats, far from following any vocation or devotion to public service as they often professed, were in fact purely economically motivated’.⁶²

In the 1990s, when Porter and Scott were writing – the era of the ‘end of history’ and endless growth – the ‘economic man’ model seemed common sense. But if this version of the world were true, the 2008 financial crash would never have happened.

Amid the wreckage, horrified conservatives like the former banker and future Conservative MP Jesse Norman re-examined the foundational ideas the crisis had exposed, and found them to be decidedly rickety. The crash had come about, Norman wrote soon afterwards, ‘because people and markets did

⁶¹ Ibid, p.8.

⁶² James M. Buchanan and Gordon Tullock, *The Calculus of Consent*, University of Michigan, 1962, p.55.

not behave in the standard way described in the economic textbooks'.⁶³ He acknowledged that economists themselves had been concerned about the unreality of their models for decades, but argued that public policy had carried on regardless.

Norman argued that conventional economics in general and cost-benefit analysis in particular had led to several fallacies, including the public choice theorists' insistence that 'individuals maximise their... gain' and 'firms maximise their profits'.⁶⁴ Such thinking suggested that 'there can be only one, hyper-libertarian, variety of capitalism'. And so, 'just at the point when we need an intelligent debate about how the UK and other modern market economies should develop, our most basic economic theory seems to make that debate impossible'.⁶⁵

Once-controversial ideas had become norms, embedded by group behaviours and institutional practice. A system designed to constrain one form of power (the subjective judgement of politicians) had entrenched another (finance). Seventeen years and six prime ministers later, this settlement is still in place. Today, it is once again caught up in a crisis of its own making: one that is now not just economic, but political.

In *Late Soviet Britain* (2023), the political economist Abby Innes argues that the closed system through which Britain's administrators see the world is delusional – in a way that is reminiscent of the sclerotic, dying USSR:

'When it comes to the mechanics of government, both systems justify a near identical methodology of quantification, forecasting, target setting and output planning in the neoliberal case and economy-wide outputs in the Soviet... These techniques will tend to fail around any task characterised by uncertainty, intricacy, interdependence and evolution, which are precisely the qualities of most of the tasks uploaded to the modern democratic state.'⁶⁶

The consequence has been that the state has slowly been 'stripped of its capacity for economic government and, over time, for prudential, strategic action, as its offices, authority and revenues are subordinated to market-like mechanisms'.⁶⁷ In Innes' view, contextual knowledge has been stripped out; deep sector expertise is not rewarded. The British state's long-nurtured capacity to solve problems has withered.

63 Jesse Norman, *The Big Society: The Anatomy of the New Politics*, University of Buckingham Press, 2010, p.62.

64 Ibid, p.60.

65 Ibid, pp.62-63.

66 Abby Innes, *Late Soviet Britain: Why Materialist Utopias Fail*, Cambridge University Press, 2023, p.2.

67 Ibid, p.2

Trying to think in numbers, she argues, has weakened the state's ability to distinguish between those parts of the economy that generate wealth and those which extract wealth. The private sector is seen always as the source of solutions, never of economic dysfunction. The state has developed 'pathologies that span from administrative rigidity to rising costs, from rent-seeking enterprises to corporate state capture'. It has demoralised the state's staff, and has now provoked 'a crisis in the legitimacy of the governing system itself'.⁶⁸

The rule of rules

Trust in numbers – rather than political judgement – has a counterpart in words. Over the last few decades, the exercise of power in Britain has shifted away from emphasising political judgement towards a preference for ruling through rules.

A quarter of a century ago, Michael Moran identified this in 'the rise of the regulatory state', observing that:

'Vast new areas of social and economic life have been colonised by law and by regulatory agencies. The food we eat, the physical conditions we work under, the machines and equipment we use in our home, office and on the road—all are increasingly subject to legal controls, usually administered by a specialised agency.'⁶⁹

As with the adoption of quantification to overcome elitism, exclusion, and public distrust, the turn from fallible human judgement to impartial depersonalised rules was made with good intentions, and doubtless produced some positive outcomes. Moran attributes the shift in part to privatisation and the interventions of the European Commission, but also to the impact of a run of scandals, and of citizens' declining tolerance of risk.

But solutions, pursued for long enough, tend to create problems. The urban management scholar Marc J. Dunkelman argues that in the post-war United States, progressives worked hard to diffuse power, in order to protect the public against arrogant, domineering planners who cut swathes through working-class neighbourhoods, for example. In *Why Nothing Works*, Dunkelman proposes that, however well-intentioned, this allergy to power 'now serves not only to thwart abuse, but also to undermine the government's ability to do big things'. Reformers have inserted 'so many checks into the System that government has been rendered incompetent'.⁷⁰

⁶⁸ Ibid, p.3.

⁶⁹ Michael Moran, 'The Rise of the Regulatory State in Britain', *Parliamentary Affairs*, 2001, 54(1), pp.19-34.

⁷⁰ Marc J. Dunkelman, *Why Nothing Works: Who Killed Progress – and How To Bring It Back*, PublicAffairs, 2025, pp.6 and 15.

Once again, one development that eventually made this difficult to ignore was the 2008 Crash. Looking back from 2024, the former investment banker Dan Davies argued that we had constructed a system so predicated on rules that when it went catastrophically wrong, it seemed that nothing was anyone's fault.

Davies contextualises this as one instance of a much more general phenomenon: the 'accountability sink'. He defines this as 'the delegation of the decision to a rule book, removing the human from the process and thereby severing the connection that's needed in order for the concept of accountability to make sense'.⁷¹ An individual who chooses to break from general procedure in response to a particular situation risks falling foul of other, sterner rules: insurance policies, or the law. One system of strict rules reinforces another. This approach now shapes many power relations between corporations and both their customers and their employees, and the way the state and other institutions engage with citizens. AI may serve to dehumanise systems further.

As with quantification, rulebooks, company policies and codes of practice all involve those in power building models of the world, in order to make it legible enough to rule. Once again, this raises the question of what considerations are excluded, and whose power is thus entrenched.

In Davies' view, with 'the rise of the professional and managerial class in the economy and society' over the last few decades, these 'people had been able to reorganise and re-engineer many of the most important institutions from politics to business to finance and the law'. The result has been to 'reduce the extent to which they could be held responsible for their actions'. Paradoxically, 'by reducing their ability to make decisions as individuals, the professional and managerial class cemented their control of the overall system'.⁷² This is at once a concentration and a dispersal of power. This goes some way to explaining why systems like this can disempower both the customers and citizens engaging with organisations run this way, and the employees within them. Yet this approach is continually reaffirmed and reinforced by professional norms and networks.

Looking at this in terms of Lukes' theory of power prompts a question: what ideas does a given accountability sink render unassailable – and what ideas does it rule out of bounds? (Some ideas should be out of bounds, but once this goes too far it can start to corrode the legitimacy of the system, and start to give extremists a way to lend specious legitimacy to toxic ideas.) As we will see, accountability sinks are one way that an ideological model can become entrenched, defining what matters and what does not through apparently impartial rules, to the point where questioning the underlying idea seems impolite, or mad.

⁷¹ Dan Davies, *The Unaccountability Machine: Why Big Systems Make Terrible Decisions*, Profile Books, 2024, p.17.

⁷² Ibid, pp.26-27.

Economic man respects the guidelines

In its economic application, Davies' analysis suggests that the rule of rules has dovetailed with post-1979 ideology: 'the political system has used "the market" as an accountability shield since the early 1980s'.⁷³

As with quantification, this way of thinking seemed like common sense, until it didn't. Once again, if this version of the world were true, the 2008 financial crash would never have happened. As Davies writes, 'the basic problem is that systems in general need to have mechanisms to reorganise themselves when the complexity of their environment gets too much to bear. But the high-level governing systems of the industrial world – economic policy and business management – had some defects and blind spots which prevented this from happening'.⁷⁴

The American political scientist Lisa Miller argues that rules-based power actually weakens pro-democracy politicians' capacity to respond in a politically effective way:

'constraining government power does not eliminate the problem of concentrated power. On the contrary, it provides narrowly focused, resource-rich private interests with opportunities to constrain policy reforms that do not serve their interests. Political systems with many checkpoints have a powerful bias in favor of the status quo, which generally benefits elites—particularly economic elites'.⁷⁵

British government is not tied down by the extreme constraints of the US constitution – but as we will explore, we are witnessing a British version of this phenomenon too.

Disempowering the public

One reason for moving to more explicitly rules-based systems was to eliminate abuses of power by authority figures who had been trusted until their exploitation of that trust was exposed, as in various instances of horrifying criminality revealed in the police service, children's homes and general medical practice. Quantification and rules were both adopted in response to public distrust.

While this may have had some success, however, the prolonged and expanding use of these approaches has institutionalised the distrust they were meant to address. Bureaucratic and legalistic systems feed populist theories of uncaring power. And as David Willetts has suggested, one reason politicians' language often sounds so empty of human feeling is that 'they're working on an income analysis shaped by economists'.⁷⁶

⁷³ Ibid, pp.28-29.

⁷⁴ Ibid, p.229.

⁷⁵ Lisa L. Miller, 'The Dead End of Checks and Balances', Boston Review, Spring 2025.

⁷⁶ Free Thinking: 'The Middle Classes', BBC Radio 4, March 2025.

At the same time, both markets and regulation have been extended (often in symbiosis) beyond domains where their use makes clear sense. This disempowers the public, not least by depriving them of an effective means to register their objections within the system.⁷⁷ Given the rise of Donald Trump's 'Make America Great Again' (MAGA) movement, Van Dunkelman argues that 'by helping to render government incompetent', progressives 'have pried open the door for MAGA-style populism. We share culpability for the public's frustration.'⁷⁸ Davies warns that 'the only ways [the public] have of expressing their discontent seem to be highly destructive of the system itself'.⁷⁹

The sense that sticking stubbornly to pre-ordained rules is blocking necessary, common sense action – as articulated by ministers on planning, for example – is a marker of how the way this approach disperses power has become seriously problematic. This has corroded trust that the system has ordinary people's best interests at heart.

But this problem has been exacerbated by some of the phenomena visible in the opinion research explored earlier. The public's frustrating encounters with accountability sinks, whether as citizens, employees or customers, are bad enough. But the public has also noticed that the rules do not appear to apply to those in positions of power – from the bankers whose hubris caused the crash, to richly compensated water company chiefs, to those who turned a blind eye to the crimes of grooming gangs. This gives people the impression that we have gone beyond 'one rule for them, another rule for us', to something more like 'implacable rules-based power imposed on us, impunity for those imposing it'. What was the point of institutionalising distrust by imposing onerous systems of rules to constrain the powerful if, in many areas of life, the powerful have found a way round them?

At the same time, it seems ever more evident to working-class voters that 'things are no longer working as they used to, and that the old rules no longer apply' – and that, in this context, 'radical change has powerful appeal'.⁸⁰

Where might we find these gradual power shifts at work, in ways that drive the public's sense of disempowerment, harming the reputation of mainstream democracy, while making it more difficult for democratic politicians to demonstrate that they can exercise the power of the state for good? From here, we explore four broad areas where power lies:

- The Treasury, the Bank of England and the Office for Budget Responsibility (Chapter 3)
- Large corporations and their major shareholders (Chapter 4)
- Privatised utilities, outsourcing companies and consultancies (Chapter 5)
- The European Convention on Human Rights, judicial review, planning and regulation (Chapter 6)

⁷⁷ There is an additional exacerbating factor here: the exponential increase in the pace of technological change. This means primary legislation is too slow to keep up, so vast swathes of discretionary power are handed over to regulators (especially post Brexit), which means that the power to act moves ever further away from the people whom voters have democratically elected to take action.

⁷⁸ Dunkelman, *Why Nothing Works*, p.6.

⁷⁹ Davies, *The Unaccountability Machine*, pp.271-2.

⁸⁰ Mattinson, Ainsley and Brookes, 'Build Back Belief', p.32.

Chapter 3 – Safety in numbers

The Treasury, the Bank of England and the Office for Budget Responsibility

I. The problem

The Treasury

During the Second World War, as other departments of state expanded, the Treasury experienced a 'loss of power'.⁸¹ Its traditional role as the guardian of the national purse strings remained but, during and after the war, this was tempered by the expectation that ordinary people's wellbeing must now play a crucial role in democratic politics, and by the state's larger presence in the economy.

But in the 1970s, with inflation, debt and the deficit rising, repeated attempts to curb government spending culminated in the 1976 IMF crisis. This saw the government forced to take out an emergency loan, and it remains the modern Treasury's foundational nightmare.

The Bank of England

The Bank was nationalised in 1946, and worked in cooperation with the government, which set interest rates. This set-up survived the transformations of the Thatcher era. But in 1992, in a vain attempt to keep sterling in the European Exchange Rate Mechanism, Conservative Chancellor Norman Lamont raised interest rates twice in one day, from 10% to 12%, and then to 15%. 'Black Wednesday' was the monetary policy equivalent of the IMF crisis. Once again, politicians appeared to have shown themselves incapable of managing the nation's finances.

II. Power shift

The Treasury

In response to the crises of the 1970s, New Right economists, among them public choice theorists, argued for a radical break in economic policymaking, based on a new model. Elected politicians – self-interested 'economic men' like the rest of us – should no longer be so trusted with public money. Their wayward judgement should be constrained by measurable rules. The New Right's 'desire to prevent democratic damage to the stability of the free market order reinvigorated a vision for rules-based economic policy'.⁸²

After the election of Margaret Thatcher in 1979, something of this new approach was imposed on the Treasury's resistant Keynesians. This liberated its traditional distrust of spending departments, and served to concentrate its power.

⁸¹ David Edgerton, *Warfare State: Britain, 1920-1970*, Cambridge University Press, 2006, p.147.

⁸² Ben Clift, *The Office for Budget Responsibility and the Politics of Technocratic Economic Governance*, Oxford University Press, 2023, p.31.

By 1997, the prioritisation of low inflation and Treasury control of departmental spending was so entrenched that, on returning to power, Labour embraced the model, and introduced an addition: fiscal rules. Chancellor Gordon Brown designed these to reassure markets that Labour could be trusted, but ensured they ‘only marginally constrained spending’.⁸³

The Bank of England

One of the tools the Thatcher government had deployed to drive down inflation in the years after 1979 was the power to set interest rates. One Treasury minister would later write that monetary policy was ‘at the very heart of our new economic approach’.⁸⁴

In the 1990s, however, Black Wednesday bolstered an emerging academic analysis that this grave responsibility might be better placed elsewhere. On winning power in 1997, New Labour made the Bank of England independent, outsourcing the power to set interest rates to the Bank’s new Monetary Policy Committee (MPC). Government’s role was limited to giving the MPC a rule to which to work: it should keep inflation below 2%.

As former Treasury permanent secretary Nick Macpherson told FGF in 2024, independence was ‘consistent with the consensus of the early nineties, the sort of globalist liberal institutional framework, that there are some decisions which you should leave to technocrats, because you’ll get better outcomes’.⁸⁵ This was a pointed relinquishing of power. But it worked: the economy continued to grow, even if interest rates intended to curb inflation also cost jobs in manufacturing.⁸⁶

Only in 2008 did the Crash force political focus back onto the power settlement embodied in central bank independence.

The Office for Budget Responsibility

In the wake of the Crash, the new Coalition government outsourced fiscal forecasting from the Treasury to a new, independent Office for Budget Responsibility (OBR).

This was a deliberate reprise of Labour’s surprise declaration of Bank independence, drawing on the same academic consensus. Labour accepted the new settlement ‘partly to signal their commitments to sound money and fiscal discipline’.⁸⁷ The OBR’s advocates argue that it has improved the rigour of the policymaking process, and point out that the government still sets the fiscal rules.

⁸³ Sam Freedman, *Failed State: Why Nothing Works and How We Fix It*, Macmillian, 2024, p.49.

⁸⁴ Nigel Lawson, *The View from Number 11: Memoirs of a Tory Radical*, Bantam Press, 1992, p.22.

⁸⁵ Phil Tinline, ‘[Into Power 02: The Conservative Party’s 2010 transition from opposition to government](#)’, FGF, April 2024, p.22.

⁸⁶ Ruth Strachan, ‘[Who killed British manufacturing?](#)’, Investment Monitor, November 2020. This paper puts the figure at 1.5m manufacturing jobs lost between 1997 and 2009.

⁸⁷ Ben Clift, ‘[Labour, the OBR, and the Politics of Fiscal Rectitude](#)’, Renewal, May 2023.

III. Overextension

The Treasury

The Crash was caused by the hubris of post-1979 economic thinking, in the UK and the US alike. In response, the Brown government ran up debt to prevent catastrophe – but was still expected to show the financial markets that it could be trusted. Chancellor Alistair Darling accordingly tightened the fiscal rules. This further empowered the Treasury to discipline departmental spending, a tool Darling's Conservative successor George Osborne used to impose austerity cuts, intensifying the application of the post-1979 model.

This approach initially had broad public support, but as growth failed to revive, stagnant pay and regional inequality stoked discontent. Unconventional Conservatives like Nick Timothy, Theresa May, Boris Johnson and Michael Gove pushed first for more help for the 'just about managing', then for 'levelling up', but came up against orthodox chancellors. Criticism that the Treasury's Green Book cost-benefit analyses had long favoured the prosperous south-east won a hearing, but overall the Treasury's wariness of capital spending, enforced by strict adherence to the fiscal rules, won out.

The Bank of England

Similarly, the Crash did not lead to government taking back control of interest rates. Instead, the Bank retained control. With interest rates already low, it began a process of quantitative easing (QE) – the organised purchase of bonds to raise their prices and reduce longer-term interest rates, thus making borrowing cheaper and encouraging spending in the economy. Critics suggest QE 'represented a major expansion of [the Bank's] powers'.⁸⁸ This saved stricken banks and with them the economy. By pumping liquidity into the economy, QE boosted asset prices, even as pay stagnated, worsening inequality.

As a trio of academics wrote in 2016, 'In the wake of the financial crisis, central banks accumulated large numbers of new responsibilities, often in an ad hoc way.'⁸⁹ Times had changed, leaving the basis on which the independence had been granted behind. As they put it: 'The old academic assumption that the more independent a central bank is, the better it is, should no longer hold.' One of the authors was Ed Balls, who as a special adviser to Chancellor Gordon Brown, had been instrumental in making the Bank independent. While standing by that move, he argued that 'the reforms we've seen over the last few years have hugely concentrated power in central banks', and that there should be greater government oversight.⁹⁰

⁸⁸ James Meadway, 'Is Nigel Farage right about the Bank of England?', *New Statesman*, June 2025.

⁸⁹ Ed Balls, James Howat and Anna Stansbury, 'Central Bank Independence Revisited: After the financial crisis, what should a model central bank look like?', Mossavar-Rahmani Center for Business & Government, Harvard Kennedy School, November 2016, p.60.

⁹⁰ Angela Monaghan, 'Ed Balls: Bank of England's independence should be reined in', *Guardian*, November 2016. Post-Brexit, the Bank and the financial regulators acquired further powers which were repatriated from Brussels but not to government.

