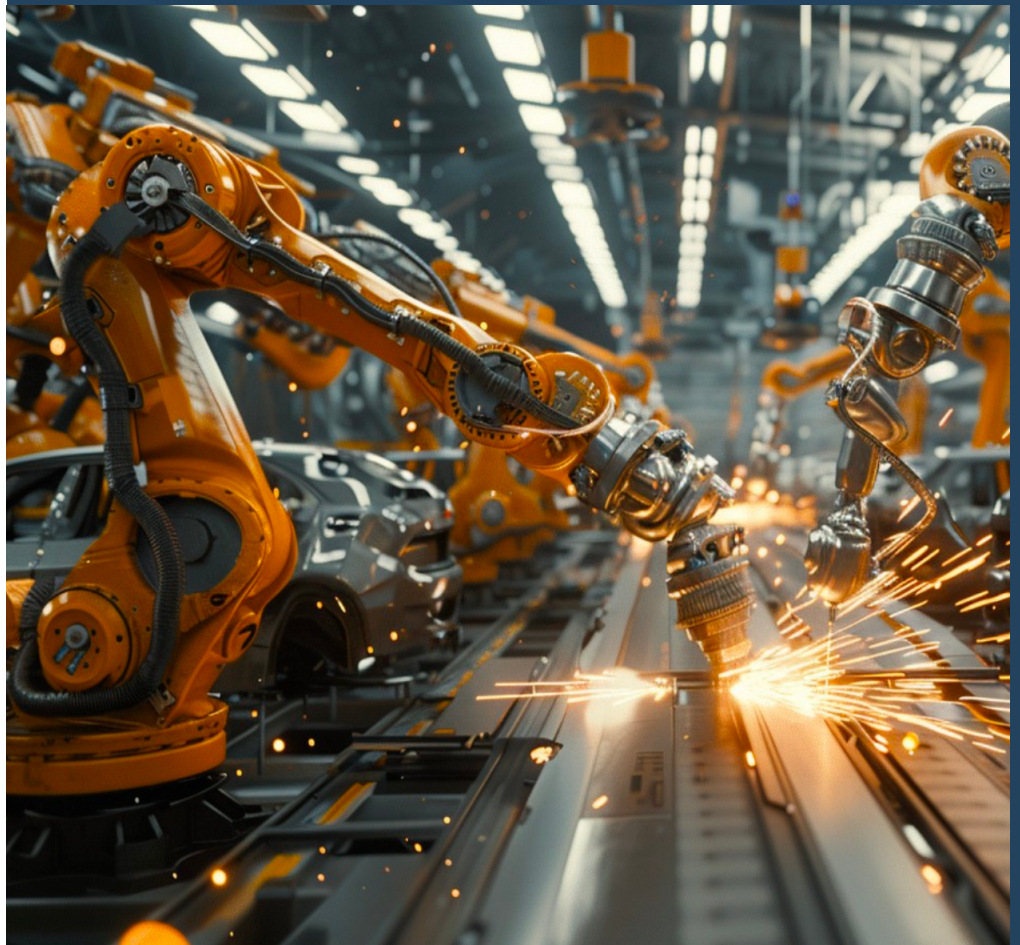


POLICY THUMBNAIL

A New Industrial Strategy

Supply-Side Reforms To Fix The Problems Choking UK

Economic Productivity & Growth



JULY
2025

The Small State Initiative



THE PROBLEM

The UK's economic productivity is lower than other developed nations such as USA, France & Germany, and has grown particularly slowly since the 2008 banking crash. This caps the speed our economy can grow but, for years, UK Governments have produced industrial strategies which try to spot promising new technologies & attract research & startups to establish UK clusters of firms in them, while ignoring the much bigger & broader problems of long term supply-side constraints which hold back existing UK businesses. This approach hobbles our economic growth & leaves us less productive, wealthy & internationally competitive as a result.

THE SOLUTION

We must change our Industrial Strategy to include a comprehensive programme of supply-side reforms so UK ranks in the top 5 G20 nations for cheap & abundant supplies of 5 foundational elements of industrial

success:

1. Construction & built environment
2. Energy.
3. Skilled labour.
4. Investment capital.
5. Technical & entrepreneurial innovation.

The National Audit Office (NAO) will identify independent objective international rankings that are published annually for each of these elements, or commission new ones if they don't already exist.

