

THE MORALITY OF GROWTH

ROBERT COLVILE



Introduction

The Morality of Growth

One of the most striking phrases to enter the political lexicon in recent years is ‘degrowth’. This is the idea that capitalism and its obsession with growth are a cancer on the planet.

When you talk to environmental activists, they insist that ‘degrowth’ isn’t about making people poorer. It’s just, according to the movement’s official website, about reducing ‘the material size of the global economy’.¹ We should, they argue, ‘prioritise social and ecological wellbeing instead of corporate profits, over-production and excess consumption’.

This is, to me, one of the most purely wicked ideas that humanity has come up with in recent years. It is a call for others to have less, coming from those who already have so much – and who have mostly never known anything but the extraordinary comforts of our modern world.

The fact that malnutrition, poverty, infant mortality and all other indices of deprivation have plunged across the world in recent decades is the blessed fruit of the economic growth that has taken place.² The faster you grow, the better the lives your citizens are able to enjoy – and the more you can invest in either mitigating the damage from climate change, or developing the kind of technologies that might actually bring it to a halt.

To say that growth is the enemy is, in fact, the ultimate example of white privilege – the privilege to tell billions of people across the world that their ambitions for heat and light, water and sanitation, medicine and education aren’t actually that important in the grand scheme of things.

A couple of years ago, in August 2020, I delivered a lecture for the Centre for Policy Studies and 1900 Club called ‘The Morality of Growth’, which inspired this current essay. The case I sought to make was that we have a moral duty not just to support growth, but to oppose policies that diminish

opportunity. The mindset that apologises for growth and innovation, I argued, is one that leaves less for the most vulnerable – in Britain and beyond.

In particular, I argued that while the claims of the ‘degrowth’ movement might seem both marginal and laughable – what mainstream politician would really stand up and say that we need to actively shrink the world economy? – British politics is afflicted by a diluted version of the same syndrome. Too often, we pay lip service to growth, but aren’t willing to actually do what it takes to deliver it. Like the football team that always falls short, we just don’t want it enough.

‘To say that growth is the enemy is, in fact, the ultimate example of white privilege’

This debate has become all the more urgent as the pandemic and cost of living crisis have driven home to people quite how little growth we have had in recent decades, and quite how little we have to look forward to. Indeed, it is both telling and depressing that the most interesting debate in British economics at the moment, triggered by my friend Sam Bowman’s essay on ‘Boosters’ vs ‘Doomsters’, is not about how to get growth back up, but whether we can get it back up at all.³

A society without growth is not just politically far more fragile. It is hugely damaging to people’s lives – and in particular to the young, who will never get to benefit from the kind of compounding, increasing prosperity their parents enjoyed. It is striking that the fastest-growing societies also tend to be by far the most optimistic about their futures – because they can visibly see their lives getting better.⁴

By temperament, I am what Sam calls a ‘Booster’ – that is, I believe that we are not in fact doomed to irrevocable decline. Indeed, the focus of most of our work at the Centre for Policy Studies is coming up with policies that help Britain grow. But in this essay, I want to do something different: not to set out specific ideas for growth, but make the fundamental argument, not least in light of the recent political convulsions in the UK, that we need to treat growth as a moral good – and treat the many obstacles to it not just as unfortunate but as a moral outrage.

1 <https://www.degrowth.info/en/what-is-degrowth/>

2 See for example Johan Norberg’s books ‘In Defence of Global Capitalism’ (2001) or ‘Progress’ (2016)

3 <https://sambowman.substack.com/p/boosters-and-doomsters>

4 See for example <https://www.theguardian.com/global-development/ng-interactive/2018/sep/24/our-time-is-now-world-youth-poll-reveals-unexpected-optimism> or <https://www.weforum.org/agenda/2016/02/which-countries-are-most-optimistic/>

Where did the growth go?

Let's start by making a very basic point: there isn't enough growth to go round.

Since the financial crisis, real GDP growth has been the most consistent since the Second World War. Unfortunately, it has been consistently abysmal. Not once in the decade before the pandemic did a rolling average of GDP growth go above 3% – the first time that had happened in living memory.⁵ And even before the economy plunged into its coronacoma, the projections for the next few years were of further stagnation.