The Office for Budget Responsibility

In 2022, the new Prime Minister Liz Truss saw the OBR as the over-cautious enforcer of orthodoxy. In an attempt to jump-start economic growth, her Chancellor Kwasi Kwarteng abjured the now-standard OBR prior review ahead of his 'mini-Budget', and announced £45bn of unexpected, unfunded tax cuts.

The City flinched; the pound sank to an all-time low; interest rates were forced up. Political recklessness interacted with a disastrous technical failure of strategy by the pension fund industry. The Bank of England intervened to save it, but Truss and Kwarteng were forced to resign. The debacle was widely read as revealing limits that no government could now transgress. The OBR has become 'far more powerful than it was in 2010'.⁹¹

IV. Entrenchment

The Treasury

How does the Treasury's culture and self-image embed the post-1979 model: its insistence on tight control of departmental spending, its short-termism, its fear of capital projects?

According to former officials, Treasury culture venerates certainty, particularly when expressed in numbers. As the guardian of the public finances, it wants to be as sure as possible that an investment of taxpayers' money will generate a return. Secondly, subjective judgements risk implying bias, in breach of civil service impartiality. Treasury officials think of themselves as 'the least biased people. Everyone else has got some special interest they're trying to deal with... And only they have the bloodless logic to understand.'⁹²

One danger of this is that it leads to a reliance on data even when its authority is an illusion. Any projection of the impact of future spending is, finally, a guess. Nonetheless, having numbers to hand helps win arguments. There is also a temptation to use quantification as a fig-leaf for the exercise of power, rejecting proposed spending plans on the grounds that they fail a cost-benefit analysis, rather than simply because they are not a priority.⁹³ Alternatively, the spectre of subjectivity can be warded off through adherence to the authority of process, standards and rules.

The second danger is what quantification and rules exclude from view. Transformative improvements, like the impact of innovating, cannot be predicted and quantified in advance. Over-reliance on rules can foster damaging risk aversion: so long as officials follow the rules they have a defence, even if things go badly wrong. If they take a risk and it works, they may not win any credit. This raises the risk of bad outcomes for the public, further damaging the reputation of the democratically run state. But the Treasury may have no idea this is happening.

⁹¹ Jonathan Portes, 'Amid the Tories' fiscal disasters, one change has quietly warped how we see public spending for ever', Guardian, June 2024.

⁹² Giles Wilkes (former Special Adviser to Business Secretary Vince Cable and Prime Minister Theresa May), quoted in Freedman, *Failed State*, p.51.

⁹³ See Dan Corry, 'The Green Book and getting more investment into the regions', The Future Governance Forum, December 2025.

All these decisions are unavoidably political. The fiscal rules are a performance of detached, quantifiable objectivity, motivated by fear of being seen as reckless with public money. They have become ever stricter – yet chancellors have repeatedly changed them, thereby undermining the very objectivity they're supposed to project. They embody a political model which entrenches distrust in politicians' judgement – yet that model is also hard to match with reality.

Institutionalised distrust creates a vicious cycle in the Treasury's relationship with spending departments. As Joe Hill, a former Treasury official (now policy director at the think tank Re:State) notes, 'the more the Treasury spends time telling the rest of government "you can't", the less incentive anyone else has to care about fiscal responsibility'.⁹⁴

The Bank of England

The creation of the Bank of England's MPC served to institutionalise distrust in politicians, which was budding in the 1990s and has flourished ever since. To its critics, this reform entrenched an irreducibly political set of priorities and limits – not least the New Right priority on fighting inflation rather than low pay and unemployment – and did so by moving power from politicians to technocrats. But the advent of the MPC, staffed as it was by 'Oxbridge economists, many of them embraced by the City or the Treasury', also triggered the suspicions of industrialists 'who saw the cost of money being settled by people with none of the experience of manufacturers'.⁹⁵

This was not, however, a straightforward concentration of power. Under the new arrangement, the government sets the inflation target; this shapes the MPC's decisions on the interest rate; this – and their own target – then shapes government's fiscal decision-making. This created an elegantly-designed accountability sink, dispersing power round an institutional loop. Questioning the priorities and limits that underpinned it now risked upsetting the whole delicate architecture. Before 1997, chancellors had overruled the Bank on interest rates; afterwards, doing so was held to threaten Britain's macroeconomic credibility.

The long period of growth and low inflation through the 1990s up to 2008 established central bank independence and its accompanying taboos as common sense. As the economist Leah Downey argues, the 'central bank's epistemic authority, as an independent body of experts pursuing best practices' has allowed it 'to shape what the legislature conceives of as possible'.⁹⁶ This survived the Crash, because the fear of politicians' recklessness, which underpins the whole concept of central bank independence, remains.

Downey suggests that this distribution of authority has lasted, in part, because politicians are 'frightened of the responsibility that comes with exercising political power'.

⁹⁴ Interview with Joe Hill, 29 May 2025.

⁹⁵ Anthony Sampson, *Who Runs This Place?: The Anatomy of Britain in the 21st Century*, John Murray, 2004, p.261.

⁹⁶ Leah Downey, *Our Money: Monetary Policy as if Democracy Matters*, Princeton University Press, 2024, Kindle location 712.

The Office for Budget Responsibility

Osborne's creation of the Office for Budget Responsibility further institutionalised the belief that politicians cannot be trusted. The OBR embodies a political attitude in its underlying premises: that the economy is measurable and that what is measurable is what matters; that the economy should be run on the basis of rules.⁹⁷

Here too, insistence on short-term quantification skews perceptions. The costs of public spending 'are reasonably easy to quantify, especially in the short-term, whereas the benefits aren't'. The OBR scored Osborne's cuts to Sure Start as a saving, for example, 'but it made no attempt to quantify the long-term costs', which likely deprived children of significantly improved health and education outcomes.⁹⁸

Yet the technical veneer makes such mistakes harder to stop, as does the fear the OBR encodes – of profligate politicians tanking the economy. Nonetheless, as the political economist Ben Clift writes, in reality, 'rules-based economic governance is inherently discretionary, and independent fiscal oversight involves extensive judgement', and economic knowledge is 'contested and ideological'. At issue is 'the appropriate role of the state'.⁹⁹

Alongside changes to the fiscal rules, the OBR has over time rethought its approach as its modelling has repeatedly failed to match fast-changing reality. More broadly, the boundaries of acceptable economic thinking have receded, not least as first the Crash and the failings it revealed, then the Covid pandemic's overwhelming demands, 'disrupted some settled economic wisdoms about the role of the state'.¹⁰⁰

The considerations the model excludes have repeatedly tried to make themselves heard, whether through the Brexit vote, the vote for levelling up in 2019, or the vote for change in 2024. Yet as much as the OBR strives to adapt, it is compelled to stick to its remit. Immovable fear meets increasingly irresistible demands for change.

V. Public discontent

Taken together, the post-1980s Treasury, the MPC and the OBR have institutionalised distrust in politicians. It is therefore unsurprising that the public has come to distrust politicians.

The Treasury

The danger for Treasury ministers of presenting spending choices as having been imposed on them by external forces, rather than arguing confidently from principle, is that it suggests that the government is not in control.

⁹⁷ Clift, *The Office of Budget Responsibility*, chapter 3.

⁹⁸ Portes, 'Amid the Tories' fiscal disasters, one change has quietly warped how we see public spending for ever'.

⁹⁹ Clift, *The Office of Budget Responsibility*, pp.21 and 48.

¹⁰⁰ Clift, 'Labour, the OBR, and the Politics of Fiscal Rectitude'.

Austerity fuelled several of the ongoing drivers of discontent, from increased poverty to the disappearance of bus services, libraries, Sure Starts and leisure facilities, via the long-term lack of effective regeneration to help deindustrialised areas recover from the original impact of this economic model in the 1980s. The closure of youth clubs has fuelled shoplifting, drug offences and other criminal activity, including violence.¹⁰¹ This is exacerbated by the austerity-worsened decay of the criminal justice system, from policing, through the court system to the probation and prison services.¹⁰² In this context, merely explaining the difficulties of taking decisive action, rather than taking action, is dangerously provocative.

The Bank of England

Downey links the ‘astonishingly widespread disillusionment with democracy’ and the ‘rejection of elites and experts’ directly to central bank dominance over political decision-making: ‘Contemporary dissatisfaction with democracy reflects a sense that voting makes little difference because the people one votes for do not exercise meaningful control over the bureaucrats they are meant to govern.’ Addressing this is less an ideological move, more – as with Britain’s periodic shifts in ownership of its public utilities – a matter of needing to give the system an occasional shake-up to prevent the accretion of power. Preserving a democracy’s health, Downey argues,

‘requires the legislature to regularly revisit the terms and conditions of delegated powers. In a dynamic world, this ensures that our approach to governing policymaking is sensitive to changes in social preferences, the environment, and innovation. It prevents ossification. Even more importantly, regularly revisiting the terms and conditions of delegation is itself an expression of political power. By regularly flexing this muscle, the legislature reminds both itself and its administrative delegates who is in charge.’¹⁰³

This entails actively managing the framework within which democratic government makes decisions, rather than passively – or unknowingly – accepting it.

101 Carmen Villa, ‘How cuts to youth clubs affected teen crime and education’, Institute for Fiscal Studies, November 2024.

102 Vikram Dodd, ‘Tory police cuts are only part of the ongoing crisis affecting victims of crime’, Guardian, January 2025.

103 Downey, *Our Money*, Kindle location 199.

The Office for Budget Responsibility

In summer 2025, backbench Labour MPs rebelled over the welfare reform bill, in the light of the OBR's assessment that planned cuts would save £1.6bn less than ministers thought, and the Chancellor's consequent decision to make additional cuts to make up the shortfall.

Many Labour MPs had accepted the need for welfare reform, but the spectacle of orthodoxy's rules and quantifications so visibly overriding the wellbeing of disabled people was felt to be intolerable. If Liz Truss' defeat by the forces of orthodoxy marked one hard limit on trying to dodge the OBR, the defeat of the welfare reform bill appeared to mark a hard limit on obeying it.

VI. Government responses

The Treasury

On becoming Chancellor in 2024, Rachel Reeves raised taxes and reformed the fiscal rules to allow for a significant increase in borrowing to fund investment in Britain's infrastructure while protecting most working people, raising the minimum wage and restoring public sector pay. The fiscal rule amendment was a 'fundamental structural change'; by 'moving away from a narrow focus on debt and deficits',¹⁰⁴ she allowed the government to direct an additional £100bn in capital spending over five years (which increased again at the Spring Statement in 2025).

The new Chancellor also commissioned an audit of the Green Book, given criticism that its emphasis on cost-benefit analysis tends to undervalue the potential long-term benefits of transformational projects (following an earlier review initiated by her predecessor Rishi Sunak). In response, the Treasury committed to 'improve the Green Book guidance on appraising transformational change'.¹⁰⁵

If, as that first Budget promised, the government 'intend[s] to change, fundamentally, the UK's prevailing economic model', rescuing 'the country from its post-2008 torpor',¹⁰⁶ it may need to go further in addressing old ideas which constrain its power.

Having won the trust of the bond markets in very difficult circumstances, this is a matter of careful gradualism, but the government might usefully consider acknowledging the limits of quantification and rules and their capacity to 'take the politics out' of public policy, and the unavoidably political nature of institutions like the MPC and the OBR. Granting that government decisions are necessarily political, and making a confident case on that basis – rather than standing on obedience to external rules – could help to counter distrust in politics, while providing officials with a clearer direction of travel towards achieving political goals.

¹⁰⁴ Nathan Yeowell, 'Invest, invest, invest: Rachel Reeves' £70 bn downpayment on growth and renewal', FGF, November 2024.

¹⁰⁵ HM Treasury, 'Green Book Review 2025: Findings and actions', June 2025.

¹⁰⁶ Yeowell, 'Invest, invest, invest'.

Senior veterans of the civil service and the Bank of England have called on government to acknowledge the volatility of forecasts and avoid excessive adherence to the arbitrary targets that follow from them.¹⁰⁷ As the former Treasury official and special adviser Dan Corry points out, a confident minister can simply overrule Green Book calculations. Greater political creativity, decisiveness and control would serve to override some of the constraints on government power we have been exploring by attracting greater capital investment. As one former banker puts it, with reference to infrastructure spending, levelling up, and other areas:

‘if there was more clarity and there was more certainty from government about the type of things it cared about, and its risk appetite and the types of interventions it was prepared to make, then I think that would definitely help stimulate more private investment in support of government objectives.’

To do this, there is a fear that needs to be faced down. The lesson taken from the fall of Liz Truss has been that anything short of reverence for the OBR spells disaster. But as the welfare reform bill rebellion shows, this can also trigger political calamity. Truss’ fate was not primarily sealed by ignoring the OBR, but by the markets’ adverse reaction to her government’s inflationary tax cuts. Other factors included the disaster waiting to happen in the pensions industry, and the controversial intervention of the Governor of the Bank of England, which critics suggest fuelled market panic and forced Truss out. Truss prioritised unfunded tax cuts over the public’s financial wellbeing, but the lesson from this is not to prioritise arbitrary targets over the public’s interests instead.

Further steps could include:

- Review previous future projections, not to attribute blame but to learn lessons, and help reduce risk aversion by highlighting instances (the 2012 Olympics; Crossrail) where projections were inaccurately negative;
- Develop early experiments in negotiating spending settlements with several departments at once across broad policy themes, such as Managing Public Money; and
- Require all deputy directors in the Treasury to have worked at a senior level in a delivery department.

¹⁰⁷ See: Mehreen Khan, ‘Policymakers urge Rachel Reeves to tax ‘better-off’ older people’, The Times, September 2025; and Richard Partington, ‘Does it score?’ How the OBR became the key arbiter of the Treasury’s sums’, Guardian, March 2025.

The Bank of England

Given the intense, ongoing pressure on the public finances, and therefore on the legitimacy of mainstream democratic politics, it is necessary to locate points where old orthodox approaches are still being applied despite the passing of the circumstances that prompted them. Where this is creating unsustainable unfairness, it presents opportunities for a careful assertion of ministerial power.

Over the last few years, the Bank of England has shifted from quantitative easing to 'quantitative tightening' – unwinding QE by reducing its stock of bonds, partly by selling them back to financial institutions, for less than it originally paid for them. Voices across the spectrum, from the New Economics Foundation to Reform UK, have complained that, as a result, tens of billions of pounds of taxpayers' money are being transferred to commercial banks. This is because the rise in interest rates since post-Crash QE began means that 'the income the Bank of England receives from its investments is much lower than what it has to pay banks on their deposits'.¹⁰⁸

This has led to proposals that the reserves the Bank holds should be 'tiered', returning to its pre-2009 practice of paying interest on only part of commercial banks' reserves, as the European Central Bank does. Such an approach has been backed by two former deputy governors of the Bank, Charlie Bean and Paul Tucker, and by Gordon Brown.

One counter-argument is that this would constitute a 'tax' on banks – a claim even advanced, in January 2024, by the Commons Treasury select committee. But holding reserves is simply a cost to banks of doing business with sufficient care not to facilitate another financial crash. It does not merit taxpayer subsidy.

Bank Governor Andrew Bailey has argued that the Treasury owes the Bank, that the impact on banks would 'likely be passed on to customers' and/or would 'reduce their demand for reserves', and that it would make it harder to steer market rates.

But given the severity of the UK's financial and political situation, it might be more appropriate for the Bank to work more co-operatively with elected politicians, and indeed in September 2025 it announced a scaling back of quantitative tightening. And given that the government has granted the financial services sector much of what it has asked for on deregulation and tax, might it not reasonably seek a *quid pro quo*: that banks refrain from passing on costs of a decrease in interest on reserves to their customers? This could draw on the precedent of the Coalition government, which persuaded the banks to invest some of their equity in a new Business Growth Fund, in return for a removal of the previous government's levy on their bonuses.

Repeated warnings that tiered reserves would undermine Bank independence and risk market volatility or higher borrowing costs are a restatement of the founding nightmares of the governing orthodoxy – that changing the system would undermine the Bank's control. But this is not what Tucker and Brown are advocating. These arguments are reminiscent of orthodoxy-protecting prophecies of doom which do not factor in the impact of not acting – and

¹⁰⁸ Izabella Kaminska, 'Nigel Farage eyes debanking revenge with plan to hit bank profits', Politico, June 2024.

which evaporate on contact with reality, such as the claim that abolishing ‘non-dom’ status would prompt those affected to flee the UK – a scare story the Chancellor has faced down.¹⁰⁹

In May 2025, Tucker framed his case for tiered reserves on the basis of the danger implicit in maintaining the status quo: ‘With political legitimacy fragile and world order strained, it makes no sense for the resources available to government – whether used on defence, alleviating poverty, health care, education, tax cuts, or elsewhere – to be squeezed by avoidable debt-servicing costs.’¹¹⁰

Drawing on Downey’s argument about the usefulness of ‘regularly revisiting the terms and conditions of delegation’ of power to central banks, ministers should politely reassert the primacy of the democratically elected government. This should not involve abolishing the Bank’s independence; merely a regular review of the MPC’s mandate in the light of current economic pressures. Ministers might, for instance, choose to emulate the Federal Reserve’s dual mandate to pursue price stability and maximum sustainable employment, but choosing to continue the single mandate to keep inflation at 2% should equally be cast as a positive political choice.

The Office for Budget Responsibility

The government’s relationship with the bond market remains delicate. Nonetheless, this must be balanced against the need to counter accelerating disaffection with mainstream democratic politics. If it is politically impossible to abandon the OBR model, it is necessary to find ways to ameliorate the constraints it places on improving voters’ lives.

The move to factor the government’s housing plans into the OBR’s growth estimates is a significant broadening of its overly narrow parameters, which has not caused particular controversy. Nor has the Chancellor’s announcement in her 2025 budget that the OBR will assess the government’s performance against the fiscal rules once a year rather than twice.

Further steps could include:

- Requiring the OBR to provide an assessment whenever the government wants to make a significant fiscal intervention, which would underline that ministers are in overall charge of the process.
- Foregrounding the impossibility of numerically precise forecasting, which the OBR itself readily concedes. The recent departure of the OBR’s chair offers an opportunity to signal this. As the Labour MP Andy MacNae points out, its forecasts are ‘almost certain to be wrong’.¹¹¹ Government should resist pressure to wring unachievable predictive certainty from the

¹⁰⁹ Lauren Almeida, ‘UK tax data reportedly suggests claims of non-dom exodus overblown’, *Guardian*, August 2025.

¹¹⁰ Paul Tucker, ‘How the government can minimise its interest obligations’, *New Statesman*, May 2025.

¹¹¹ Andy MacNae, ‘The OBR is always wrong’, *New Statesman*, July 2025.

OBR's projections. It should call out the media's fallacious insistence on transforming a projected range of probable outcomes, based on imperfect information, into a single numerical prophecy. Likewise, it should resist the 'headroom' metaphor, which falsely attributes immovable certainty to an estimate. Visible determination to do what is necessary as unpredictable events unfold will reassure the markets just as effectively.