The Small State Initiative has already produced multiple examples of supply-side reforms to improve the UK's international ranking in each of these 5 areas, including:

- a) Construction & built environment. [Building for Growth](#) (faster & cheaper infrastructure & business premises) & [Build Up Not Out](#) (housing).
- b) Energy. [Internationally Competitive Energy](#)
- c) Skilled labour. [Making Work Pay](#) & [Stepping Off The Benefits Treadmill](#) (benefits reforms to strengthen work incentives); [Affordable Childcare](#) (better support for working parents); [Pupil Power](#) (improving higher, further & lifelong education)
- d) Investment capital. [A Taxpayer Protection Act](#) & [Taxpayer Net Worth](#) (lower UK political risk premiums & cheaper investment through stronger controls on Government borrowing & spending); [Simpler, Lower Taxes](#) (reduced investment distortions & capital misallocations); [A better state pension](#) (increased UK domestic savings); [UK Sovereign Wealth Fund](#) (patient capital so more startups scale & grow in Britain rather than moving abroad).
- e) Technical & entrepreneurial innovation. [Slashing Red Tape](#) & [A Matter of Life & Death](#) & [A Public Productivity Act](#) (cheaper, faster, more predictable & consistent regulatory decisions & public services for entrepreneurs & wealth creators). Plus existing Government funds for scientific research or industry catapults will continue.



THE BENEFITS

Introducing supply-side reforms which propel UK into a ranking of top 5 in all 5 of these areas will:

- confront & solve the key problems causing today's anaemic economic UK growth, rather than expensively bandaging the symptoms instead.
- make UK one of the strongest & most internationally attractive & competitive business environments on the planet, so established UK firms grow faster & export more successfully, & so more start-up and scale-up businesses in tomorrow's promising new technologies want to base themselves & grow in Britain too.
- require little or no additional taxpayer-funded big-Government spending, and allow expensive subsidy programmes to be phased out as the underlying problems which they were compensating for are whittled away.

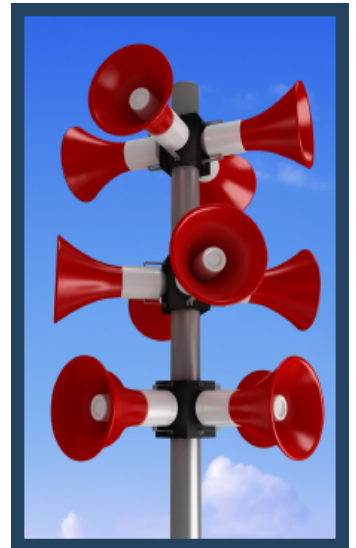
THE SOUNDBITES

"Margaret Thatcher used supply-side economic reforms to transform Britain from the 'sick man of Europe' into an entrepreneurial dynamo. It's time for another dose of the same medicine."

"If we allow ourselves to be distracted from solving today's economic problems by the shiny promise of tomorrow's technologies, those same problems will still be here when tomorrow comes, but the shiny new technologies will have become thriving businesses that are based abroad."

"We've got to face up to & fix the UK's underlying economic problems. Just bandaging the symptoms with subsidies & one-off schemes isn't sustainable, and won't solve anything."

"Trying to fix slow UK growth with a portfolio of promising tech investments without supply-side economic reforms is like a gambler chasing his losses. The answer is to face & fix the fundamental underlying problems, not just keep making more bets."



THE REBUTTALS



1. *Why are you ignoring our economy's future? Aren't you looking backwards at yesterday's industries, rather than forward to tomorrow's new technologies instead?*

Exciting new technologies need attractive business environments to work & grow in, just like established firms. But if we don't solve the fundamental problems which are holding back British companies today, they'll hold back tomorrow's new technology businesses as well.

2. *Why are you saying we need cheap land, energy, capital & labour? Isn't the way to improve our living standards to specialise in high-skill, high-tech, high-wage industries? Isn't this just code for a low-skill, low-paid Britain?*

Quite the opposite. World-leading economies need competitive & successful traditional industries to support their high-tech firms too, so arguing that Britain shouldn't bother with them is silly. The difference is that their traditional industries have world-leading levels of efficiency, so their prices are internationally-competitive but their staff are very well-paid as well.

3. *How can Britain possibly have cheap land, energy, capital & labour when everything is so expensive already? Isn't this just pie in the sky?*

You're right we've got a long way to go, which is why these changes are so urgent & important.

4. *Why are you axing [this or that specific subsidy scheme]? Don't you care about [the people / the industry which it is supposed to help]?*

We do, but subsidies bandage the symptoms of a problem, rather than solving the underlying issue that caused it in the first place. Our 'top 5 in all 5' industrial strategy will solve those underlying causes that originally led to this subsidy being created, so we shouldn't expect taxpayers to keep funding it after that.