Things look even worse if you don't just look at GDP, but GDP per head. Data from the World Bank shows that in the UK, average GDP growth per capita across the 1980s was 2.5%.⁶ During the 1990s, that fell to 1.9%. In the 2000s, thanks partly to the financial crisis, it fell again to 1.2%. In the 2010s, it stood at just 1.1% – even before the apocalyptic impact of the pandemic.

In other words, like in an Indiana Jones movie, the growth ceiling of the British economy is grinding inexorably downwards.

You can see this decline and fall even more clearly if you strip out the recessions. During the Lawson boom, GDP growth per capita went over 5% for two years in a row. Gordon Brown inherited per capita GDP growth of 3.6% in 1997 – but the economy has never even come close to hitting that again, with the exception of the artificial rebound after the pandemic.

In short, the idea that our troubles began with the financial crisis, or the fact of Tory government, is wrong-headed. Even in the years before the 2008 crash, growth per capita was only running at between 1.6% and 2.4% – which may look like unimaginable prosperity now, but was still much lower than what had come before.

To put it another way, when our politicians promised to 'abolish boom and bust', it turns out that they actually just abolished booms.

5 <https://www.ons.gov.uk/economy/grossdomesticproductgdp/timeseries/ihyr/pn2>

6 <https://data.worldbank.org/indicator/NY.GDP.PCAP.KD.ZG>

The 'Doomster' argument, if we use Sam's categorisation, is that this decline – while historically unprecedented – is now to a large extent baked into the economy. He cites the work of Dietrich Vollrath, whose book *Fully Grown* argues that a combination of factors have combined to lower productivity and hence growth: a decline in geographic mobility; an ageing population and shrinking workforce; and the inexorable growth of services as a proportion of the economy, where the potential for productivity gains is lower.⁷ (It's worth pointing out that unlike some of his British acolytes, Vollrath actually sees this as a natural and in many ways welcome result of America's increasing prosperity – an argument which, as Sam points out, rings rather less true for a country where GDP per capita is roughly 30% lower.)⁸

‘When our politicians promised to abolish boom and bust, it turns out that they actually just abolished booms’

British Doomsters, adds Sam, do accept that good policies can make a difference on growth, but they tend to think they will have only a marginal impact, or be too hard to push through. They might also point out that these problems are by no means confined to the UK: even with the headwinds from Brexit, our paltry growth performance between 2010 and 2019 eclipsed that of the even feebler eurozone.⁹

The counter-argument – made by the 'Boosters' – is that Britain's performance has been so lacklustre that there are all manner of ways to improve it. We have obvious and longstanding problems with productivity, and business investment. Our failure to build sufficient housing, stretching over a period of decades, has had devastating economic consequences. One of the most obvious ways to make the country more productive is to ensure that the best workers can find places to live near the best jobs. On that front, we have absolutely failed.

The problem, though – arguably the biggest problem in British politics – is that our failure to grow becomes self-reinforcing. At a time when we should be more obsessed than ever with growing the cake, we have become ever more focused on how to share it. In fact, it is precisely because there has not been as much growth to go around that we fixate on the size of the portions.

7 <https://press.uchicago.edu/ucpl/books/book/chicago/F/bo44520849.html>

8 <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=GB-US>

9 <https://www.bankofengland.co.uk/monetary-policy-report/2022/august-2022>, Table 1.E

Jeremy Corbyn was the perfect symptom of an age in which, with riches harder to come by, those who do have riches become the object of envy and resentment.

‘It is precisely because there has not been as much cake to go round that we fixate on the size of the portions’

At the Centre for Policy Studies, we believe that the only way to deliver growth – proper, sustainable, cake-growing growth – is by supporting the private sector.¹⁰ Every job created, every product sold, every pound in tax paid, is a tiny victory in the war for our collective prosperity.

So the key question is: how ready are we to prioritise that?

¹⁰ <https://www.ft.com/content/10db1944-8b85-11ea-a109-483c62d17528>

The decline of business

The first thing to say is that Britain is – despite the brief irruption of Corbynism – an admirably business-friendly country.

As Liz Truss pointed out in a speech in 2019, there was an 85% increase over the three years before the pandemic in the number of 18- to 24-year-olds setting up businesses.¹¹ Britain is consistently one of the strongest performers in terms of the ease of doing business, and indeed starting a business.¹² The Global Entrepreneurship Monitor shows that the proportion of Britons involved in some form of entrepreneurial activity has increased from 15% to 20% since the turn of the millennium – and the proportion of us who own our own businesses has doubled. There also seems to have been a strong and sustained shift towards a more entrepreneurial culture in around 2010 – perhaps mirroring the change in governing party.¹³

But things become more murky when you look not at the number of businesses we have, but what we think they should do.