- As MacNae suggests, the government should 'clearly communicate the inherent uncertainties', treating the forecasts as 'guides, not guarantees'. A vivid, confident sense of political direction would help here: as we've seen, the lure of certainty through data is often a substitute for a clear political narrative.
- Our current system was designed before Brexit, Covid and the cost of living crisis. The danger it is structured to prevent – of profligate politicians stoking inflation – is no longer the most pressing. Some argue that government needs to be re-empowered through greater integration, or at least coordination, of fiscal and monetary policy.

These measures would involve facing down old fears of financial disaster. However, given the public pressure for change, they might rebalance power sufficiently to stave off a more extreme reaction. Reform UK has called for a review of Bank of England independence, perhaps even 'direct influence over interest rates'.¹¹² Former Cabinet Secretary Simon Case has suggested the OBR is one of the 'obstacles' a Reform government could 'remove... at a stroke'.¹¹³

¹¹² Patrick Maguire, 'Reform says "everything is up for debate" over Bank of England', The Times, June 2025.

¹¹³ Tim Shipman, 'Can Reform beat the blob?', Spectator, August 2025.

Chapter 4 – The concentration of market power

Large corporations and their major shareholders

Power is not only concentrated in the institutions of the state; that is just where it is most visible. This chapter explores how it concentrates in the private sector, in ways that fuel public resentment, and make the government's goals harder to achieve.

I. The problem

In post-war Britain, business leaders were expected to work in corporatist concert with government and trade union leaders, to try to manage the economy by consensus.

By contrast, most shareholders owned only a few stocks and had little power.¹¹⁴ The City, by comparison to today, was a somnolent gentleman's club; production loomed larger than finance. Executives could use their power to direct profits towards promoting social goods, or to treat themselves to luxuries.

In 1970, the American free market economist Milton Friedman championed a heretical idea: that 'a corporate executive is an employee of the owners of the business', whose 'responsibility is to conduct the business in accordance with their desires, which generally will be to make as much money as possible while conforming to the basic rules of the society'.

For executives to spend other people's money promoting 'social responsibility' bolstered the view that 'the pursuit of profits is wicked and immoral and must be curbed and controlled by external forces'. This, Friedman warned, could provoke socialist coercion.¹¹⁵

II. Power shift

As the post-war economic model broke down through the 1970s, putting shareholders first offered a way to revive corporations' failing fortunes. And it seemed to work: business boomed in the 1980s, and again through the 1990s and 2000s.

Over time, the focus shifted from maximising a firm's profit to maximising the price of its shares – which was held to be a reliable indicator of its value.¹¹⁶ Executives' incentives were aligned with this goal by relating their pay to the share price.

¹¹⁴ Duncan Lamont, 'Global Britain: should the dramatic shift in ownership of the UK stock market be feared or cheered?', Schroders, November 2020.

¹¹⁵ Milton Friedman, 'The Social Responsibility Of Business Is to Increase Its Profits', New York Times, September 1970.

¹¹⁶ Davies, *The Accountability Machine*, pp.210-12.

III. Overextension

Shareholder value

The logic of prioritising shareholders was that they were putting their capital at risk.

But in the decades since shareholder value was adopted, patterns of share ownership have changed radically, first through the rise of the fund manager, then the transformative concentration of power driven by the growth of huge asset management companies. These control trillions of dollars in assets, encompassing everything ‘from stocks and bonds to private equity, government debt, commodities, and real estate’.¹¹⁷ As the authors Adrienne Buller and Mathew Lawrence have argued, the aim of these companies is the accumulation of ‘ever more assets under management, from which their fees are derived’, and in seeing asset prices rise. According to Buller and Lawrence, their ‘structural interest in the performance of any given investment is negligible’.¹¹⁸

The shareholder value model excludes other risks: to employees (staking their income, job security and personal safety), citizens (who lose out if the company has to be bailed out with their taxes, or pollutes the environment), customers (affected by shoddy or dangerous products), and suppliers (impacted if the company folds). As Andrew Haldane, then chief economist at the Bank of England, noted in 2015, ‘employees, customers and clients’ cannot easily diversify their risk by investing ‘in a portfolio of jobs, or products or supply lines... But under the current shareholder-centric model, these wider stakeholders are not given any control rights over management’.¹¹⁹

Shareholder value has also been criticised for incentivising executives not to innovate but to asset strip their own companies through squeezing pay and conditions, raiding pension funds and making use of tax relief on debt interest to borrow heavily and pay high dividends. As Larry Fink, CEO of BlackRock, put it in 2015, ‘more and more corporate leaders have responded with actions that can deliver immediate returns to shareholders, such as buybacks or dividend increases, while underinvesting in innovation, skilled workforces or essential capital expenditures necessary to sustain long-term growth’.¹²⁰

This has helped to perpetuate Britain’s anaemic growth rate and the public discontent it stokes. Criticism of this approach has been strongly articulated by free market Conservatives such as David Davis MP, who has called for share price-boosting buybacks to be outlawed.¹²¹

¹¹⁷ Adrienne Buller and Mathew Lawrence, *Owning the Future: Power and Property in an Age of Crisis*, Verso Books, 2022, p.60.

¹¹⁸ Ibid, p.61.

¹¹⁹ Andrew Haldane, ‘[Who owns a company?](#)’, speech to the University of Edinburgh Finance Conference, May 2015, p15.

¹²⁰ Larry Fink, ‘[BlackRock CEO Larry Fink tells the world’s biggest business leaders to stop worrying about short-term results](#)’, Business Insider, April 2015.

¹²¹ David Davis, ‘[Sacrificing tomorrow’s prospects for today’s profits](#)’, The Times, May 2012. See also Phil Tinline, ‘[Theodore Roosevelt, the Tories’ new philosopher-king](#)’, New Statesman, 15 February 2025.

Concentration of ownership and control

Shareholder value incentivises mergers and hostile takeovers, as both tend to boost the share prices concerned in the short-term. Market dominance, once achieved, tends to make investor returns more secure. By 2020, the 100 biggest firms in the UK accounted for almost a quarter of total revenue, a rise of 25% since 2004.¹²²

The tactics of private equity companies, now also much-used by the asset management giants, have further concentrated ownership and power. At its best, private equity can bring specialist management to the rescue of a failing company, but it also has a record of extracting wealth from the firms it purchases, a practice former Conservative cabinet minister Michael Gove condemns as ‘organized theft’.¹²³

One consequence of concentrated ownership is rent-seeking. Of the ten most important consumer markets in the UK, accounting for 40% of consumer spending, eight are classed as ‘concentrated’. These include ‘groceries, broadband, mobile telephony, landline-only phone contracts, electricity, gas, personal current accounts, and credit cards’.¹²⁴ Other businesses extract rents through concentrated ownership of scarce resources like land, natural resources, financial assets, infrastructure and outsourcing contracts.¹²⁵

The concept of rent-seeking was developed in the late 1960s by one of the pioneers of public choice theory, Gordon Tullock. As we saw in Chapter 1, he developed a similar thesis, which argued that politicians and civil servants are self-serving. Ironically, this concept has stuck where the notion of rent-seeking has not, perhaps because those whom the latter critiques are less visible. As a concept with which to identify concentrations of power, however, rent-seeking is invaluable.

As an American antitrust official once observed, ‘monopoly conditions have often grown up almost unnoticed by the public until one day it is suddenly realized that an industry is no longer competitive but is governed by an economic oligarchy able to crush all competition’.¹²⁶ However, one sector where this phenomenon has become so extreme that it is visible, both to customers and to SMEs, is the US digital platform industry. Typically, the ‘commission Apple and Google take on an in-app purchase is 30% , with a lower 15% commission for small businesses’.¹²⁷

¹²² Meagher, *Competition is Killing Us*, p.21.

¹²³ Interview with Michael Gove, July 2025.

¹²⁴ Ibid, p.21.

¹²⁵ Brett Christophers, *Rentier Capitalism: Who Owns the Economy, and Who Pays for It?*, Verso, 2022, pp.xxxv-xxxvi.

¹²⁶ Quoted in Jan Eeckhout, *The Profit Paradox: How Thriving Firms Threaten the Future of Work*, Princeton University Press, 2021, p.243.

¹²⁷ George Dibb and Tommaso Valletti, ‘Fair Play: How competition policy can drive growth’, Institute for Public Policy Research, May 2025, p.16.

IV. Entrenchment

Shareholder value

Whatever its unfortunate side-effects, the pursuit of shareholder value is now thoroughly normalised. The alignment of executives' compensation with company share price creates an accountability sink, which makes the whole approach harder to challenge. Shareholders protest that they do not run the company, while executives aver sincerely that they do not own the company, and must run it to benefit those who do.

Beneath this is a set of beliefs, such as that people are motivated solely by rational self-interest. Historically, legal liability was granted 'because it was widely recognised that corporate activity served the public good';¹²⁸ and before shareholder value, it was common for limited companies to consider their role in society. But concentrating on share price or profit alone, excluding wider considerations, makes for a much more legible economic model.¹²⁹

This is not driven by cynicism, but by an article of faith. As Rebecca Henderson of Harvard Business School writes:

'In the majority of our boardrooms and our MBA classrooms, the first mission of the firm is to maximize profits. This is regarded as self-evidently true. Many managers are persuaded that to claim any other goal is to risk not only betraying their fiduciary duty but also losing their job. They view issues such as climate change, inequality, and institutional collapse as "externalities", best left to governments and civil society. As a result, we have created a system in which many of the world's companies believe that it is their moral duty to do nothing for the public good.'¹³⁰

So driving the commitment to shareholder value, there is a factual claim: that executives have a legally-binding fiduciary duty to shareholders to maximise the share price.

To its critics, this is a myth. In the UK, directors' duties were not formalised in statute until the 2006 Companies Act; Section 172 specifies that they have a duty to 'promote the success of the company for the benefit of its members' - the shareholders. However, directors must 'have regard' to 'the long-term consequences, the interests of the company's employees, suppliers and customers, the impact of the company's operations on the community and the environment, the company's reputation, and fairness as between the shareholders'.¹³¹

¹²⁸ Norman, *The Big Society*, p.213.

¹²⁹ Davies, *The Unaccountability Machine*, pp.238-9.

¹³⁰ Rebecca Henderson, *Reimagining Capitalism in a World on Fire: How Business Can Save the World*, Penguin, 2021, p.9.

¹³¹ Meagher, *Competition is Killing Us*, p.102.

Competition lawyer Michelle Meagher suggests that shareholder value is unenforceable, that ‘no case exists holding a director liable for not maximizing shareholder value in the everyday operations of the company since *Dodge v Ford*’, and that ‘the English courts have made clear that the shareholders are definitively not owners of the company’.¹³² Primacy of shareholder value is merely a ‘powerful norm’. This is imposed through ‘threat of hostile takeovers’, large institutional investors reminding managers ‘who controls their appointment’, how people are socialised ‘in business schools and on the job, and through the constant utterance of the firm’s lawyers’ and indeed through directors also being shareholders.¹³³

Concentration of ownership and control

Likewise, concentrated ownership is entrenched by a series of norms and practices:

First, the argument that profit or share price is the only measure of a company’s worth, and that it is wrong to try to distinguish between productive businesses and rentiers. Government tends to see making such distinctions as bias, or as off-putting to investors, or as an impediment to growth, and often ends up favouring those companies which are largest or best-resourced. It also sometimes fails to distinguish the interests of large, established players on the one hand, from those of dynamic market competition on the other.

Second, the concentration of market power has been reinforced by the expansion of home ownership and private pensions, which align citizens’ interests with those of asset management companies.

And third, the belief in shareholder value has been used to justify removing protections against concentration. As Henderson puts it:

‘When we told the leaders of firms that their sole duty was to focus on shareholder value, we gave them permission to turn their backs on the health of the institutions that have historically balanced concentrated economic power. We told them that so long as they increased profits, it was their moral duty to pull down the institutions that constrained them—to lobby against consumer protection, to distort climate science, to break unions, and to pour money into efforts to roll back taxes and regulations.’¹³⁴

132 Ibid, p.103. *Dodge v Ford* was a 1919 case in which Michigan’s supreme court found that Henry Ford’s duty was to run his company for the benefit of his shareholders rather than his customers or employees.

133 Ibid, pp.108-9.

134 Henderson, *Reimagining Capitalism in a World on Fire*, p.27.

V. Public discontent

Public discontent is stoked by dying high streets and the disappearance of long-established shops, by high prices, low pay and insecure work. But it is difficult to know who to blame. This feeds the theory of power William Davies found on 'Farage-adjacent TikTok':

'The simple, transparent equilibrium of the market has been replaced with the opaque disequilibrium of value extraction – or what might otherwise be called a scam.

'This is, at least in part, what happens in a capitalist society when profits remain high but productivity and wage growth stagnate. Things no longer add up. For many, work no longer pays well enough to secure a family existence. Someone somewhere is clearly getting richer, but it isn't clear how or why.'¹³⁵

The concentration of ownership and power may have largely taken place unnoticed, but it has erected a series of obstacles to democratic politics proving itself effective:

- It exacerbates problems which corrode public trust, for which politicians are (unfairly) blamed;
- It impedes economic growth; and
- It deprives the state of desperately needed tax revenue.

Corrosion of public trust

In the eyes of the public, the declining high street appears to have become a symbol of a 'broken' political system, visible in the disappearance of familiar brands like Topshop, Maplin and Cath Kidston, and the closure of branches of chains like Body Shop, Wilko and Marks and Spencer.

Among those in our poll who see their high street failing, significantly more blame decisions made by national government than by big business.¹³⁶ And local government, which has less power to fix the high streets' problems than either, is blamed most. This supports the thesis that people tend to blame visible forces over less visible ones.

¹³⁵ Davies, 'TV Meets Fruit Machine'.

¹³⁶ 'If you had to say, who do you blame most for the poor quality of your high street?' (question asked only of those who had rated the quality of their local high street as 'Quite bad' (21%) or 'Very bad' (12%)):

All voters: 61% local government, 35% national government, 25% big business; All Reform-curious voters: 48% local government, 52% national government, 38% big business. Dynata, August 2025.

High streets are struggling for various reasons, including changing retail trends and consumers' own choice to shop online,¹³⁷ but another is strategies pursued, particularly in the recent past, by private equity buyers. Their consolidation of small companies under more concentrated ownership can create efficiencies, but their approach to debt has left long-term damage.

This heavily burdened chains like Debenhams, which was taken private in 2003. The funds concerned paid themselves £1.2bn in dividends, while hiking the company's debt from £100m to £1,000m. The sale and lease-back of 23 stores then 'raised almost £495m for the temporary owners and saddled the business with long-term leases of up to 35 years'. By 2021, post-Covid, the chain's high street presence was finished: thousands of staff lost their jobs and the stores were sold;¹³⁸ some were still sitting empty, blighting high streets five years later.¹³⁹

Concentration has also left high street properties under more distant ownership, 'with commercial property seen as an investment for pension funds or private equity groups hoping to "flip" assets quickly to cash in on rising values'. The push to extract profit 'has frequently led to inflexible and costly rents that exclude small and start-up businesses, and to practices of irresponsible ownership where vacant properties are landbanked for their book value rather than brought back into use'.¹⁴⁰ Jessica Craig from Power to Change suggests that this perpetuates vacancy, likely contributes to the decline of uncared-for property, and worsens the flow of wealth out of communities.

Alongside the damage to high streets, concentrated ownership hurts customers. Lack of competition allows businesses to raise mark-ups over cost.¹⁴¹ Many customers feel disempowered, for instance, by the threat of being 'thrown off course by the next energy bill rise'¹⁴² in a market dominated by a handful of companies. Our polling found that respondents thought the energy companies have more power over the quality of their lives than any other forces bar banks and national government, and blamed them (second only to government) for the rising cost of living.¹⁴³ Market-dominating companies assert their power over customers by other means too, such as landlords'

137 Julian Dobson, 'Community businesses and high streets: 'taking back' and leading forward', Centre for Regional Economic and Social Research, Sheffield Hallam University, August 2022.

138 See Stephanie Giamporcano, 'High street closures: how private equity helps push firms to the brink', The Conversation, February 2021; and Centre for Retail Research, 'Who's Gone Bust in Retail?: Who's Gone Bust in UK Retailing in 2007-2025?', accessed 15 December 2025.

139 Kris Holland, 'What has happened to the closed Debenhams stores?', BBC News, May 2025.

140 Dobson, 'Community businesses and high streets: 'taking back' and leading forward', p.11.

141 Meagher, *Competition is Killing Us*, p.21.

142 Tryl, Rajah, Hodgson and Stowers, 'Shattered Britain', p.15.

143 'How much power and influence do you think energy companies have over the quality of your life?' (respondents saying 'a great deal' or 'a fair amount'):

All voters: 69% (joint second with banks after national government); all Reform-curious voters: 70% (joint third with banks after national government and big tech)

Energy companies 'have too much power in Britain today':

All: 23% (third after national government and big tech); all Reform-curious voters: 21% (level second with tech companies after national government)

Energy companies are' to blame for the rising cost of living in Britain today':

All: 32% (second after national government); all Reform-curious voters: 31% (second after national government) Dynata, August 2025.

tenacious defence of the long-outdated leasehold system, exploitative ‘dynamic’ pricing, and tech companies’ insatiable thirst for our personal data.

Concentrated ownership also gives companies the power to apply the discipline of competition to their employees and suppliers, even as they avoid it themselves.¹⁴⁴ In the context of the near-disappearance of unions from the private sector, companies in highly concentrated sectors such as resource extraction and infrastructure have been able to squeeze pay by asserting ‘monopsony’ power: keeping wages down because employees lack alternative employers. Between 1998 and 2017, ‘Higher levels of labour market concentration [we]re associated with lower pay amongst workers not covered by a collective bargaining agreement.’¹⁴⁵

The decline of manufacturing and the advance of finance and rentier-isation have allowed profitability to climb far ahead of wage rises, ‘consolidating the power of a wealthy ownership class’.¹⁴⁶ Working people’s share of incomes has fallen, from around 70% in the early 1970s to around 55% by the mid-2010s.¹⁴⁷ This is particularly difficult to challenge if your employer is a foreign corporation.

All this feeds the widespread feeling, illustrated in our poll, that work is not properly rewarded – further stoking the public’s sense that they are being scammed.

Stagnant productivity

Rising market concentration impedes growth by removing incentives both for dominant companies to invest in innovation, and for start-ups to challenge them.¹⁴⁸

Liberated from market competition, dominant firms can sweat their existing assets and extract rents. Dominant players can also redeploy excess profits to lobby government to maintain barriers to entry that thwart challenge from start-ups. As one specialist in regulatory policy puts it, ‘for large players in the market, regulatory complexity is a subsidy’ and ‘can be a competitive moat’. The expense involved in compliance has the effect of keeping out ‘challengers [who] cannot bear those cost burdens’.

Visibly preventing this will help to address the impact that concentrated power has on both growth and the public’s sense of unfairness, not least among entrepreneurs. As Labour MP Chris Curtis observes, lobby groups ‘only have power to the extent that the state lets them have power’.¹⁴⁹

¹⁴⁴ Eeckhout, *The Profit Paradox*, p.132.