A few years ago, we at the Centre for Policy Studies published a paper called Think Small, which focused on the needs of small businesses in Britain and how to help them grow.¹⁴

In the polling for it, we found an overwhelming consensus that the system of tax and administration to which those firms are subject is far more onerous than it should be – not just in terms of the amounts that are taken, but the sheer complexity of the process.

That survey also showed that people really like small businesses. They want them to prosper and grow.

And yet if you ask (as YouGov has via a regular tracker poll) whether businesses are regulated enough, only 12-14% of the country will give the

¹¹ <https://www.1828.org.uk/2019/01/30/fighting-corbyn-with-freedom-how-to-embrace-generation-z-2/>

¹² <https://www.doingbusiness.org/en/rankings>

¹³ <https://www.gemconsortium.org/economy-profiles/united-kingdom-2>

¹⁴ <https://www.cps.org.uk/research/think-small-a-blueprint-for-supporting-uk-small-businesses/>

answer 'too much', less than half the proportion who will say 'not enough'.¹⁵ If you ask whether they pay enough tax, you get 48% saying 'not enough', and only 9% saying 'too much'.¹⁶

Analysis by the OECD and other institutions has consistently shown that taxes on businesses and investment are absolutely the worst for growth.¹⁷ Yet when Boris Johnson and Rishi Sunak needed to pay for the costs of the pandemic, it was taxes on employers that went up first and most – because that was by far the most popular option.

Analysis by the OECD and others has consistently shown that taxes on business and investment are absolutely the worst for growth

More generally, there is a small forest of opinion research that will tell you that people these days don't think the business of business should just be business – more people say that a brand's 'stance on wider society' is very important than not at all important.¹⁸ (And yes, that sound you can hear is Friedman and Hayek spinning in their graves.)

A recent edition of Deloitte's regular survey of millennials showed that they overwhelmingly feel business success should be measured in terms of more than financial performance.¹⁹ A foreword from its 'global chief purpose and people officer', which is a pretty telling title in itself, found that 'if anything, the pandemic has reinforced their desire to help drive positive change in their communities and around the world. And they continue to push for a world in which businesses and governments mirror that same commitment to society, putting people ahead of profits and prioritising environmental sustainability, diversity and inclusion, and income equality.'

In the 2022 edition of Deloitte's survey, less than half of young people agreed that business was having a positive impact on wider society – the

fifth consecutive year in which the percentage had dropped.²⁰ Previous research by Matthew Elliott and James Kanagasooriam, for the Legatum Institute, found – even more starkly – that the words that young people most associated with 'capitalism' were 'greedy', 'selfish', 'corrupt', 'divisive' and 'dangerous'.²¹ Frank Luntz, in more recent polling for the CPS, asked people whether they agreed with the statement: 'When I look at corporate leaders and how they treat us, I just think 'f*** them all'.' By 50% to 23%, they agreed. (The only consolation is that the figures for politicians were even worse.)

There's a fascinating case to be made that much of this ties into the broader culture war. YouGov has found that the focus on companies' wider responsibilities is being driven by a group it called the 'catalysts' – the most influential, and opinionated, section of society.²²

To quote, 'catalysts are overwhelmingly likely to be members of the ABC1 social grades... and over two thirds... are in the highest AB brackets... Their favourite newspaper is The Guardian (31% vs. 4% nationwide) [and] they're more likely to be left-leaning Remain voters: almost two-thirds (65%) voted for Labour, the Lib Dems, or the SNP at the 2017 General Election, while almost three-quarters voted to stay in the EU (73%).'