¹⁴⁵ Will Abel, Sylvana Tenreyro and Gregory Thwaites, ‘Monopsony in the UK’, Discussion Papers 1827, Centre for Macroeconomics, 2018.

¹⁴⁶ Buller and Lawrence, *Owning the Future*, p.32.

¹⁴⁷ Christophers, *Rentier Capitalism* p.37.

¹⁴⁸ Dibb and Valletti, ‘Fair Play: How competition policy can drive growth’, p.7.

¹⁴⁹ Interview with Chris Curtis MP, June 2025.

Lost tax revenue

A majority of the public sees even legal tax avoidance as unfair – as another scam by the powerful. In September 2025, 57% of respondents to a YouGov poll said it was ‘unacceptable’. Similar responses have been consistently recorded for the last six years.¹⁵⁰

A growing number of the big, market-dominating companies that operate in the UK are headquartered in the United States. As well as making it harder for start-ups to grow, this costs the government tax revenue, because – in a telling expression of their power – some US corporations have in recent years found legal ways to avoid paying billions of pounds in tax, according to HM Revenue & Customs (HMRC).¹⁵¹ Even after a public outcry, Starbucks ‘declared no profit and paid no tax on its £1.2 billion of sales’ in the three years to 2022.¹⁵² (There is no suggestion that any of this is illegal.)

More broadly, as the businessman and investor Angus Hanton has charted, many British-born brands are now American-owned. As part of their restructuring of their British acquisitions, US private equity firms ‘split up companies so that most of the profits end up in tax havens’.¹⁵³ Hanton estimates the likely tax loss from US owners offshoring profits is over £12bn annually, and charges that private equity has added a further burden to the public purse by shifting the pensions liabilities of UK companies it buys onto the books of the government’s Pensions Protection Fund. This grew from £9bn in 2009 to over £32bn by 2023.¹⁵⁴

VI. Government response

Tackling concentrated market power offers ways to achieve two vital goals at once: removing drivers of public disempowerment and discontent, and fostering economic growth.

Through its industrial strategy, the government is seeking to break up concentrations of market power by addressing the snapping-up of British start-ups by foreign companies. As then Business Secretary Jonathan Reynolds put it when he launched the strategy, ‘We all recognise the tremendous innovation in this country, but do we always get the long-term benefits of that scale-up happening in the UK rather than going abroad? We do not, and that is what we are seeking to fix.’¹⁵⁵ The strategy proposes to do this ‘through strategically targeted public finance’ via the British Business Bank and new National Wealth Fund – ‘to encourage scale-up funds to raise more capital and lead larger investment rounds in UK businesses’.¹⁵⁶ This is now possible at scale because of

¹⁵⁰ YouGov, ‘Is it acceptable to legally avoid tax?’, September 2025.

¹⁵¹ See: Gwyn Topham, ‘US multinationals underpaid £5.6bn in tax in UK last year, HMRC believes’, *Guardian*, December, 2023; and ‘UK HMRC estimates US firms underpaid £8.8bn in taxes last year’, *International Accounting Bulletin*, July 2025.

¹⁵² Angus Hanton, *Vassal State: How America Runs Britain*, Swift Press, 2024, p.125.

¹⁵³ *Ibid*, pp.112, 130.

¹⁵⁴ *Ibid*, pp.115, 124.

¹⁵⁵ Jonathan Reynolds MP, House of Commons debate on *UK Modern Industrial Strategy*, Hansard 769(863), June 2025.

¹⁵⁶ William Cullerne Bown, ‘Hands on: Understanding Labour’s industrial strategy’, *Technology & Democracy* (Substack), July 2025.

the Chancellor's November 2024 change to the fiscal rules. In her 2025 Budget, she went on to announce a series of measures designed to help 'make Britain the best place in the world to start up, scale up, and stay'.¹⁵⁷

Concentration is also addressed by the Digital Markets, Competition and Consumers Act which 'will ensure that industrial strategy initiatives promote genuine market contestability rather than reinforcing existing power structures'.¹⁵⁸ The Treasury has already succeeded in pushing 'financial regulators to be more accommodating of new entrants and challengers - the visible result being a meaningful UK fintech boomlet'.¹⁵⁹

Further steps depend on a clear-eyed differentiation between creating dynamic markets, and over-serving established players. The Institute for Public Policy Research (IPPR) has outlined a range of ways of 'curbing monopolistic power', such that 'the government can deliver lower prices, higher wages, higher investment, and a more resilient economy'.¹⁶⁰ The Competition and Markets Authority (CMA) has made use of its new powers under the Digital Markets Act to designate Apple and Google as 'strategic market players', 'a label reserved for companies with entrenched market dominance and strategic significance', which facilitates measures to legally require them to change their market behaviour.¹⁶¹

Reversing the corrosion of public trust

The government has taken significant steps to address imbalances and concentrations of power which corrode public trust as they affect employees, customers and citizens, even if they are not always presented as having that aim.

- The government is proposing measures to crack down on 'subscription traps', which the then Business Secretary cast as a 'corporate abuse of power'.¹⁶² More broadly, the 2025 Budget signaled crackdowns on 'rip-off price hikes', and 'the illicit businesses that blight our high streets and undercut legitimate firms'.¹⁶³
- The Employment Rights Act will help to address disempowerment in the workplace.
- The Safer Streets Summer Initiative, which increased police patrols in high-crime areas, and the pledge to raise neighbourhood policing numbers by 3,000 by March 2026, alongside new powers in the Crime and Policing Bill

¹⁵⁷ Chancellor Rachel Reeves, 'Budget 2025 speech', HM Treasury, November 2025.

¹⁵⁸ Dibb and Valletti, 'Fair Play: How competition policy can drive growth', p.9.

¹⁵⁹ Kingman, 'We're going to need a bigger bazooka', *Comment is Freed* (Substack), November 2024.

¹⁶⁰ Dibb and Valletti, 'Fair Play: How competition policy can drive growth', p.6.

¹⁶¹ Rajat Saini, 'UK Watchdog Labels Apple and Google "Strategic Market Players"', Mac Observer, July 2025.

¹⁶² Department for Business and Trade, 'New measures unveiled to crack down on subscription traps', November 2024.

¹⁶³ Reeves, 'Budget 2025 speech'.

to ban persistent offenders from town centres, should address antisocial and criminal behaviour, provided police are able to put a stop to teenagers' sense of 'invincibility'.¹⁶⁴

- In the 2025 Budget, the Chancellor announced a series of reforms 'to support our high streets', including 'permanently lower tax rates for over 750,000 retail, hospitality and leisure properties', partly funded by higher rates on 'the warehouses used by online giants' and stopping 'online firms from undercutting our high street businesses by ensuring customs duty applies on parcels of any value'.¹⁶⁵
- The announcement of £5bn of 'Pride in Place' funding for local communities has the potential both to tackle the symbolically charged decay of high streets and local amenities – to 'get rid of the boarded-up shops, shuttered youth clubs and crumbling parks that have become symbols of a system that stopped listening', as the prime minister put it – and also to re-empower communities by giving them 'more power to restore pride in where they live – and on their terms'.¹⁶⁶ This includes new powers to block dubious gambling and vape shops from opening.

The more this money can be allocated on the basis of trust, rather than through onerously complex assessment and monitoring rules and 'beggar thy neighbour' competitions between authorities, the more it will re-empower people, and help to restore the public's faith in democratic politics. As the Labour minister Kirsty McNeill, who previously worked as an executive director in the charity sector, puts it: 'if you think the organisation actually can't be trusted to deliver effectively, then the answer is: no money. The answer is not money really inefficiently spent, because you're trying to micromanage.'¹⁶⁷

Recommendations: business and finance

- Asset management companies could be encouraged to incorporate social infrastructure and community space into real estate they own and manage, as pioneered by Platform Places. Platform Places is an organisation incubated by Power to Change which has had some success in fostering relations between communities and the public and private sectors – including a major investment management company – to make better use of assets in town centres, on the basis that thriving communities and independent businesses are mutually beneficial.
- In return for the increase in police patrols in high-crime areas and the pledge to raise neighbourhood policing numbers, leadership teams of high street chains could be encouraged to trust their branch managers to engage in place-based local schemes to rebuild a sense of community, and even incentivise them to do so.

¹⁶⁴ Dan Johnson and Sophie Woodcock, "Film me all you want" – teenage girls with no fear of police torment one High Street', BBC News, September 2025.

¹⁶⁵ Reeves, 'Budget 2025 speech'.

¹⁶⁶ Quoted in Kiran Stacey, 'Starmer gambles on 'levelling-up' style initiative to tackle Reform threat', Guardian, September 2025. See also: Kate Whannel, 'Which areas are due to get share of £5bn funding boost?', BBC News, September 2025.

¹⁶⁷ Interview with Kirsty McNeill MP, 30 July 2025.

- Facilitating the establishment of regional banks which, as FGF's report 'Impactful Devolution 03' recommended, could 'connect venture capital with regional economies', targeting local 'SMEs who cannot obtain debt or equity' from existing banks.¹⁶⁸
- Encouraging banks to play as committed a role as possible in local communities. From an enlightened self-interest perspective, rebuilding community and trust will make less likely the election of a government that would damage their interests.

Recommendations: regulation

- In return, government could use its power to free Britain's regulatory culture of its tendency to burden businesses with duplication, contradiction, safety-ism, needless complexity and making impossible demands, by creating feedback loops that bring poor drafting back to the desk of the person responsible. Potential regulation could be tested, either through consultation or common sense, by asking whom it empowers.
- Well-drafted consumer regulations and swift regulatory intervention, not least in relation to profiteering, would address the public's 'scam' theory of power. More in Common's research found that 'Majorities in almost all segments support the government introducing regulations on businesses to protect consumers from harm'.¹⁶⁹ IPPR has called for the CMA to fast-track 'clear consumer harm cases' such as grocery pricing.¹⁷⁰
- Much of this could be pulled together to offer business a Grand Bargain – a fundamental rethink of the purpose and detail of regulation, in line with the Chancellor's ambition to free business from red tape, in return for business acceptance of regulation that focuses on demonstrable public goods, including both consumer protection and maintaining proper market competition.
- This should aim to move away from the current legalistic approach towards a more trust-based model. This would be of particular benefit to SMEs, who often experience regulation as an expression of unfair state suspicion.
- This might also involve a principle of earned self-regulation, along the lines that used to govern swathes of Britain's professional life, and what has already happened in the financial sector. A sector that demonstrates good governance standards could earn relief from regulatory oversight.

¹⁶⁸ Alex Bevan, 'Impactful Devolution 03: A toolkit for regional growth and industrial strategy', The Future Governance Forum, September 2025, p.23.

¹⁶⁹ Tryl, Rajah, Hodgson and Stowers, 'Shattered Britain', p.184.

¹⁷⁰ Dibb and Valletti, 'Fair Play: How competition policy can drive growth', p.6.

Following the principle that Rachel Reeves outlined in her 2018 pamphlet ‘The Everyday Economy’, that ‘the way forward is... to bring capital under better democratic control’¹⁷¹, more radical steps might include the following:

- Encouraging companies to re-empower their workers as stakeholders, building trust, agency and respect for the difficulties faced by both staff and management. Empowering staff would help to reduce the appeal of toxic narratives about ‘rigged’ systems. Approaches might include:
 - a revival of the May government’s move to put workers on company boards;
 - a restoration of collective bargaining would foster more relational employer-staff contacts, however robust, which might encourage more equitable mutual respect, as was once normal in many British workplaces; and
 - given the likely coming rise in graduate unemployment as AI replaces entry-level jobs, and its potential for fomenting political discontent, government may need to consider more options to incentivise businesses to hire and retain young workers.
- Limited liability’s origins as an act of trust could be restored by ruling that ‘any entity taking control of an operating company should have to guarantee its debts’. This would prevent private equity companies and others exploiting a company’s capacity for debt to ‘buy it with its own money’.¹⁷² Government could even legislate to require the leadership of a company that falls into bankruptcy to return the value of shares and bonuses they have received in a given period prior to the firm’s collapse.
- Alternatively, a windfall tax could be used to deter overly complex financial transactions based on leveraged financing.
- The government could do more to promote its stated objective of incentivizing employee ownership, on the basis that it ‘gives employees a greater stake in the business in which they work, improving working conditions and driving productivity’, particularly given the reduction in capital gains relief available on the sale of a majority shareholding to an Employee Ownership Trust in the 2025 Budget.¹⁷³

Boosting productivity and recovering lost tax revenue

Regulating to champion free and fair markets, empowered consumers and productivity would not only address the corrosion of public trust; it would also improve stagnant growth. As FGF Director Nathan Yeowell points out, ineffective regulation ‘rewards bad businesses who ignore the rules and

¹⁷¹ Rachel Reeves, ‘The Everyday Economy’, 2018, p.26.

¹⁷² Davies, *The Unaccountability Machine*, pp.266-7.

¹⁷³ HM Revenue & Customs, ‘Capital Gains Tax – Employee Ownership Trusts relief reduction’, November 2025.

punishes the good ones who follow them'.¹⁷⁴ Effective regulation 'can support economic growth, give confidence to businesses and encourage innovation'. Similarly, better enforcement of tax collection could boost productivity, because companies 'that are able to aggressively avoid or evade taxes enjoy an effective subsidy, enabling them to undercut tax-compliant rivals or survive

despite low productivity'. Removing this unfairness would help to reallocate resources to more productive business activity.¹⁷⁵

Tax dodging also harms the public more directly. The estimated loss of revenue to illegal evasion in 2022-23 was £5.5bn, but according to the Public Accounts Committee, this may be a 'significant underestimate'.¹⁷⁶ The government has taken steps to address institutionalised legal tax avoidance through its abolition of non-domiciled status. More broadly, it is investing £1.4bn to fund additional HMRC compliance officers to reduce the 'tax gap'. In her 2025 Budget, the Chancellor promised that HMRC and the new Fair Work Agency will 'track down fraudulent business owners who vanish without paying their taxes', alongside 'new powers for HMRC to pursue the promoters of tax avoidance schemes' and 'further steps to prevent and track down unpaid tax'.¹⁷⁷

Recommendations

As a report for two all-party parliamentary groups points out, raising penalties for tax avoidance and evasion 'so that they are based on a significant percentage of a business's global turnover' would both act as a deterrent and 'help raise revenue for public investment' – but only if new powers are enforced with more vigour than the recent application of existing ones.¹⁷⁸ This would also signal to the public that the state does not allow the powerful to act with impunity.

In 2023, the Fair Tax Foundation estimated that '17.5% of UK public contracts (with a combined value of £37.5bn) are won by companies linked to tax havens', and suggested that profit-shifting was costing the UK £12.5bn in lost corporation tax.¹⁷⁹ The government's February 2025 National Procurement Policy Statement specifies that contracting authorities should 'ensure their suppliers... comply with their tax... obligations', but this responsibility could be shifted onto potential suppliers by requiring them to demonstrate tax compliance at the point of tendering. This would be in line with the statement's

174 Nathan Yeowell, Foreword to Matt Bevington, '[Rebuilding the Regulatory Ecosystem: How Labour in government should approach regulatory reform](#)', Progressive Britain, June 2023, p.4.

175 Clara Gisoldo, Benjamin Barnett and Lola Doury Starkin, '[Clean Foundations for Growth: Unlocking Economic Opportunity by Tackling Economic Crime](#)', The All-Party Parliamentary Group for Anti-Corruption & Responsible Tax, the All-Party Parliamentary Group for Fair Banking, and the UK Anti-Corruption Coalition, July 2025, p.32.

176 Public Accounts Committee, '[£5.5billion lost to tax evasion could be significant underestimate, PAC report warns](#)', UK Parliament, February 2025.

177 Reeves, 'Budget 2025 speech'.

178 Gisoldo, Barnett and Starkin, 'Clean Foundations for Growth', p.22.

179 Fair Tax Foundation '[UK public procurement reform](#)', accessed 15 December 2025.

principle that ‘Suppliers that benefit from taxpayers’ money should be expected to deliver public contracts in a way that benefits the country’.¹⁸⁰

As FGF’s report ‘Rebuilding the Nation 05’ noted, Sir Patrick Vallance (speaking before his appointment as science minister) has ‘argued that government should introduce more of a “procurement pull”, making it easier for companies using technologies that have been developed via public research funding to bid for public sector contracts’. This would allow the government to ‘catalyse the commercialisation of these technologies and realise the successes of public investment domestically’.¹⁸¹

Building on its industrial strategy, when the government provides expansion capital to help UK businesses scale up (especially when private no-strings capital is not forthcoming), it could take a golden share to ensure that companies that have benefitted from taxpayer investment are not then taken over by foreign firms, with all the consequences in lost investment and taxation that may follow. This problem could also be addressed through the recommendations Charlotte Holloway makes in FGF’s ‘Rebuilding the Nation 04’, including designing the proposed new pension ‘megafunds’ announced by the Chancellor in July 2025 to enable ‘high growth businesses in all parts of the country to access the capital they need to thrive’ without being forced to seek foreign investment.¹⁸²

The government’s transformative embrace of industrial strategy and employment rights signals its willingness to reverse outdated assumptions about where power should lie – in line with the declaration in Labour’s 2024 manifesto of a ‘final and total rejection of the toxic idea that economic growth is gifted from the few to the many’.¹⁸³

It could take this further by addressing the damage done by too narrow-minded a pursuit of shareholder value, on the tenuous basis of fiduciary duty.

There is evidence that enterprises with social purpose make more money and are more productive; the B Corps movement has demonstrated that this can succeed in practice. Henderson notes that ‘nearly a third of the world’s financial assets are managed with some kind of sustainability criterion’.¹⁸⁴ While UK and US company leaderships tend to prioritise shareholder value, ‘a majority of Japanese, German and French company executives put employee job security above shareholder dividends’.¹⁸⁵ German firms also maintain works councils.

Government should encourage constructive approaches which demonstrate that businesses with empowered, motivated employees and other stakeholders can thrive.

180 Cabinet Office, ‘National Procurement Policy Statement’, February 2025, pp. 3-4.

181 Hamida Ali, Shuab Gamote, Joseph Holland and Adam Terry, ‘[Rebuilding the Nation 05: Spurring innovation](#)’, The Future Governance Forum, March 2025, p.31.

182 Charlotte Holloway, ‘[Rebuilding the Nation 04: a mountain to scale](#)’, The Future Governance Forum, December 2024, p.29.

183 Labour Party, ‘[Change: 2024 General Election Manifesto](#)’, June 2024.

184 Henderson, *Reimagining Capitalism in a World on Fire* p.9.

185 Haldane, ‘*Who owns a company?*’, p.21.

This could be made mandatory by amending Section 172 of the Companies Act; or, less radically, company law could be revised to respond to rising ‘challenges to the shareholder-centric company model’, including from within the corporate sector itself.¹⁸⁶ Either way, government should acknowledge the fact that many businesses have chosen a more purposeful approach voluntarily. In line with the revised National Procurement Policy Statement it could use its power to champion and procure from such businesses, and incentivise others to follow their example.

¹⁸⁶ Ibid, p.21.

Chapter 5 - The cycle of dependency

Privatised utilities, outsourcing and consultancies

I. Problem

The post-war settlement relied on the idea that the state could take on more responsibility because its staff were competent, impartial public servants. But by the 1960s, there was a growing 'scepticism and distrust of the power of government'.¹⁸⁷

This was not simply a right-wing critique: in government, Harold Wilson and Tony Benn became deeply sceptical of the civil service, and began hiring consultants.

By the 1970s, the nationalised industries were a byword for sluggishness; council services ranged from the overpriced (grass-cutting) to the horrific (children's homes).

The concentrated power of trade union-led employee interests was overriding those of citizens and consumers, as visible in strikes across the public sector.

From a public choice theory viewpoint, this was rent-seeking: the exploitation of a concentration of power for sectional gain. As Conservative leader, Margaret Thatcher denounced this, and cast the public sector as 'inherently inefficient'. It was 'a drag on the wealth-creating enterprise of the private sector'.¹⁸⁸

II. Power shifts

In government, Thatcher invited the private sector to take on tasks previously performed by the public sector, in three ways:

- privatising state-owned industries and public utilities;
- pioneering the outsourcing of public services to private contractors; and
- hiring private consultancies.

These overlapping approaches embodied the idea that the public sector lacked an effectiveness which business thinking could readily provide instead.

Privatisation

At first, even many free-market ideologues thought privatising public utilities was impossible. Early privatisations were tentative and partial; the first full sale of a major state-owned corporation - British Telecom (BT) - came only in 1984.

¹⁸⁷ Alec Cairncross, former Head of the Government Economic Service, quoted in Nicholas Timmins, *The Five Giants: A biography of the welfare state*, HarperCollins, 1995, p.312.

¹⁸⁸ John Campbell, *The Iron Lady*, Penguin, 2012, p.95.

The proposition was that private owners would liberate the state from a costly burden, taking power over the nationalised industries and utilities and their profit-making potential in return for shouldering their financial risks – while disempowering the old corporatist bosses and their trade union counterparts. Competition would allocate resources more efficiently and drive innovation.

With the success of the BT sale, another argument emerged. In contrast with the socialist insistence on ‘power to the State’, Thatcher offered ‘power through ownership to the man and woman in the street’.¹⁸⁹ At first, popular ownership in newly privatised entities blossomed, and productivity rose.

Outsourcing

Similarly, from 1980, local authorities were compelled to launch tendering processes for work on building construction, maintenance and highways. As with privatisation, this broke taboos, and the concentrations of power they entrenched. Despite trade union resistance, outsourcing took hold, often generating savings.

In 1988, compulsory competitive tendering was extended to other manual municipal work, including refuse collection, and in 1992 to white-collar services like finance. By the 1990s, large generalist contracting firms were emerging, such as Serco, G4S and Capita (a former consultancy). When Labour returned to power in 1997, outsourcing continued to flourish.

Consultancy

The Thatcher government brought in consultants on an unprecedented scale, not least to help make privatisation and outsourcing work. The doctrine of ‘New Public Management’ brought business methods into the heart of government itself. Through the 1990s and into the New Labour era, consultants were invited to apply their quantification-based approach – driven by targets, benchmarks, and key performance indicators – to ever more areas of policy.

In some contexts, such as the Downing Street Delivery Unit, consultants played a constructive role. It made sense to hire in specialist advisers as required, rather than maintaining rarely required specialisms on staff. However, by 2010, the state’s reliance on consultancy had reached the point that the new Coalition government set about striving to rein it back.

III. Overextension

Privatisation

Privatisation eventually reached into the nation’s critical infrastructure. Much creativity was required to break natural monopolies up into viable businesses but even then, government recognised that they did not neatly fit the market model. As a temporary substitute until competition took off, privatised utilities would need to be overseen by powerful new state regulators to prevent price-gouging.

¹⁸⁹ Margaret Thatcher, *Speech to Conservative Central Council*, March 1986. See Campbell, *The Iron Lady* pp.232 and 236.

But regulation has not always worked. Some experts argue that regulators' 'lack of grip explains why privatisation has failed to achieve its primary purpose – of passing the operational and financial risks for the delivery of a public service to the private sector'.¹⁹⁰

Instead, the most powerful new force in the system has often been investors' expectation of returns. Regulators have frequently failed to impose the equivalent of market competition, and to compel the utilities' new owners to invest in infrastructure. They have allowed the sweating of existing assets, in pursuit of 'securing operating efficiencies which could be passed on to consumers in the form of lower bills'. When there has been significant investment, regulators 'have usually allowed the UK's infrastructure companies explicitly to charge customers', rather than 'paying for such investment out of profits at a cost to shareholders'.¹⁹¹

The most controversial example of this power shift towards shareholders is the water industry. The goal of privatisation in 1989 was to bring in investment which the state had been failing to provide, by offering investors a safe asset with reasonable returns. Over the first decade, investment was much higher – as were bills. However, from around 2000, as one specialist closely involved in the sector puts it, an 'implicit compact' took shape between governments, the regulator Ofwat, the companies and consumer groups: 'to keep bills low, at the expense of long term sustainability'. Vital investment in infrastructure dried up, even when interest rates were near zero.

Ofwat also let owners prioritise their own interests in other ways. It tended to overestimate companies' likely costs when setting prices, allowing them to pass dividends to shareholders rather than reducing bills. It shied away from regulating utility companies' balance sheets, licensing 'an orgy of borrowing',¹⁹² which has left some companies dangerously weak, while reducing the Treasury's tax take.

Privatisation ended the unions' rent-seeking concentration of power – but replaced it with another one.¹⁹³

Outsourcing

Policy experts have proposed a series of tests to ascertain whether outsourcing is likely to work:

- Is there 'a competitive market of suppliers'?
- Can success be measured?

¹⁹⁰ Gill Plimmer and Jonathan Ford, 'Pioneering Britain has a rethink on privatisation', Financial Times, January 2018.

¹⁹¹ Christophers, *Rentier Capitalism*, p.312.

¹⁹² Plimmer and Ford, 'Pioneering Britain has a rethink on privatisation'.

¹⁹³ Dieter Helm, *Energy, the State and the Market: British Energy Policy since 1979* (revised edition), Oxford University Press, 2004, p.417.

- Is the service non-integral 'to the purpose of government'?¹⁹⁴
- Can the outsourced organisation carry most of the risk of its own failure?¹⁹⁵

Public sector outsourcing has long since been extended beyond services where the model logically works, even dominating sectors such as children's social care, where the answer to these questions is 'no'. Unsurprisingly, the state has struggled to monitor fulfilment of such contracts.

Extending outsourcing so broadly has also further entwined public and private sectors, and has helped to concentrate power in a few huge all-purpose contractors – primarily Serco, Capita, Atos and G4S – on whom the state has become increasingly reliant through years-long contracts.

Such contracts are appealing to businesses because they offer long-term, steady returns, facilitated by Whitehall's reluctance to sanction poor performance. These companies have grown by acquisition, by focusing on winning ever more contracts (far beyond their founding specialisms), and if necessary by bidding unsustainably low at first. Government generally accepts a change of terms later.

This approach has served to concentrate power, if not responsibility, in the hands of the big four firms. They have squeezed out more specialist providers, abetted by the costs, bureaucracy and complexity of the procurement process.¹⁹⁶ Their power is visible in the fact that they are happy to receive public money to deliver public services, but often insist on commercial confidentiality when challenged. Moreover, their profits do not always remain in the UK: Atos is French-owned, and G4S was bought by an American company in 2021; by 2025, the UK's last commercial waste disposal firms, Biffa and Viridor, belonged to US-based private equity companies.

The overextension of outsourcing and the power shift that followed laid the ground for a litany of high profile failures, which have both wasted public money and harmed the public more directly, from the death of a deportee to the collapse of Carillion. In 2019, for example, Serco was 'fined £19.2m for fraud and false accounting over its electronic tagging service to the Ministry of Justice'.¹⁹⁷

Consultancy

Similarly, the state's increasing reliance on consultancies has been criticised for extending the principles of New Public Management to the point of self-disempowerment. Here again, a handful of huge organisations dominate the market, offering government an extremely broad range of contractable

¹⁹⁴ Nick Davies, Tom Sasse, Sarah Nickson and Colm Britchfield, 'Government outsourcing: When and how to bring public services back into government hands', Institute for Government, June 2020.

¹⁹⁵ Freedman, *Failed State*, p.96.

¹⁹⁶ Alan White, *Shadow State: Inside the secret companies that run Britain*, Oneworld, 2016, p.221.

¹⁹⁷ 'Serco fined £19m over tagging scandal', BBC News, July 2019. The case concerned a contract the company lost in 2013.

functions. Over time, hiring consultants erodes the state's capacity because the lessons, insights, skills and adaptations that follow from executing a project accrue not to the civil service but to the consultancy.¹⁹⁸ This process also risks disincentivising ambitious officials who see the most interesting work go to external firms.

IV. Entrenchment

Overextending the market model involved intertwining public and private sectors to create a 'hybrid state',¹⁹⁹ with power and responsibility dispersed across it, framed by complex systems of regulation.

The consequent erosion of the state's own capabilities is reminiscent of the 'benefits culture' critiqued by social conservatives. As Iain Duncan Smith once put it, 'A system developed to help the most vulnerable and support people in times of need is trapping people in a cycle of dependency.'²⁰⁰ For benefit claimants, read Whitehall; for the benefits system, read private contractors.

This process has been entrenched by the belief that, unlike business, the state is 'inherently inefficient'.²⁰¹ While business can chase a single, measurable goal, the state cannot and should not. But to conclude that business does almost everything better is a damaging fallacy. It perpetuates the cycle of dependency.

Privatisation

Since the 1980s, there have been repeated attempts to make naturally monopolistic public utilities fit the market model. Forty years on, the 'temporary' regulation of privatised utilities is still in place, with true competition nowhere to be seen. This recalls the great delusion of the Soviet Union: that, as communism was established, the state would wither away. Likewise, privatisation tried to force unworkable dogma on recalcitrant reality. The resulting system lasted because over time, it became inconceivable that the state could take back control of tasks it once carried out routinely.

Outsourcing

As the state came to rely increasingly on a few big external suppliers, it lost capability which was difficult to recover.²⁰² When this cycle of dependency went too far and created severe problems, politicians could 'never quite take the next logical step', and accept that certain services simply cannot be made to fit the model. This would involve tackling the state's lost capacity, and rejecting the orthodoxy that the private sector is necessarily more efficient.

198 See Mariana Mazzucato and Rosie Collington, *The Big Con: How the consulting industry weakens our businesses, infantilises our governments and warps our economies*, Penguin, 2024.

199 Antonio Weiss, *Management Consultancy and the British state, c.1960-c.2010*, unpublished PhD, Birkbeck College, University of London, 2016, p.30.

200 Department for Work and Pensions, 'Calling time on benefits culture: work must always pay and be seen to pay', July 2010

201 Weiss, *Management Consultancy and the British state*, p.272.

202 Ibid, p.273.

Instead, politicians blamed the state for its suppliers' failures, arguing that it 'just needs to get better at contracting'.²⁰³

Entwined with the belief that business is more efficient is the faith in quantification. This is visible in the incentivisation of short-term savings over unmeasurable service quality²⁰⁴ and in the use of big, standardised systems, even if these tend to subject citizens to one-size-fits-all transactions, delivering poor service individually.

Consultancy

At its best, consultancy can circumvent procedure-constricted hierarchies, providing an independent voice to speak truth to power. But critics contend that consultancies embody the belief that the state should be run using business practices, and provide advice accordingly.

This belief dovetails with Whitehall's increasing reliance on consultancies to create another cycle of dependency, to the point where 'internal capability became sufficiently diminished so that it was no longer economically viable, or practically possible, to rebuild the competencies'.²⁰⁵ Many departments have ongoing contracts with consultancies, avoiding the need for project-specific bidding processes – further entrenching their dependency.

Writing in 2009, Jesse Norman suggested that 'a gigantic client state of consultants' had entrenched the overuse of market models in the public sector:

'These have tried to apply the supposed lessons of lean manufacturing to government in a coercive and standardised way, by creating so-called "public service factories". On this approach, services are specified from the centre; and departments split into front- and back-office functions, given targets, and made subject to inspection and compliance regimes. A focus on people is replaced by a focus on procedures... A mania for quantification and cost control suffuses the whole.'²⁰⁶

²⁰³ Freedman, *Failed State*, p.104.

²⁰⁴ Tom Gash of the Institute for Government, quoted in White, *Shadow State*, p.159.

²⁰⁵ Weiss, *Management Consultancy and the British state*, p.311.

²⁰⁶ Norman, *The Big Society*, pp.71-72.

V. Public discontent

The private sector models imposed on the public sector cannot compute local and individual complexity. This disempowers employees, customers and citizens alike, eroding trust and fuelling 'social frustration'.²⁰⁷ The diffusion of power between state and contractor creates accountability sinks, such that when something goes wrong, it is difficult to attribute blame. This means public anger at poor treatment has no clear target, creating opportunities for scapegoating.

Privatisation

The transfer of reward to the private sector, leaving substantial risk on the state – contrary to the original idea – costs customers and taxpayers money. This is easily read as unfair, even as a scam, particularly when combined with the sense that utilities that were once 'ours' are being run for profit by anonymous foreigners. The cost of living crisis and the chronic financial calamity in the water industry have provocatively juxtaposed high bills, high dividends, high pay and low investment, making all too visible whose interests the model puts first.

This is corroding public trust in how the country is run. Effluent polluting our lakes and rivers is an emotive, all-too-visible symbol of impunity: of a model that prioritises shareholders and executives over long-term stewardship (even if sewage overflows are a relatively minor part of the overall problem, and currently water companies are not making large profits). As one former regulator puts it, 'there's no kind of public legitimacy for investing in [the water industry], because in some cases they think they're giving money to shysters'.

Outsourcing

Outsourcing disempowers the public on three fronts:

- pressure on employees' pay and conditions to ensure profit;
- lack of market competition can land customers with high prices and low quality; and
- when it fails, citizens' taxes are spent to keep services going.

All this risks generating a sense of unfairness. But this tends to erode confidence less in distant, faceless supply companies, of which those affected may know little, and more in all-too-visible politicians.

Likewise, where the failings of outsourcing have serious consequences, this risks fuelling toxic populist attacks on the state alone. The majority of the country's children's homes are run by the private sector, often with private equity involvement. As Sam Freedman notes in *Failed State*, private companies have set up children's homes 'where property is cheap, in northern towns like Blackpool and Burnley... meaning councils in London and the south-east are having to send children hundreds of miles away from their existing homes and friendship networks.' The consequences, he writes, have sometimes been

²⁰⁷ Ibid, p.72.

'devastating, with young people drifting into crime and being targeted by grooming gangs'.²⁰⁸ Yet little of the discussion about who bears responsibility for the grooming gangs scandal has focused on the private sector's role.

The outsourcing model has played a part in the development of another populist flashpoint: the housing of asylum seekers in hotels. Here too the public sector has found itself 'in a weak negotiating position due to the urgent need for accommodation'.²⁰⁹

A decline in the speed of Home Office claims processing combined with a rise in arrivals to force the state, via outsourcing companies, to hire hotels at short notice. This is far more expensive than the normal dispersal accommodation (self-catered private housing).²¹⁰ The three main outsourcing companies (Serco, Mears, and Clearsprings), benefiting from long contracts and poor monitoring, have made record profits as a result. The Home Affairs Committee reports that there are 'incentives for providers to prioritise hotel use' rather than seeking out cheaper dispersal accommodation.²¹¹ Using hotels has significantly increased profits; the companies are due to return a proportion of these to the Home Office but this is still in process. The select committee report paints a picture of an outsourcing model which has left the state dependent on profit-driven private companies, its position weakened by long-term contracts which it lacks the capability to robustly negotiate, enforce or adjust, despite dedicating large teams to this task.²¹²

And perhaps the most extreme recent example of popular outrage at unfairness flowed directly from excessive faith in quantification, state over-reliance on a few 'strategic suppliers', and the accountability sinks generated by dissipating power between ministers, regulators, suppliers and their shareholders.²¹³ After decades of warnings about the Horizon software supplied by Fujitsu to the Post Office, and after the wrongful prosecutions, needless misery and multiple suicides that followed, polling suggested the ITV dramatisation of the scandal had finally brought the scandal to the attention of a majority of the public in January 2024 – and that 63% of British voters 'would support criminal prosecutions being brought against those who pursued sub-postmasters through the courts'.²¹⁴

²⁰⁸ Freedman, *Failed State*, p.120.

²⁰⁹ Home Affairs Committee, 'The Home Office's management of asylum accommodation', Fourth Report of Session 2024–26, HC 580, UK Parliament, October 2025, p.15.

²¹⁰ Ibid, p.15: 'The Home Office has estimated that the average cost per person per night of accommodating asylum seekers is £23.25 in Dispersal Accommodation, compared to £144.98 in Contingency hotels. Hotel accommodation typically needs onsite catering, security, and laundry services, creating additional costs compared to Dispersal Accommodation.'

²¹¹ Ibid, p.21. The companies concerned assert that maximising profit in this way does not meet their goal of securing future contracts, but the committee doubted this overrode the immediate profit motive, partly as 'the large size of the contracts' had previously 'limited the number of providers who were eligible to bid' (pp.14 and 20).

²¹² Ibid, pp.21–26 and 36–38.

²¹³ Matthew Gill, Alex Thomas, Nick Davies, Gavin Freeguard, Maddie Bishop and Tim Durrant, 'Six lessons government should learn from the Post Office scandal', Institute for Government, January 2024.

²¹⁴ Redfield & Wilton Strategies, 'Majority of Voters Want Criminal Prosecutions Over the Post Office 'Horizon' IT Scandal', January 2024.

However, it emerged that government had been unable to blacklist the company because ‘government lawyers advised that it would not be legally possible to discriminate against companies based on their past performance’.²¹⁵ The Sunak government was ‘reluctant to sue Fujitsu for compensation for the sub-postmasters whose lives have been wrecked by their flawed system’. As one critic put it, ‘the British state has been hollowed out to the point where it is so dependent on the corporations to which it has outsourced critical services and functions that it dare not rein them in’.²¹⁶

Consultancy

In the private sector, consultants are cast as agents of unfairness through their role in advising on corporate restructuring, which can ‘lead to mass job losses, changes in the terms of employment, or wage cuts’.²¹⁷ More broadly, the whole concept chimes with the public’s suspicion that those in positions of power are engaged in scams. Popular media accounts, however unfairly:

‘have frequently stressed the “swindling” nature of management consultancy, with headlines chronicling the “great management consultancy scam”, and the “plundering” nature of consultants’ work. From this vantage-point (echoed by several politicians), consultants were portrayed as “making money out of suckers”’.²¹⁸

Here again, the imposition of a particular ideological model has reached the point of provoking resentment and hostility.