The words young people most associated with capitalism were greedy, selfish, corrupt, divisive and dangerous

In short, half a century after Milton Friedman first set out the argument that the business of business is business, that argument is being decisively lost.²³ And it's being lost within the business community itself – even though people are pretty clear (as Frank Luntz's polling showed) that when they're actually making purchasing decisions, and living their lives, what they really want is good, cheap products, excellent service, and for companies to treat their workers fairly.²⁴ Not to have an ice cream company like Ben & Jerry's lecture them via its Twitter account on the Government's policy towards refugees.²⁵

15 <https://yougov.co.uk/topics/finance/trackers/are-businesses-regulated-enough-in-the-uk>

16 <https://yougov.co.uk/topics/politics/trackers/do-businesses-pay-enough-tax-in-the-uk>

17 <https://cps.org.uk/research/a-framework-for-the-future-reforming-the-uk-tax-system/>

18 <https://yougov.co.uk/topics/consumer/articles-reports/2018/11/29/most-britons-want-brands-take-moral-stance>

19 <https://www2.deloitte.com/global/en/pages/about-deloitte/articles/millennial-survey.html>

20 <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/deloitte-2022-genz-millennial-survey.pdf>

21 <https://www.populus.co.uk/insights/2017/09/public-opinion-in-the-post-brexit-era-economic-attitudes-in-modern-britain/>

22 <https://yougov.co.uk/topics/finance/articles-reports/2020/03/06/business-ethics-britain>

23 http://umich.edu/~thecore/doc/Friedman.pdf?mod=article__inline

24 <https://cps.org.uk/media/post/2021/cps-publishes-landmark-survey-by-dr-frank-luntz-on-politics-economics-and-culture-wars/>

25 <https://www.ft.com/content/bd848384-52b7-4973-b495-7075dbfe3f07>

What's less appreciated, however, is that all this is doing economic damage, because it's not only diverting capital from productive ends but moving the policy debate away from what we actually need for growth.

In particular, there is a dangerous gap between what people think is happening in the business world and what is actually happening.

In a celebrated speech in 2012, Andy Haldane of the Bank of England pointed out that the UK had moved from employing one regulator for every 11,000 people working in the financial sector in 1980 to one for every 300 in 2011.²⁶

Financial regulation had become much more complex, with the latest Basel rulebook requiring large banks to carry out several million calculations, as opposed to single figures a generation ago. Over a single decade, the proportion of Citigroup's global workforce devoted to compliance and risk went from 4% to 15%.²⁷

‘In many firms, the proportion of people actively devoted to the core task of generating profits has shrunk and shrunk’

George Osborne warned in 2013 about over-regulation leading to 'the financial stability of a graveyard'.²⁸ It is striking, and alarming, that Britain's regulators – unlike many of their counterparts – have generally had no specific duty to promote growth, or to consider the dynamic impact of their decisions. And when the Government tried to bring one in recently, all hell broke loose.

The CPS has recently been carrying out extensive work on regulation. We will be publishing the full details later this year, but it is fair to say that our team were genuinely shocked by the ease with which Whitehall can impose extra costs on businesses and consumers, and the flimsiness of the justifications that have been used to do so.

But it is not just about regulation. In many firms, the proportion of people actively devoted to the core task of generating profits has shrunk and shrunk. Meanwhile, the global human resources industry grew from around \$343 billion in 2012 to \$476 billion in 2019, while the number of diversity roles has increased by 71 per cent over five years.²⁹

The adoption of a wider definition of corporate purpose has been accompanied by a growth in the number of staff whose mindset is effectively public sector rather than private: their role is to ensure that the company does good and is good, rather than that it meets its targets. And of course, for many public companies those targets are in any case geared more towards meeting investors' quarterly expectations than delivering long-term growth – or pleasing institutional investors such as Larry Fink at BlackRock, which have wholeheartedly embraced the gospel of ESG.

26 <https://www.bis.org/review/r120905a.pdf>

27 <https://www.economist.com/finance-and-economics/2019/05/02/the-past-decade-has-brought-a-compliance-boom-in-banking>

28 <https://www.telegraph.co.uk/finance/newsbysector/banksandfinance/8892360/George-OSborne-rejects-financial-stability-of-graveyard.html>

29 <https://quilllette.com/2022/03/02/the-problem-with-the-diversity-dividend/>

The death of Adam Smith

My argument, in other words, is that business has indeed been infused with morality – but the moral imperative is not towards making people's lives better, but performative demonstration that you are on the side of righteousness, that you have not only ticked all the right boxes but done so with a song in your heart.

This flies in the face of a fundamental point made by Adam Smith. He famously said that: 'It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own self-interest.'³⁰

This was, at the time, a revolutionary argument. For centuries, philosophers had stressed the importance of leading a good life. What Smith was saying was that – at least in economic terms – it was perfectly fine to look after number one, because in doing so you looked after numbers two through twenty thousand.

But today, that is no longer true. Today, you not only have to do good – by creating jobs, providing goods, paying taxes and dividends. You have to proclaim that you are doing good. And if you transgress those rules, you are cast out of polite society.

Recently, the journalist Ed West wrote a book called *Small Men on the Wrong Side of History*.³¹ It was about, in essence, how conservatives are losing the culture war. As he says in that book, 'The Left has developed a moral monopoly, so that those outside the faith are under an unspoken obligation to prove their moral worth before their views can be heard.'

I was reminded of this a few years ago when I got a message from my local council leader. 'It is no longer enough to be simply a low tax council,' it said. 'It is also not enough to say we are good at delivering services.'

'People's priorities have changed, and their expectations have increased.'

30 <http://geolib.com/smith.adam/won1-02.html>

31 West, Ed, 'Small Men on the Wrong Side of History' (Constable, 2020)

'We need to work harder to be seen as being on the side of residents.'

'And we need to re-earn our place in residents' hearts and their minds. This is what will determine where they put their cross.'

'Our key response to the changing times is Smart Growth and our commitment to be inner London's greenest borough.'

'Smart growth is green growth and is fair growth for all.'

I've quoted that email at length for one simple reason: I live in Wandsworth. What was long the lowest-tax, toughest-minded council in the country. The place where the Thatcherites proved that you can win even in the heart of a Labour-leaning city by delivering, delivering and delivering.

‘The Tories have long been sustained by their reputation for economic competence’

Except that, according to that email, you couldn't. (Not that it mattered: in the most recent elections, the borough voted in Labour anyway.)

Now, this has fascinating political consequences. The Tories have long been sustained by their reputation for economic competence: the public generally perceive them as bastards who can run things, whereas Labour are seen as fuzzy-hearted incompetents. If we're entering an age when competence isn't enough, that naturally tilts the playing field against the Tories.

It's almost a quarter of a century old, but there's a wonderful passage in the original Bridget Jones columns that perfectly sums this up, in which Bridget suddenly finds out that Mark Darcy, her new boyfriend, is a Tory.³²

The Tories, she explains, stand for 'braying bossy men having affairs with everyone... then telling all the presenters off on the Today programme.' Labour 'stands for sharing, kindness, gays, single mothers and Nelson Mandela'. It's not hard to know who to vote for.

32 <https://www.independent.co.uk/news/media/bridget-jones-s-diary-5583257.html>

The morality of growth

Because of shrinking growth, we've become more and more obsessed with how to share the cake, and who deserves which particular slice. But that has reached the point where it is actively preventing us from returning to growth – because the free-market machine has become gritted up.

There was a lot of coverage a couple of years ago, for example, of the fact that Apple is now larger than the entire FTSE 100.³³ It seemed like proof of the superior dynamism of the US tech firms.

But there's a more interesting story here. In the five years before the pandemic struck, the FTSE All Share index went up by 20%. But the actual collective market capitalisation of Britain's listed companies was completely flat.³⁴ In other words, shares went up, but the number of listed firms went down. In 2019, just 34 firms applied to be listed – the lowest since the financial crisis.³⁵

There are many reasons for this. But one of the simplest is that we have made it such a chore to be a listed company, and to be a director of a listed company, that fewer and fewer rational people want to do it. The result is that the kind of popular capitalism that Margaret Thatcher dreamt of – an economy built around mass ownership of homes and shares and savings – becomes harder to achieve.

In the City, and across the wider economy, we have tilted the balance towards security and away from risk. And in doing so we have lost the sense of the value of business. Of the urgency of growth. Of the idea that creating a job – any job – and growing the economy should be considered a heroic act.

In our recent CPS report *Why Choose Britain?*, we made the case that if we are to thrive after we leave the EU, we need to do so by ensuring that the UK is a far more attractive place to do business – not by putting up taxes on investment and entrepreneurship. Indeed, if there is one thing that conservatives need

to do – that we all need to do – it is to remind people ceaselessly of the importance of growth.

Part of that is about persuading people that a better world, a healthier economy, really is possible. But another part is making clear to them just what the costs are of not acting.