VI. Government response

Across these three areas, the Labour government has promised a series of steps to address excessive reliance on contractors and the consequent imbalances of power which impede government delivery and stoke public disquiet.

Privatisation

In water, rail, energy and steel, the government has moved away – to varying degrees – from the dominant model of ownership, on the basis of tackling concentrations of power:

²¹⁵ Quoted in Lucy Fisher, Rafe Uddin, Kana Inagaki and David Keohane, ‘UK officials tried to block Fujitsu from government contracts in 2010s’, Financial Times, January 2024.

²¹⁶ John Naughton, ‘If the Horizon Post Office story is treated as a scandal, nothing will change’, Guardian, January 2024.

²¹⁷ Mazzucato and Collington, *The Big Con*, p.202.

²¹⁸ Weiss, *Management Consultancy and the British state*, p.245.

- It has legislated to set up Great British Energy as a publicly-owned renewable energy investment body;
- Its Bus Services Bill will reverse the ban imposed in 2017 on local authorities owning bus companies;
- It is creating Great British Railways and bringing the railways into public ownership ‘as contracts with existing operators expire or are broken through a failure to deliver, without costing taxpayers a penny in compensation’;²¹⁹
- In April 2025, it invoked emergency powers to take control of British Steel; and
- Labour’s 2024 manifesto also undertook to ‘put failing water companies under special measures’, empowering the regulator to block bonuses and ‘bring criminal charges against persistent law breakers’.²²⁰ The Independent Water Commission, chaired by Sir Jon Cunliffe, has since recommended the abolition of Ofwat. On taking office, the government obtained verbal agreement from water companies to change their articles of association to encompass stakeholders beyond just shareholders.²²¹

Full re-nationalisation of water is supported by 82% of the public; however, then-Environment Secretary Steve Reed ruled it outside the scope of Cunliffe’s review on the grounds that it ‘would cost £100bn’.²²² One regulatory analyst argues that the level of public disbelief in the current ownership arrangements in the water industry is such that the current case against nationalisation – ‘the government can’t afford it’ – is inadequate. If private ownership of the nation’s critical infrastructure is to continue, the case for it needs to be made afresh.

However, public anger has reached a level where, much more so than with the Bank of England’s Monetary Policy Committee, the OBR or private companies, government may need to think the unthinkable. To some extent, it is effectively already doing this, but has not clearly articulated its approach in those terms to the public. This government could justifiably pull together all the policy moves it has already taken and argue that it rejects the whole idea that the state is ‘inherently inefficient’ at running the country’s basic systems, and that the market model was never a viable replacement.

Outsourcing

In December 2024, following her declaration that ‘We want our money back!’, the Chancellor appointed a Covid corruption commissioner.²²³ This was cast as a direct assertion of power. A Treasury source told the BBC, ‘She won’t let fraudsters who sought to profit off the back of a national emergency line their

²¹⁹ Labour Party Manifesto, 2024.

²²⁰ Ibid.

²²¹ Department for Environment, Food & Rural Affairs, ‘[Government announces first steps to reform water sector](#)’, July 2024.

²²² Megan Kenyon, ‘[Why isn’t Labour nationalising water?](#)’, New Statesman, July 2025.

²²³ Rachel Reeves, [Speech at Labour conference](#), October 2023.

pockets'.²²⁴ The initiative has recovered almost £400m so far.

More broadly, the government has picked up on a move among local authorities to reverse outsourcing. This developed because outsourcing was a means to break up old concentrations of power, but eventually generated new ones. 'Labour's Plan to Make Work Pay', the implementation of which was a manifesto commitment, casts this as both a pragmatic reform and a deliberate power shift, promising to 'learn the lessons from the collapse of Carillion' and 'end the Tories' ideological drive to privatise our public services', by bringing about 'the biggest wave of insourcing of public services in a generation'.²²⁵

This was accompanied by a detailed set of measures to challenge the presumption that the private sector is necessarily better than the public sector, and where it is chosen, to provide stronger state oversight, including to ensure value for money, better 'longer-term investment in the workforce', and to 'value organisations that create local jobs, skills and wealth and treat their workers well and equally'. Elements of these plans have been reiterated post-election by ministers, and are contained in the Employment Rights Act.²²⁶

This might also apply to the housing of asylum seekers, given expert calls for 'long-term strategy to replace short-term profiteering' partly by 'using local authority expertise to provide dispersal housing in communities'.²²⁷ As of 6 November 2025, the government has so far 'recovered £74m from excessive profits made by companies running asylum accommodation' after a review of the contracts concerned - approximately the equivalent of 13 days' spending.²²⁸

Case study: children's social care

One sector where local authorities have been striving to return provision back to the public sector is children's homes. In November 2024, the education secretary announced the 'biggest overhaul in a generation', promising to 'crack down on care producers making excessive profit, tackle unregistered and unsafe provision' and 'ensure earlier intervention to keep families together'. This involves supporting more non-profit social enterprise providers to enter the sector, and more active oversight to avoid providers going bankrupt, with terrible consequences for those in their care. Requiring

²²⁴ Joe Pike and Jennifer McKiernan, 'Covid corruption commissioner starts fraud probe', BBC News, December 2024.

²²⁵ Labour Party, 'Labour's Plan to Make Work Pay: Delivering a New Deal for Working People', June 2024, p.18.

²²⁶ Ibid. p.18.

²²⁷ Professor Jonathan Darling, 'How the UK became dependent on asylum hotels', University of Durham, July 2025.

²²⁸ Nick Eardley, 'Government recovers £74m from asylum hotel firms', BBC News, November 2025.

‘providers to be owned and residing in the UK will also be considered to stop businesses syphoning public money off-shore’.²²⁹

The move towards earlier intervention and keeping families together accords with the proposals outlined in the Independent Report on Children’s Social Care (2023), led by Josh MacAlister, who was elected as a Labour MP in 2024. Interviewed before his appointment as Children’s Minister, MacAlister argued that the fact that ‘over 80 per cent of residential care is now privatised’ had left the state feeling ‘powerless’ – neither able to ban private involvement nor re-nationalise provision that was not in the right locations. His proposal ‘to get power back into the system’ is to shift ‘hundreds of millions of pounds in the care system towards supporting kinship arrangements... funding solutions where relatives in the family network can look after the kid’. This, MacAlister argues, will give the public sector the ‘power of planning ahead, investing together, recreating public provision’.²³⁰ There are signs that this is now the government’s approach. Bolstering the roles of kinship networks and fostering would reduce demand for care homes: one of the aims of the Department for Education’s Families First Partnership programme.²³¹ The goal is to tip the balance of power away from suppliers to the state, and to the children themselves, giving them a choice of placements where necessary. Some working in private equity report that companies have grown wary of the sector and the reputational risk it carries; social enterprise practitioners, however, report the opposite.

Investment announced for children’s homes in the 2025 spending review is being directed into regional care co-operatives, which bring local authorities together to commission provision jointly; the Children’s Wellbeing and Schools Bill creates powers for government to instruct councils to create these co-operatives. Along with a stronger child protection system, this might offer a more effective answer to the issue of rape gangs sexually exploiting vulnerable children, given that many of these children were placed in residential children’s homes when they were abused (and with it, a counter to toxic populist narratives that the state doesn’t care about such victims).

229 British Association of Social Work and Social Workers, ‘[Crackdown on profiteering from children’s social care in reforms hailed as biggest in a generation](#)’, November 2024.

230 Interview with Josh MacAlister MP, July 2025, before his appointment as Minister for Children and Families.

231 Mithran Samuel, ‘[Children in care should have choice of where and with whom they live, says MacAlister](#)’, Community Care, October 2025.

As a next overall step, government could acknowledge that in areas of public provision like this, the outsourcing model could never have worked. When it was first written in 2019, the civil service guidance in this area was titled the Outsourcing Playbook; it is now the Sourcing Playbook, in line with the inclusion of ‘insourcing’.²³² It now warns that outsourcing may be more challenging if ‘there will be disproportionate effort and cost to bring services back in-house in future’.²³³

Nonetheless, orthodoxy enforcement and learned helplessness remain legible. The guidance on when insourcing is appropriate includes a section on ‘specific considerations before insourcing a service’, unlike the section on outsourcing – and one of those considerations is ‘impact on market health’. More importantly, it warns: ‘Insourcing is a substantial transformation in service delivery model, and should have additional care and consideration applied before being undertaken.’ The guidance worries that insourcing may be difficult if ‘there is currently a lack of senior management capacity or capability to transition, integrate and manage the insourced services’.²³⁴ It seems unlikely that major outsourcing firms have a playbook which cautions the need for ‘additional care’ about expanding into areas where ‘there is a lack of required specialist capability internally’. Perhaps if the state were more confident and outsourcing giants were less gung-ho, we could achieve a better balance.

Another approach to reducing the need for outsourcing might be to identify other services where MacAlister’s approach might be applicable, such as early years provision and adult social care. This is likely to become easier if indeed private equity firms are growing warier of the reputational risks of involvement in sensitive public services. Alongside this, there is much scope for promoting the role of social enterprise as a non-profit partner to the state. The government’s February 2025 National Procurement Policy Statement specifies that contracting authorities should ‘maximise procurement spend with small and medium-sized enterprises (SMEs) and voluntary, community and social enterprises (VCSEs)’.²³⁵ The government has also disappplied a restriction in the 1988 Local Government Act to allow contracting authorities to reserve competitions for below-threshold contracts ‘to local and UK businesses’.²³⁶

Commissioning authorities should use the power to require any supplier of people-focused services to demonstrate their commitment to open book principles, to ensure profit is not excessive and extractive. Ideally, services which are provided directly to people, as against those services which public authorities need to operate, should not be commissioned through the commercial, competition law-based market-purchasing procurement system at all.

²³² Jozepa et al, ‘Outsourcing by Government Departments’.

²³³ HM Government, ‘[The Sourcing Playbook: Government guidance on service delivery, including outsourcing, insourcing, mixed economy sourcing and contracting](#)’, June 2023, p.29.

²³⁴ Ibid.

²³⁵ Cabinet Office, ‘[National Procurement Policy Statement](#)’, Cabinet Office, February 2025.

²³⁶ Ministry of Housing, Communities and Local Government, ‘[Guidance on reserving competitions for below-threshold contracts](#)’, December 2025; see also Cabinet Office, ‘[Guidance: Below-Threshold Contracts](#)’, November 2025.

Consultancy

In its manifesto, Labour promised not to tolerate the waste of public money on ‘excessive use of consultants’, including a cut of 50% in their spending plans.²³⁷ This echoes the Coalition’s attempt to radically reduce reliance on consultancies, though that succeeded mainly in achieving a temporary reduction in fees.²³⁸

Mariana Mazzucato and Rosie Collington are among those advocating a concerted revival of state capability. Under the previous government, a Government Consultancy Hub was set up to develop this, and a Consultancy Playbook developed with input from consulting industry stakeholders to guide how officials should manage consultants. This had the dual aim of ‘maximising the value-adding potential of consultants’, while building ‘a better, more self-sufficient Civil Service that is less reliant on external resource’.²³⁹ Alex Chisholm, then Permanent Secretary of the Cabinet Office, declared that while the overall project had proved ‘too difficult’ to achieve, ‘we need to make sure that we only use consultants in exceptional cases with specialist skills on a temporary basis and achieve knowledge-transfer’ back to the civil service.²⁴⁰ Similarly, former Deputy Cabinet Secretary Helen MacNamara argues that departments should ‘find the in-house experts the taxpayer is paying for and use them’ – rather than handing public money and publicly funded learning to external organisations.

The Open Innovation Team, set up in 2016, has successfully pioneered a related approach. This is a cross-government unit that operates somewhat ‘like an in-house consultancy’, partnering with academic experts whose research can usefully inform policy, to offer departments an alternative way to deliver policy projects. Partly because it is not run for profit, it is ‘usually less expensive than external consultants’.²⁴¹ Championing this kind of state entrepreneurship would rebuild confidence and morale, retain learning and save money.

Officials should be encouraged, and eventually required, to cease the routine outsourcing of core civil service tasks such as evaluation and analysis. (The necessarily subjective definition of ‘core’ should be adjudicated by ministers in order to avoid this becoming a source of delay.) To institutionalise the principle that hiring consultants should be exceptional and project-specific, no ongoing ‘call-off’ contract with any generalist consultancy should be renewed, and the government’s Consultancy Playbook guidance on this point should be tightened to reflect this.²⁴² The money this will save should be invested in advance to ensure the re-establishment of the necessary in-house expertise before each contract ends. One justification for call-off contracts is that they enable officials to commission consultants without going through a laborious procurement process on a case-by-case basis. This points to an urgent need to address the reasons procurement has become so slow, starting with excessive risk aversion.

²³⁷ Labour Party Manifesto 2024, pp.19, 129.

²³⁸ Mazzucato and Collington, *The Big Con*, p.26.

²³⁹ Alex Chisholm, foreword to *‘The Consultancy Playbook’*, HM Government, September 2022.

²⁴⁰ Jim Dunton, ‘Chisholm admits in-house Crown Consultancy project was “too difficult”’, *Civil Service World*, February 2024.

²⁴¹ *‘About us’*, Open Innovation Team, accessed December 2025.

²⁴² See HM Government, *‘The Consultancy Playbook’*, p.15.

Other ways to reduce reliance on consultancy include revising the ministerial code to facilitate bringing in expertise through reinstituted Extended Ministerial Offices, building in 'a dedicated surge function' to cope with spikes in workload, and making civil service human resources (HR) procedures more flexible to facilitate poaching talent, including on pay.²⁴³ Conversely, it has long been clear that pay and promotion policy should be rethought, in order to incentivise officials to commit to their roles for longer periods. This would allow departments to retain learning and expertise, further reducing the need to hire consultants.

These measures require a careful unpicking of the status quo, but the public is ahead of politicians here, particularly on privatisation. The alternative to careful unpicking may end up being a blunt instrument. Reform UK has promised renationalisation of the steel industry, and of 50% of the water industry - recently revised to 'short-term, partial nationalisation' of 'certain failing industries'.²⁴⁴ The party has called for the end of foreign ownership of utilities,²⁴⁵ and has plans at local authority level for 'breaking up the outsourcing oligopolies that [Nigel] Farage and [Zia] Yusuf see as the real chance to deliver savings and modernise'²⁴⁶ - though to date Reform-led councils have increased spending on private providers.²⁴⁷

243 Bruno Dent, 'Hollowed-Out Government: A plan to rebuild Britain's state capacity', Young Fabians, February 2025, pp.33-36.

244 Quoted in George Eaton, 'Reform's return to Thatcherism', *New Statesman*, November 2025.

245 We Own It, 'Which political parties support public ownership', 2025.

246 Patrick Maguire, 'Bins, potholes, asylum: this time Farage is serious', *The Times*, May 2025.

247 Ben Gartside, 'Reform's "DOGE" yet to tame outsourcers', *New Statesman*, December 2025.

Chapter 6 – The rule of rules

The European Convention on Human Rights, judicial review, planning and regulation

One of the ways that power has been redistributed is through an excessive reliance on rules over political judgement. This is particularly visible in two controversial issues that concern who gets to live where: irregular immigration, and housing.

Here too, moves to constrain old concentrations of state power have ended up creating new problems.

I. Problem

In the decades after the Second World War, the British state was more dominant than at any point in our peacetime democratic history: even the judiciary was strikingly deferential towards its authority. Between them, central and local government exercised broad-ranging power, much of it focused on providing welfare, healthcare, education, jobs and housing.

Before the war, the courts had frequently supported ‘the common-law freedoms of property owners against slum clearance, compulsory purchase policies, and new housing legislation’; after 1945, this fell away.²⁴⁸ Under the 1947 Town and Country Planning Act, private owners lost their right to build on their land without ‘planning permission’ from local authorities. But crucially, the state was also ‘a net acquirer of land’²⁴⁹ and ‘took the lead in promoting the building of new housing, on a historically unprecedented scale’.²⁵⁰

By the 1970s, over 30% of households lived in rented council houses. But ‘council estates’, once symbols of egalitarian optimism, were acquiring a reputation for decay. Many tenants, forbidden even from choosing the colour of their own front doors, were receptive to Margaret Thatcher’s argument that renting from the council was an oppression from which they should be emancipated.

State power in post-war Britain came to be seen as oppressive in other ways too, not least through the institutionalised disempowerment of women, children, ethnic minorities, gay people, the mentally unwell and the disabled. The power abuses that followed corroded trust in the state.

And overshadowing the period were the infinitely worse abuses of state power in Europe in the 1930s.

248 Marco Duranti, ‘Curbing Labour’s Totalitarian Temptation: European Human Rights Law and British Post-war Politics’, *Humanity Journal*, 11 June 2014, p.365.

249 Christophers, *Rentier Capitalism*, p.335.

250 David Edgerton, *The Rise and Fall of the British Nation: A Twentieth-Century History*, Allen Lane, 2018, p.299.

II. Power shift

The European Convention on Human Rights

After the war, a new international settlement was built to prevent any repeat of Nazi totalitarianism. This created institutions to entrench a new ‘rules-based’ international order, including the European Convention on Human Rights (ECHR) (1950) – backed, from 1959, by a court in Strasbourg with supranational authority – and the United Nations Refugee Convention (1951). No longer would domineering governments be free to abuse their power; never again would refugees from tyranny be turned away.

However, Attlee’s Labour government ratified the ECHR in 1951 reluctantly, treating it as non-binding. Ministers feared it would constrict their power to keep their promises. One objected that ‘a Government committed to the policy of a planned economy could not ratify the Covenant on Human Rights’.²⁵¹ The Convention was influenced by Conservatives intent on using international human rights law to prevent Labour taking Britain towards totalitarianism.²⁵² Only in 1966 did a later Labour prime minister, Harold Wilson, accept the European Court’s jurisdiction, giving plaintiffs the right, as a last resort, to go to Strasbourg.

Judicial review

In the mid-1960s, a broader turn against state power over society was underway, foreshadowing the 1980s turn against state power over the economy. Judges reasserted their right to hold the state accountable. This led to a revival of judicial review, which assesses whether a public body’s decisions are legal.

In part, this was a response to new liberalising laws which constrained the state’s power to forbid obscene publications, abortion and homosexuality.²⁵³ This individual-empowering turn was bolstered by the expansion of legal aid;²⁵⁴ in time, it extended to the right to access state welfare. All this chimed with the rise of ‘popular individualism’: a broad desire for ‘greater individual self-determination, and anger with the “establishment” for withholding it’.²⁵⁵

251 Sir Stafford Cripps, quoted in ‘Council of Europe–Convention on Human Rights’, CAB128/18(50)52, 191 (Duranti, ‘Curbing Labour’s Totalitarian Temptation’, p.376). See also Hill, ‘Constitutional Reform’, in Raymond Plant, Matt Beech and Kevin Hickson (eds.), *The Struggle for Labour’s Soul: Understanding Labour’s Political Thought Since 1945*, Routledge, 2004, p.215.

252 Duranti, ‘Curbing Labour’s Totalitarian Temptation’, pp.361-78. This focuses on the role of David Maxwell-Fyfe, who, Duranti shows, had often accused Labour of incipient totalitarianism, played a significant role in the development of the Convention text, and strove to ensure it emphasised classical liberal rights, rather than economic or social ones.