The reason Nimbyism can so often flourish, that regulation can develop from a thicket into a forest, is that it seems like a victimless crime. Last year a video went round of Nick Clegg explaining, back in the golden days of the Coalition, that of course we didn't need to build any new nuclear power stations, because we wouldn't get the benefit until, oh, 2022 or so. Indeed, the CPS has been warning for not just years but decades of the desperate need to shore up our energy supplies – but politicians just kept on passing the parcel. Until, with Vladimir Putin's invasion of Ukraine, the music stopped.

Again, during the recent droughts, there were repeated complaints that the evil water companies had not built any reservoirs since the 1990s. The answer, of course, is that they tried to – but that local communities and councils wouldn't let them. And don't get me started on the sorry saga of the Oxford-Cambridge Arc, where the Government explicitly told investors that the area around and between the country's two great research centres was going to be a massive engine of high-productivity growth, and encouraged them to pile in – only to throw the entire idea in the bin just a couple of years later because too many local people didn't like the idea that new jobs meant new houses.³⁶

Again, this is not a new phenomenon. The CPS published its first paper warning that Nimbyism was making housing unaffordable back in 1990.³⁷ But it has become ever more prevalent, and ever more damaging – as many of the policy commitments adopted in the Conservative party leadership race make uncomfortably clear.³⁸

So those of us who are evangelical about growth need to be honest that the odds are stacked against us. First, in terms of the burden of paying for an ever-expanding state, the corollary of which is an ever-shrinking private sector, at least as a proportion of GDP. Angela Merkel used to warn that Europe accounted for 7% of the world's population, 25% of its GDP

33 <https://www.telegraph.co.uk/technology/2020/09/01/apple-now-worth-entire-ftse-100/>

34 Statistics via London Stock Exchange

35 <https://www.ft.com/content/2b2b992e-2350-11ea-b8a1-584213ee7b2b>

36 <https://www.thetimes.co.uk/article/stuff-the-nimbys-and-build-build-build-the-future-of-britain-and-the-tories-depends-on-it-z5m5xns0f>

37 <https://cps.org.uk/wp-content/uploads/2021/07/111027163036-Nimbyism1990.pdf>

38 <https://www.thetimes.co.uk/article/truss-and-sunak-must-stop-pandering-to-tory-nimbys-and-start-building-houses-its-urgent-nrjvcctmb>

and 50% of its welfare spending. Dr Dambisa Moyo has pointed out that if you add in America, via the same methodology, you get to 12% of the world's population, half of its GDP, and 90% of its welfare commitments.³⁹ (The rise of China and other nations has seen the share of GDP fall, but the point remains.)

Yet even now there is a failure among both public and politicians to grasp just how urgent our plight is.

From the start of the pandemic, CT Group carried out a regular tracker poll across six countries. A typical edition found net support for responding to the crisis by increasing taxes on big business of 69%, and on increasing taxes on tech companies of 77%. Remember: that is net support, pro minus anti. As in the YouGov polling cited earlier, support for the proposition that we shouldn't tax these firms more rested around what is known as the Lizardman's Constant, ie the number of people who will tell you that humanoid lizards are secretly running the earth.

‘Politicians and CEOs should channel their inner Marie Kondo. With every decision, they need to ask: does this spark growth?’

Similarly, when asked whether ‘In the current climate, business's primary responsibility should be economic growth or social responsibility’, the figures – in both the US and UK – were neck and neck, at 43% vs 45%. Even in the biggest economic crisis of a generation, people still didn't see growth as an overwhelming imperative.

My view is that politicians – and indeed business leaders – should channel their inner Marie Kondo. With every decision they make, they need to be asking themselves: ‘Does this spark growth?’

But they also need to make the case to the public. The Conservative Party leadership conteste last year saw much discussion about Margaret Thatcher and her legacy. You half-expected the candidates to appear on stage wearing bracelets saying ‘WWMD’ – ‘What Would Maggie Do?’

As her biographer Charles Moore often points out, it is pointless to try to imagine how Thatcher would have responded to this or that modern-day policy dilemma. But like her friend Ronald Reagan, Thatcher was unsurpassed at communicating not just what she was doing, but why.

Voters may not have agreed with her. But they knew there was a deeply held philosophy behind her words.