253 Prior to the 1960s reforms, there came the principles advanced by the Franks Committee on Administrative Justice (1957): openness, fairness and impartiality.

254 Legal aid was introduced in 1949 by Labour as ‘the charter of the little man to the British courts of justice’ to ‘open the doors of the courts freely to all persons ... without regard to the question of their wealth or ability to pay’. House of Lords debate on ‘[Legal Aid and Advice Bill](#)’, Hansard 459 (1221), December 1948.

255 Emily Robinson, Camilla Schofield, Florence Sutcliffe-Braithwaite and Natalie Thomlinson, ‘[Telling Stories about Post-war Britain: Popular Individualism and the “Crisis” of the 1970s](#)’, *Twentieth Century British History*, 28(2), June 2017, p.268.

Regulation

By the 1980s, pressure for greater state accountability merged with a reimagining of public service users. They were no longer to be seen as deferential recipients, but as demanding customers with high standards, which they expected the state to enforce. This turn was strengthened by a greater cultural worry about risk. Power was pulled upward from local government and public service leaders to Whitehall, and dispersed sideways into the new 'regulatory state'.

Planning

Similar shifts took place in housing. Thatcher's government legislated to compel councils to accept their tenants' 'right to buy' their council homes. Her drive to empower the individual against the state focused on economics, but like left-liberal campaigns which focused on society, she did this through a right.

In line with the aim of liberating citizens from council tenancy, local authorities were prohibited from spending the sale receipts to build new housing; much of the money went to reduce Whitehall borrowing. New housing would be built by the private sector.

III. Overextension

In the 1990s, in the UK and internationally, the rules-based order reached what may turn out to have been its apotheosis. This put state power under increasing scrutiny and constraint.

The European Convention on Human Rights

Faced with the unavoidable tension between the state and individual rights, Labour had traditionally preferred the state, embracing the 'potential for executive dominance through Crown-in-Parliament sovereignty'.²⁵⁶ Even in the late 1980s, the party's Policy Review 'rejected suggestions for a Bill of Rights on the grounds that it took power from parliament and gave it to unelected judges'.²⁵⁷ But this argument was weakened by repeated electoral defeats, and Thatcher's wielding of the power of parliament against trade unions and left-wing councils. The rise of popular individualism made centralised executive dominance feel outdated, and drew attention to its propensity for abuse. Campaigners led by Charter 88 pressed for constitutional reform, including the incorporation of the ECHR into UK law.²⁵⁸

Under John Smith, Labour embraced this; in 1998, the Blair government fulfilled Smith's commitment via the Human Rights Act. This meant that cases could now be brought on the basis of those rights in UK courts, which were required to 'take account' of ECHR judgements.

²⁵⁶ Colm Murphy, "'Towards a modern democracy'? The constitutional politics of the 1990s British left', *Contemporary British History* 38(4), 2024, p.569.

²⁵⁷ Dilys M. Hill, 'Constitutional Reform', *The Struggle for Labour's Soul*, p.215.

²⁵⁸ Murphy, "'Towards a modern democracy?'" , *Contemporary British History* 38(4), pp.574-79.

The ‘margin of appreciation’ doctrine gave states leeway to interpret the Convention differently, and the government insisted that ‘incorporation would not affect parliamentary sovereignty’. But the Act gave judges the power to declare domestic legislation incompatible with the ECHR, to which parliament would have to decide its response. The question was whether judicial power would ‘grow as the courts challenge the acts of the Executive and judicial review increases’.²⁵⁹ Peter Lilley, the former Conservative cabinet minister who now advocates withdrawal, asserts that ‘Of the 47 declarations of incompatibility so far, 35 have resulted in parliament amending the law’.²⁶⁰

The Convention’s framers did not anticipate the mass migration – regular and irregular – of the 1990s and beyond. Soon after the Act passed, asylum claims rose rapidly. This created new friction between New Labour’s liberal internationalism and its statist traditions. Tougher restrictions and deportation powers followed; Home Secretaries Jack Straw and David Blunkett found themselves fighting cases in Strasbourg. However critical their stances, this showed a willingness to engage with the Court as a means to settle disputes between individual rights and the public interest.

More recently, similar tensions have returned but with recent governments seeming much less prepared to argue their case. Straw has suggested that the ‘take account’ clause in the 1998 Act is now interpreted by courts as ‘follow’, a reading he did not anticipate when he oversaw its introduction. Similarly, some in government detect excessive civil service risk aversion to potential legal challenge based on Articles 3 and 8 of the Convention,²⁶¹ and contend that the current Attorney General’s guidance encourages this. Others attribute nervousness about such challenges to the decline in quality of advice provided by a beleaguered government legal service, or to risk aversion on the part of ministers. Whatever the cause, this marks a significant shift away from New Labour’s more robust approach.

²⁵⁹ Hill, ‘Constitutional Reform’, *The Struggle for Labour’s Soul*, p.216.

²⁶⁰ Peter Lilley, ‘[Debunking the myths about the ECHR](#)’, *Spectator*, March 2025. Lilley adds that in ‘a further 83 cases, British courts had to reinterpret legislation away from its original meaning to make it conform to the ECHR’.

²⁶¹ Article 3 prohibits torture, and is an absolute right; Article 8 protects the right to a family life, and is not.

Judicial review

The Human Rights Act expanded judicial review from focusing on whether public bodies had followed proper procedure to whether they had violated fundamental rights.

Applications for judicial review rose in the decade from 1998, mainly driven by immigration cases,²⁶² but the rate of applications granted permission fell;²⁶³ restrictions on access have been introduced since the early 2010s. The expansion of judicial review lies more in the range of state actions it can block.

Planning

By the 1990s, some conservative critics were regretting Thatcher's termination of the local state's power to build at scale. In 1995, Simon Jenkins wrote:

'the building and letting of homes stood alongside education as one of the twin towers of local autonomy in Britain. They were symbols of the community's role in determining the character of its neighbourhood and the welfare of its citizens. ... it was on behalf of that community that they met their statutory obligations to house those homeless or in need.'²⁶³

Thatcher's reforms shifted power to private interests. Under pressure from central government, councils sold land at scale to property companies, developers and financial institutions. As private rentiers gained power, private renters lost it, through the institutionalisation of insecurity of tenure.²⁶⁵

But shifting the job of building new homes from councils to developers also split power across public and private sectors, making rules central to the politics of housing. Councils' main remaining power was withholding planning permission. The state weakened its power to build, but entrenched its power to block.

262 James Cusick, 'Judicial review procedures to be made simpler', *The Independent*, October 1999; Clive Coleman, 'Judicial Review reform: An attack on our legal rights?', *BBC*, December 2014.

263 Varda Bondy and Maurice Sunkin, 'The Dynamics of Judicial Review Litigation: The resolution of public law challenges before final hearing', *The Public Law Project*, June 2009, pp.50-51. Fewer claims were granted in 2006 (752) than in 1997 (1,278); in 2018, only 5% of cases lodged (184 out of 3,597) received a full hearing.

264 Simon Jenkins, *Accountable to None: the Tory Nationalization of Britain*, Penguin, 1996, p176-77.

265 Christophers, *Rentier Capitalism*, pp.335-6.

Regulation

From the 1990s onwards, there was ‘a systematic attempt by government to introduce business risk management practices across the public sector’. This introduced a ‘cost benefit analysis culture’, which moved away from ‘informal qualitatively based standard setting towards a more calculative and formalised approach.’²⁶⁶ This was applied most sternly to the post-war state’s public services, such that ‘the pressure on schools, hospitals and local government to deliver according to publicly stated performance indicators became irresistible.’²⁶⁷ By the 2000s, the state and public bodies were under much closer oversight by formalised systems of quantification and rules. The fact that these systems appeared to be objective helped to normalise the implicit distrust of the state they embodied

IV. Entrenchment

The European Convention on Human Rights

Defenders of the ECHR invoke its foundational fear of despotism: that without it, citizens would have no protection from ‘elective dictatorship’;²⁶⁸ that in a crisis, ‘the common law cannot resist the will, however frightened and prejudiced it may be, of parliament’.²⁶⁹

These arguments draw on constitutional principles – the independence of the judiciary, the rule of law – which are self-evidently crucial to liberal democracy. But we should also accept that neither they nor the Convention can overcome democracy’s inherent vulnerability to elective dictatorship. A would-be dictatorial future government could simply leave the Convention and ask its MPs to pass an enabling act, granting it sweeping, autocratic power.

The Court clearly exists to protect high principle. However, as one former senior civil servant observes, it is political too. Underpinning it is a registry of officials who ‘negotiate with member states, over years sometimes, about how they implement judgements’. It is ‘a political set of processes with a court sitting atop it’.

A more pragmatic defence of the ECHR and accompanying post-war agreements accepts this, and stresses that leaving would damage the UK’s international standing and its ability to co-operate with other European states. In terms of power, the Convention has a strong record of protecting the interests of disempowered individuals and groups when the British state failed to do so. These include the Hillsborough victims’ families, survivors of rape and domestic abuse, and people denied psychiatric treatment while detained by the police under the Mental Health Act. It is therefore inaccurate to position the Convention as disempowering the ‘people’, given that it protects the rights of each of those people.

²⁶⁶ Bridget M. Hutter, ‘The Attractions of Risk-based Regulation: accounting for the emergence of risk ideas in regulation’, London School of Economics, March 2005, pp.3-4.

²⁶⁷ Moran, ‘The Rise of the Regulatory State in Britain’, *Parliamentary Affairs* 54(1), p.33.

²⁶⁸ Vernon Bogdanor, ‘The ECHR is flawed, but be warned: it is unwise to entrust human rights to an elective dictatorship’, *Guardian*, September 2025.

²⁶⁹ Leslie Scarman, quoted in Bogdanor, ‘The ECHR is flawed, but be warned: it is unwise to entrust human rights to an elective dictatorship’.

However, critics have a stronger case when they suggest that the Convention's principles have been over-applied and exploited, to the point where a democratic government struggles to exercise its power in the interests of its citizens without constant challenge. It is also notable that while the UK's human rights framework protects the individual against the power of the state *per se*, this is not always the case where the state has outsourced provision of services, such as care homes, where contractors' human rights obligations are not always clear.

Judicial review

The fear underpinning the case for judicial review is similar: that without it, there is no means to challenge the power of an over-dominant government.

Planning and regulation

Likewise, the planning system is predicated partly on the fear of abusive power, whether wielded by the state or developers. Alongside that, the ever-growing complexity of the regulatory state is underpinned by a long-established culture of risk aversion.

But this leaves both systems vulnerable to anyone who can find ways to exploit their complexity.

At the core of all of this is a deeply embedded distrust in politicians, parliament and government. So deeply embedded that some of those I spoke to for this paper suggest politicians themselves have internalised it. Ministers of any given government can be so chary of making difficult decisions that they are happy to outsource them to regulators or courts, or to blame such institutions for their own reluctance to make a choice or take a risk. As one former senior civil servant puts it: 'I almost never heard the ECHR as a reason for why we can't do anything until Brexit' – the point at which blaming the EU ceased to be an option. Likewise, witness the over-readiness to call independent inquiries, and the unintended 'metastasis' of the ministerial code, which began as a guide to proper procedure published by the prime minister – and with the prime minister ultimately deciding what sanctions should follow from it – but has come to be seen as a quasi-legal document.²⁷⁰ While it is important to foster and enforce ministerial propriety, it is also important not to delegate this completely to unelected officials.

V. Public discontent

Whatever its constitutional wisdom, the constraining of the democratically run state has now gone a long way to disperse power and outsource responsibility beyond the reach of the voter. Systems of rights and rules that were created to constrain the state gradually became accountability sinks, precisely because they were separated from state power. Such systems also appeared to be thwarting politicians' ability to keep their promises to voters.

²⁷⁰ Henry Hill, 'Conjuring the Constitution: Bureaucratic Metastasis and the Ministerial Code', in Dr Richard Johnson (ed.), [Strengthening the Political Constitution](#), Policy Exchange, November 2024, pp.22-28.

Whether people believe politicians have really lost power to courts and regulators, or that they use them as an excuse to break promises, this corrodes trust in democratic politics. A system of constraints that was based on the idea that politicians cannot, finally, be trusted has ended up exacerbating that distrust to the point of crisis.

Intertwined with all this is the impression that while rules tightly restrict some people, others can break them without consequences.

The European Convention on Human Rights

The issue of irregular immigration crystallises these discontents because it appears to involve people breaking one set of rules to enter the country, then being protected by another set of rules which allow them to stay.

As the then Justice Secretary Shabana Mahmood told the Council of Europe in June 2025, ‘when the application of rights begins to feel out of step with common sense – when it conflicts with fairness or disrupts legitimate government action – trust begins to erode’.²⁷¹

This thwarting of democratic government combines, she suggested, with ‘a growing perception’ that ‘the law too often protects those who break the rules, rather than those who follow them’. And that ‘when rules are broken with impunity, trust collapses – not just in states, but in the idea of democracy itself’. Governments, that is, are so constrained by rules that they cannot stop other people breaking them.

Mahmood cautioned that such perceptions are ‘sometimes mistaken, sometimes grounded in reality’. The public’s view of how power works in this regard is often dramatized through myths and misunderstandings. These range from tall tales of deportations thwarted because of cats, haircuts and chicken nuggets to the mistaken idea that leaving the ECHR would ‘stop the boats’.

Yet these stories are ‘grounded in reality’ in that they dramatize the real disempowerment involved in watching people break rules and then claim rights, and in watching politicians try to act, only to be thwarted. Witness the Home Office having to argue in summer 2025 that the human rights of migrants in Epping’s Bell Hotel overrode the concerns of protesting locals. Or the way that, having become Home Secretary, Mahmood soon found herself faced with attempted deportations under the government’s ‘one in, one out’ agreement with France blocked at the last minute by human rights claims.

Arguments against leaving the ECHR are often based on numbers, such as the point that in the last six years, only 2.5% of appeals – 645 cases – against deportation under Article 8 (respect for private and family life) have been successful.²⁷² What the argument from appeals statistics leaves out, though, is the cost to the state and the taxpayer of winning 25,800 appeals – the other

²⁷¹ Shabana Mahmood MP, ‘[Lord Chancellor speech at the Council of Europe](#)’, Ministry of Justice, June 2025.

²⁷² Dr Alice Donald, Dr Joelle Grogan and Victoria Adelmant, ‘[Does the European Convention on Human Rights stop foreign criminals being removed from the UK?](#)’, UK in a Changing Europe, June 2025.

97.5% in the same period. Moreover, to look at this in artificial isolation, in terms of rules and numbers, excludes the way this issue resonates with other felt disempowerments - as the Home Office's case in Epping shows - to produce a real, if unquantifiable, crisis of political legitimacy. The high volume of appeals is another example of problems with implementation of government duties under the ECHR which can be tackled by a more assertive ministerial approach, without attacking the underlying principles.

The fact that these stories, and the public theory of power they appear to substantiate, are often mistaken is crucial - because they lead to unnecessarily extreme, self-defeating, solutions.

This points to the need for a fresh political settlement of the ECHR's role in British politics. As two Labour MPs wrote recently, if progressives don't lead a reform process, 'it is likely to fall to the populist right with devastating consequences for those who believe in the underpinning principles of human rights'.²⁷³ Successful reform is essential precisely because those devastating consequences would hurt the most disempowered the most.

Judicial review

The Brexit referendum triggered a running battle between two contending visions of abusive power. One side detected an anti-democratic establishment cabal thwarting the will of the people. The other cast prime ministers as populist demagogues, determined to override the sovereignty of parliament.

The right to challenge government decisions through the courts became a significant factor in these battles. In 'Miller 1' (2016), the High Court ruled that the May government could not initiate the process of leaving the EU without parliament legislating first. In 'Miller 2' (2019), the Supreme Court declared the Johnson government's prorogation of parliament illegal.

Both cases prompted accusations that judges were intruding on government policy, but the populist implications were tempered by the fact that both concerned attempts by the government's opponents to defend the power of parliament. A promise in the Conservatives' 2019 manifesto to 'update the Human Rights Act' and to ensure 'that judicial review was not abused to conduct politics by another means or to create needless delays' generated much concern in the legal profession, but the resulting Judicial Review and Courts Act 2022 was far milder than feared.

More broadly, however, the risk remains that what starts as a mechanism to ensure accountability ends up making accountability harder to achieve, precisely because it splits power between government and judiciary, and each can blame the other. Politicians can accuse judges of thwarting their efforts to act on behalf of the public; judges can accuse politicians of ignoring or misreading parliament's own laws.

²⁷³ Jake Richards and Dan Tomlinson, 'Reform of ECHR vital to allow Britain to deport more foreign criminals', The Times, June 2025. This article was written before its authors were appointed as ministers in the September 2025 reshuffle.

Planning and regulation

One area where judicial review – in conjunction with environmental regulation – continues to generate frustration is in planning. Campaigners argue that this process excludes consideration of human wellbeing. They point to cases such as the A47 Acle Straight, where the insistence on enforcing wildlife protections has prevented the dualling of a dangerous single-lane road – even after six deaths.²⁷⁴ Currently the Environment Agency, Natural England and Homes England all have powers of direction to local authorities to stop development.

A regulatory process drawn out through planning, environmental and judicial reviews and appeals often thwarts politicians trying to deliver their promises, while excluding challengers to larger businesses and providing plentiful work for consultants and lawyers. This has been exacerbated by cuts to the number of planning officers during austerity, a post-Covid era movement of planners away from councils towards better-paid jobs in the private sector (even as local authority workloads rose) and by government itself making planning regulations more complicated. Meanwhile, the post-1980s split in responsibility between councils and developers means that if a local authority deems a new housing development substandard, they often refuse to maintain its ‘roads, street lighting, drainage and communal areas’, leaving buyers stuck paying private management company fees.²⁷⁵

Housing Secretary Steve Reed has argued that the death of the dream of home ownership for young people is ‘part of what’s causing and driving a breakdown in trust and confidence in democracy’.²⁷⁶ More broadly, the failure to build enough homes comes together with high levels of immigration to drive further public discontent through (debunked) claims that local authorities prioritise migrants for social housing.²⁷⁷

VI. Government response

The public’s theory of power starts with real frustration and accurate information but ends up heading, with the help of myth, misinformation and extremist goading, towards unnecessarily extreme measures. So how might genuine frustration be channelled towards genuine solutions?

The European Convention on Human Rights

The government has proposed reforming the way the ECHR applies in the UK. As Akiko Hart, Director of Liberty, noted while this was in process, such a review is one of ‘only two real options for reforming the Convention’; the other is ‘going to Strasbourg to urge them to restore trust’.²⁷⁸ This would involve winning the support of all other signatory nations. There is broad appetite for reform

²⁷⁴ Michael Dnes (@roadscholar.bsky.social), [Bluesky post](#), July 2025.

²⁷⁵ Rachel Cunliffe, ‘Who is accountable in privatised Britain?’, *New Statesman*, July 2025.

²⁷⁶ ‘Housing secretary Steve Reed interview’, *New Statesman* podcast, November 2025.

²⁷⁷ FullFact, ‘Are recent migrants prioritised for council housing?’, September 2024.

across Europe, but this would take a long time, when ‘there is relentless public pressure for fast, decisive action on migration’.²⁷⁸

Domestically, the government can move more swiftly. The Attorney General Lord Hermer has emphasised that it is legitimate to examine whether Article 8 is ‘being misapplied by case workers or first-tier tribunals’, and to be ‘proactive, if it is, in trying to correct that’.²⁷⁹ The Home Office is now proposing to limit Article 8 claims through legislation on three grounds. First, strengthening the public interest test (with a focus on ‘maintaining effective immigration control, safeguarding our communities from foreign national offenders, promoting economic prosperity, and mitigating pressures on stretched public services’). Second, largely limiting the definition of ‘family life’ to immediate family members. And third, clarifying application routes to prevent the use of late human rights claims to frustrate removal. The ‘current loophole that allows failed asylum seekers to make unlimited and free Article 8 claims’ will be closed.²⁸⁰

The other primary focus of concern about the ECHR is Article 3 (prohibition of torture, inhuman and degrading treatment), which critics argue ‘has been used to block safe third country returns’.²⁸¹ Here, the government is working with partner countries to address the gradual expansion of the interpretation of ‘inhuman or degrading treatment’, which it attests has allowed foreign nationals who have committed serious crimes to remain in the UK. In doing so, the government is seeking to address concerns that over-interpretation limits countries’ ‘ability to make sovereign decisions on migration’.²⁸²

This leaves the question of whether the government can address the way the UN Refugee Convention currently operates. FGF has proposed a new ‘Implementation Protocol’,²⁸³ to be created under Article 45 of the Convention, which would underpin a new approach to processing asylum claims: making it possible to initiate a claim before reaching the UK border. This would reduce the incentive to make dangerous journeys, and could be matched with restrictions to access to asylum at the border itself.

In tandem with addressing the excessive restrictions that overinterpretation and spurious claims place on their ability to act in the public interest, ministers should remake the case for fundamental human rights as a protection against the abuse of power. They should also face down Whitehall’s fear of fighting cases in the European Court, as part of a broader pushback against excessive risk aversion with regard to litigation. Trying to avoid going to Strasbourg at all costs not only places needlessly tight limits on state action; if the government

278 Akiko Hart, ‘[Rewrite the Story or Risk It All: Labour’s Test on Human Rights](#)’, The Future Governance Forum (Substack), September 2025. This essay was subsequently published in FGF’s collection ‘[The Future of Asylum: A vision for renewal](#)’, September 2025.

279 ‘[How to be a progressive realist in a multipolar world?](#)’, Institute for Public Policy Research / Amnesty International panel discussion, Labour Party Conference, September 2025.

280 Home Office, ‘[Restoring Order and Control: A statement on the government’s asylum and returns policy](#)’, November 2025.

281 Hart, ‘[Rewrite the Story or Risk It All: Labour’s Test on Human Rights](#)’.

282 Home Office, ‘[Restoring Order and Control](#)’.

283 Beth Gardiner-Smith and Emily Graham, ‘[The Refugee Convention 75 years on: the case for renewal](#)’, The Future Governance Forum (Substack), September 2025.

believes in the legitimacy of the Court, it should be unafraid to appear before it to make its case.

This reform process sits in the broader context of our current democratic crisis. As ongoing events in the United States demonstrate, legal rights can hold back authoritarian governments, but only to a limited degree. History suggests that the most effective response to the rise of extremist, autocratic forces is to treat it as an urgent warning: a spur to democratic politics to free itself of outdated fears, and act quickly and decisively to improve voters' lives, removing the democratic appeal of such forces before they can win office. Human rights law can then continue its important role in protecting individuals from the abuse of power.

Judicial review, planning and regulation

The Labour government has recognised the need to address the excessive reliance on rules. As education minister Georgia Gould wrote recently, 'Colleagues are examining every rule and control and developing fewer but better rules'.²⁸⁴

The government has introduced various measures in pursuit of its promise to see 1.5m homes built by 2029. These are framed as assertions of central government power to face down 'vested interests' and 'blockers':²⁸⁵

- The revised National Planning Policy Framework, which radically strengthens presumptions in favour of new development, particularly near transport stops;
- The Planning and Infrastructure Bill, designed to speed up planning decisions on housebuilding and infrastructure;
- Empowering councils to require developers to commit to a timeframe for completing housebuilding projects prior to the granting of planning permission, and to fine, and refuse further permission to, developers who breach such agreements;
- £46m to recruit and train 300 junior planning officers - supplemented by a further £48m at Budget 2025 to recruit 350 more and create a new Planning Careers Hub;
- £600m to train construction workers;
- £39bn over a decade for a new Social and Affordable Homes programme, expected to deliver 180,000 new social rent homes, with enhanced powers for mayors outside London over spending decisions;

²⁸⁴ Georgia Gould, Foreword to Peter Hyman and Morgan Wild, '[A Progressive Case for State Reform](#)', Labour Together, September 2025, p.4.

²⁸⁵ See, for example: Matthew Pennycook, quoted in '[UK housing crisis: what does Labour's shake-up of planning rules involve?](#)', Guardian, December 2024; and Ministry of Housing, Communities and Local Government, '["Biggest building boom" in a generation through planning reforms](#)', March 2025.

- £800m extra funding for the existing affordable homes programme; and
- A new Renters' Rights Act, which shifts power from landlords to tenants.

The government has also committed to building a series of new towns, to expanding airports and developing an Oxford-Cambridge corridor, and to a second planning reform bill designed to ease the building of new infrastructure by scrapping regulations derived from the EU Habitats Directive, and further restricting the number of permissible applications for judicial review from three to two, or one.

The businessman and ex-second permanent secretary to the Treasury, Sir John Kingman, has suggested the government go further by appointing a 'warrior' to lead the battle in Whitehall 'to rein in the courts and the scope to exploit them through endless judicial review', and to cut the number of regulatory staff, rather than merging regulatory organisations.²⁸⁶ There are indications that the new ministerial team at the Ministry of Housing intends to address criticisms of the Building Safety Regulator, as does its new chief. The CEO of Taylor Wimpey has called for the Environment Agency, Natural England and Homes England to align themselves with the government's 1.5m homes goal, given their powers to direct local authorities to block development.

More radically, the government could create state-owned enterprises, perhaps adopting the approach in the Netherlands, where self-funding public corporations build infrastructure more effectively than in the UK.²⁸⁷ Applied to housing, this approach could encourage competition, even out market cycles and maintain capacity in the construction industry.

Kingman also advocates giving city mayors 'much more heavy-duty planning powers (including complete freedom from Whitehall second-guessing)'.²⁸⁸ Others suggest turning the housing ministry into a task force, convening regular meetings with developers, utility companies and local authorities to identify and remove blockages. The former Labour minister Andrew Adonis has argued that the answer is for ministers to make bolder use of their powers. If advised that a decision risks triggering judicial review, as he recalled happening three times in the first eighteen months of New Labour's academies programme, they should declare they are 'going to proceed anyway'.²⁸⁹

However, the former regulatory economist Dan Davies has outlined a different theory of how power works in this field, setting it in the context of the broad trend traced in this chapter. He argues that the problem lies at a deeper level: with the adversarial, low-trust, process-based character of the system, of which judicial review has become an integral part. The whole process generates uncertainty and 'pre-emptive risk aversion'. This is exacerbated by consultants

²⁸⁶ John Kingman, 'The Bazooka Revisited: Six ways for Labour to get the economy growing', Comment is Freed (Substack), April 2025.

²⁸⁷ David Smith, 'It's time to go Dutch to solve Britain's housing crisis', The Times, October 2025. Smith notes that 'the UK Treasury has ruled itself out from pursuing this approach' by 'unilaterally diverg[ing] from international accounting standards to include public corporation debt that is paid back by market sources in its fiscal rule – in stark contrast to EU economies'.

²⁸⁸ Kingman, 'The Bazooka Revisited'.

²⁸⁹ 'How do we radically improve Britain's state capacity?', 'The New Wild West: Progress in an Age of Disorder' panel discussion, Civic Future and Royal Holloway University, June 2024.

and lawyers, and by ‘rights derived from international treaties’,²⁹⁰ including the ECHR. Environmental regulation will always be open to exploitation, but it is impossible to stop this without disempowering people who have a reasonable case.

Davies argues instead for a more co-operative, less process-bound system. Making the first stage of the process ‘quasi-judicial’ means that judicial review ‘tends to replicate the whole thing’, whereas ‘if the planning authority works in a collaborative fashion with two-way communication, there is much less scope to do so’.²⁹¹ Instead of seeing consultation as an obstacle, ‘it ought to be part of the design process’.²⁹²

This critique points to a broader dilemma confronting moves to escape the constrictions imposed by well-meaning systems of rules. To what extent can we recover non-abusive ways to make government action effective that depend less on process, law and regulation and more on trust? And to what extent does this rebalancing simply demand an uncompromising assertion of state power?

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290 Dan Davies, [“The Problem Factory” – Pre-emptive risk aversion in infrastructure planning and the role of professional services](#), Niskanen Centre, April 2025.

291 Ibid.

292 Dan Davies, [‘the stakes and the odds, reconsidered: judicial review and its discontents’](#), Back of Mind (Substack), October 2025.

Conclusion – The confidence trick

Since it won office, the government has made a series of reforms which go some way to tackling unhelpful concentrations and dispersals of power. It must now pull these changes together into a coherent story about changing where power lies – and so demonstrate vividly that democratic politics can make people's lives better.

To do this, it needs to liberate itself from the outdated fears which demonise democratic government and disempower the state it leads.

Step 1: Reject the claim that government is the public's enemy

The claims that government is inherently profligate and that public servants are in it for themselves are relics of 1970s New Right propaganda. The justification for letting powerful companies ignore their impact on everyone else stems from another 1970s angst – the plight of the shareholder – and from the mid-twentieth century fear of the state turning totalitarian. This also underpins the case for uncritical adherence to the ECHR.

Over the last 40 years, this spectre – of a spendthrift, self-serving, would-be tyrannical state – has driven a paradoxical shift. Power has both become concentrated in elements of central government, and been dispersed across a wide array of public bodies, private firms, and the courts, held in place by a vast tangle of rules.

This has now created deep structural problems for the viability of democratic politics. It splits the state's power across public and private sectors in ways that are difficult for non-specialists to understand. It creates accountability sinks. It erodes public confidence and trust.

This is not to excuse the state's many serious failures, for which it must always be held to account. It has centralised power to the point of debilitating itself, for example; delivering radical devolution, to free Whitehall to focus on what only it can do, is urgent. Charges of over-emphasis on process are fair. Calls for a mission-driven approach – or at least the principles and behaviours that such an approach implies – are sensible.

But criticism of state failure must be done with a clear, constructive goal in mind, because such criticism has been happening for decades and the situation has only grown worse. The state's critics have been far too willing to overlook the role of the private sector since the 1980s in exacerbating state incapacity. Worse, many of those critics lambast the state not because they hope to improve it, but because they believe it is irreducibly useless, if not actively malign.

This mentality is destroying trust in democracy. It has to stop. If politicians won't make the case for why it is worth having a democratically run state, for its virtues, merits and hard-earned nobility, in the face of relentless attacks from its enemies, who are they expecting to do it for them? Criticism of state failure

must always be directed to improving its functioning. To restore confidence *in* democratic government, it is vital to restore the confidence *of* democratic government.

Step 2: Reassert democratic political power, as enacted through the state

Having rejected those old fears, the next step is to end the excessive emphasis on rules and quantification, which has now institutionalised distrust in democracy.

Numerical projections, and the assumptions that underpin systems of rules, are attempts to foresee the future. This is driven by the fear of uncertainty. But the hope that uncertainty can be dispelled is a delusion, and so cannot be a viable basis on which to lead a government. It has only taken on such a central role since the 2008 Crash because it is a substitute for having clear goals, and a clear theory of power with which to achieve them – both of which we have lacked for far too long.

Politicians – and the officials they lead – must replace their fear of uncertainty with confidence in their principles, and the belief that these will guide them, no matter what shocks may come. Accepting that the future is unpredictable would also be more honest; the public has had enough of airy number-laden promises. And it would liberate government from risk aversion masquerading as objective projection.

The more confidence government has in the future it is building, the more it will make the case for its own legitimacy. The clearer its vision, the more effective it can be, because officials will have a working understanding of the government's aims, and the confidence that ministers will back them in pursuing those aims.

Sometimes, a polity reaches a point of paralysis where simply smashing through the old to something new has a revitalising effect in itself, triggering unanticipated positive side effects. When President Roosevelt declared in 1933 that Americans had 'nothing to fear but fear itself', it was not an accurate analysis: it was a galvanising act of will. A shift to a steadier, more principled, more confident approach on the part of the state would raise business confidence by showing that government will stick to its plans. It might also attract talented graduates of the kind who for too long have defaulted to working in consultancy or finance. And it could address the skewed incentives that confront civil servants, where obedient failure is tolerated, and risk-taking creativity discouraged.

This speaks to the broader need to restore the role of trust as an organising principle, in place of excessive use of quantification and rules. Too many of our institutions – the BBC and universities are two glaring examples – have deprived experienced professionals of autonomy in favour of a prescriptive, centralised, risk-averse approach to administration which saps morale and initiative, sours employee-management relations and drives away talent. This approach now causes more problems than it solves, and should be replaced by a bias towards trusting professionals far more.

This should be balanced by the principle that they will be held personally responsible for any serious failings, with strict adherence to the rules no longer considered an adequate defence. Mission-driven behaviours in government should reinforce this by placing direct personal responsibility in the hands of leaders, who should see their task through to completion and be judged on its success. As Peter Hyman and Morgan Wild suggest, mission leaders, 'once given a budget and a problem to fix, should have maximum discretion'.²⁹³

Throwing off procedural arcana and restoring trust in the judgement of officials and professionals should bring with it a new focus on treating those members of the public engaging with the state as individual citizens with dignity and agency.

But there is a final reason why reawakening confidence in the idea of a democratically run state – and its capacity to make choices and judgements on principle – is vital. To achieve their goals and re-empower the public, democratically elected politicians must face down the inevitable self-interest of powerful unelected players. They cannot do that by hoping everyone will be nice. This is another reason for pushing back the excessive reliance on rules and quantification: doing so will make it more difficult for vested interests to persuade the government it can't do things.

Step 3: Side with the public against its powerful enemies

The 1970s claim that the state is inherently useless has combined with politicians' relatively high visibility to leave them accepting the blame for far more than they should, while private power is allowed to undermine public power without consequences. This report has identified some examples, but there are more. Liz Truss richly deserved her fate, for example – but what of the role played in the disaster she triggered by the blundering of the pension fund industry? The head of P&O Ferries told MPs he had broken the law by summarily firing 800 workers – and faced no legal action.²⁹⁴ Right-wing commentators continue to invoke the state failure of the IMF crisis in 1976 – but somehow allow the financial sector to insist that the far worse crisis it caused in 2008 belongs to the distant past.

²⁹³ Hyman and Wild, 'A Progressive Case for State Reform', p.13.

²⁹⁴ Tom Espiner and Daniel Thomas, '[P&O Ferries: Not consulting on job cuts broke law, boss admits](#)', BBC News, March 2022. Peter Hebblethwaite subsequently claimed his action was lawful; see Pritti Mistry, '[P&O Ferries boss who sacked 800 staff quits](#)', BBC News, August 2025.

As the Labour MP Jake Richards has argued:

‘Fundamental change also inevitably means making enemies... The government will need to make clear who will lose from their agenda, only to emphasise the wider benefits.

‘There is scope for more aggressive attacks on the vulture capitalist class – the Covid-fraud billionaires, those making their fortunes from desperate asylum hotels and accommodation in the children and adult social care system, and the multi-national corporates that thrive on illegal working. Why is it that foreign states are often profiteering from our basic domestic public services?’²⁹⁵

Steve Akehurst of Persuasion UK has tested messaging on this theme with Reform-curious Labour voters, and reports the effectiveness of suggesting that Nigel Farage fights for ‘the rich, the powerful, his mates in big business’, pointing to donations from ‘fossil fuel lobbyists, polluters, and climate change deniers’ and suggesting that Farage wants to hand ‘even more power to the elites he pretends to oppose’.²⁹⁶ Akehurst argues that one reason why such messaging is potentially effective is that, broadly, economic themes unite Labour’s support.

Akehurst contends that public attitudes to big business have fundamentally shifted over the last 30 years, as the polling we began with suggests. Voters are more open to these arguments than political strategists: here again, outdated fears are needlessly constraining a decisive assertion of power. However, he cautions that such messaging needs to make intuitive sense to voters.

Calling out the damage done by the concentrated power of certain firms is not ‘anti-business’. To think so is to make the same mistake as the extremist who cannot distinguish between, say, Labour politicians and hard-line communists. Most businesses are a great benefit to society; it is more damaging to their reputation *not* to call out the few among them that exploit and extract, especially as the victims of such practices often include other businesses. Here, New Labour shows the way. It introduced a windfall tax on the excess profits of

²⁹⁵ Jake Richards, ‘[Even loyal Labour MPs now call for “radical change” to avert “political disaster”](#)’, New Statesman, July 2025. This article was written prior to Richards’ appointment as a minister in September 2025.

²⁹⁶ Persuasion UK, ‘[What messages might Reform be vulnerable to?](#)’, July 2025. The full message tested read: ‘Nigel Farage says he’s on people’s side—but when you take a closer look it’s pretty clear who he’s really fighting for isn’t it? It’s the rich, the powerful, his mates in big business. You read that Reform has taken over £2m from fossil fuel lobbyists, polluters, and climate change deniers—over 90% of their donations come from there apparently. £2m quid! That’s not standing up for the people, it’s selling out to the highest bidder. That is why he wants to cut public services, cut workers’ rights, cut taxes for the richest – handing even more power to the elites he pretends to oppose. Just like his mate Donald Trump is doing. He’s not smashing the system. He and his rich friends basically are the system.’ This had more impact than messaging focused on immigration and the NHS.

the privatised utility companies. And it pitched the national minimum wage as a means to stop unscrupulous businesses undercutting decent ones, while facing down incorrect predictions that it would destroy two million jobs.

It is time for the elected government to free itself of outdated fears, to assert itself as the people's champion against those who disempower them, and to begin at last the long process of rebuilding the state's capacity and self-confidence. If it does so, it can re-earn the trust of the public, and dispel the theories we began with: that politicians are useless, uncaring or corrupt, that the real levers of power are hidden, and that everything is a scam.

The government needs to decide whether or not it will dare to build a new, fairer orthodoxy, leading to true national renewal. If it opts instead to patch up a dying status quo – which may seem the safer option – it will waste a precious, once-in-a-generation opportunity to shift power in ways that improve working people's lives. And it risks opening the door to those who see the modern state as their enemy, and seek to destroy it.



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