During that contest, I re-read Stepping Stones, one of the foundational documents of the CPS. It is a briefing prepared for Thatcher about how to save the British economy. It set out, in terms that will sound eerily familiar today, how close the country was to sliding out of the ranks of the top-tier nations, and what needed to be done to put that right.⁴⁰

‘Few people start a company for the sheer giddy joy of seeing the numbers increasing in their bank account’

The best-known aspect of Stepping Stones is its series of wiring diagrams, which mapped out the interlocking problems that bedevilled the economy. But in fact, the bulk of the document – its guiding thesis – is about communication. John Hoskyns, its author, argued that it was not just enough to save Britain from the unions. You needed to explain to the public, again and again, why that crusade was necessary if you wanted to move Britain's economy from sickness into health.

In many people's eyes, the failure of Liz Truss's premiership has rendered the subject of growth and supply-side reform taboo. Yet in fact, in its wake, there is an even more pressing need to persuade the public of the morality of growth. To remind them that few people start a company for the sheer giddy joy of seeing the numbers increasing in their bank account. Indeed, as the Entrepreneurs' Network has found, among young people starting firms today, a desire to ‘be your own boss’, ‘the freedom to do what I want’ and ‘being passionate about a particular idea or cause’ all beat out ‘wanting to become wealthy’ as a source of motivation.⁴¹

39 See for example her interview with me here <https://www.youtube.com/watch?v=xtz8C5nTnZc> or the original Merkel claim here <https://www.ft.com/content/8cc0f584-45fa-11e2-b7ba-00144feabdc0>

40 <https://cps.org.uk/research/stepping-stones/>

41 <https://www.tenentrepreneurs.org/research/future-founders-understanding-the-next-generation-of-entrepreneurs>

42 <https://www.wsj.com/articles/is-there-real-virtue-behind-the-business-roundtables-signaling-11575330172>

It is also worth reminding people that firms are most effective at doing good when they do well – when they are profitable and successful and attractive employers. Shiva Rajgopal, a professor at Columbia Business School, recently compared the biggest companies in Germany, the Netherlands, France, the UK and the US.⁴² He found, most obviously, that the US firms were massively more valuable than their European equivalents. But he also found that they did just as much to help the wider community, were just as good corporate citizens, as the European companies who had loudly and volubly signed up to publishing their ESG metrics and all the rest of it.

Indeed, a cynical take on the corporate embrace of many left-wing orthodoxies – the swallowing whole of the woke agenda – is that it is embraced by companies right up to the point at which it threatens to materially harm their bottom line. The rise of global people and purpose officers has coincided with a period of increasing corporate concentration, high profits and the digging of deeper and deeper regulatory moats around incumbent firms in sector after sector.

‘ We need to show people why growth matters. Why it is needed. Why we need to do things that are not popular, that annoy people, that challenge incumbents and vested interests ’

In his excellent book *The Complacent Class*, the US economist Tyler Cowen makes the argument that the professional classes in the US have pulled the drawbridge up behind them.⁴³ He shows that Americans are less entrepreneurial, less mobile, less inventive than they once were. America, he argues, has erected a caste system in which some have high-status, high-paid, high-productivity jobs and many do not – with little prospect of moving between the two. In which rich people go to good schools and poor people go to bad ones. In which planning restrictions exclude ambitious workers from the richest and most productive cities, sacrificing almost 10% of America’s GDP in the process.

Much of this will sound extremely familiar to British ears, too. Indeed, these problems are arguably far worse in the UK – at least if our economic performance compared to America’s is anything to go by.

It is the Centre for Policy Studies’ job, as a think tank, to come up with ideas for increasing growth. We’ve been doing it for almost 50 years now, and I hope we do it for 50 more.

But there is a parallel task, which is more important now than ever. It for thinkers, politicians and business leaders to persuade people of why growth matters. Why growth is needed. Why we need to do things that are not popular, that do annoy people, that challenge incumbents and vested interests. That result in new houses appearing to spoil your cherished view. In onshore wind farms being constructed to drive down the cost of energy.

And we need to persuade people that is not enough just to say good things – you need to do good things as well. And one of the very best things you can do is to start a company. Have an idea. Hire some workers, and then hire some more. And we should value that, and cherish it, and treat it not just as a necessary and welcome act, but a moral one too.

Robert Colvile is Director of the Centre for Policy Studies

43 Tyler Cowen, *The Complacent Class* (St Martin’s Press, 2017)



© Centre for Policy Studies
57 Tufton Street, London, SW1P 3QL
January 2023
ISBN 978-1-914008-25-2