



FACING THE FUTURE

**PROGRESSIVES IN A
CHANGING WORLD**

**Parth Patel, Jane Gingrich,
Will Davies and Nick Garland**

May 2025

ABOUT THE DECADE OF NATIONAL RENEWAL PROGRAMME

The IPPR Decade of National Renewal Programme is a major initiative to rethink progressive politics in a time of great change and challenge.

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We will offer a sense of what progressive parties could stand for in the future, not just the recent past. The collapse of conventional ideas makes this a time of great political openness: the future is there for the making.

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FOREWORD

Britain's Labour government is seeking in a methodical, honest and determined way to chart a course for the country that builds a fairer society and a stronger economy. That is no doubt very tough, but any day in government, with the potential to change things for the better, outranks any joy of opposition, when all you can do is complain.

The inheritance of the still-new government is immensely challenging, and the policy and political environment both at home and abroad is in dramatic flux. This exacerbates a challenge that any government faces: the pressures of government squeeze the time and space for thinking, brainstorming, debate – which make up the best of politics, albeit not always its centre. Many years ago, the former cabinet minister Gerald Kaufman called attention to this problem, which he labelled “governmentalitis”.

This creates opportunity and responsibility for those outside government to diagnose trends and develop new answers, especially those that are not immediately popular, looking beyond the limits of the news cycle. It will be for those in government to decide what is politically sellable, but outside government we need to engage with the world as it is, as it is changing, and as it could be changed.

It is too complacent to say airily that “good policy is good politics”. Sometimes good policy does not deliver in time or cannot be implemented. But I still believe that bad policy is bad politics. The questions being asked this Decade of National Renewal programme at IPPR open up discussion in a way that should help those with the power to shape the country's future. As someone who got their start at IPPR, I am delighted that the organisation continues to be a home for creative thinking.

This report digs into the impact of global changes in the economic and political balance of power; the changes in the process of identity-building and of politics that have been ushered in by the digital age; and the need for a new balance of state and market in driving shared prosperity. This combination is important, because policy silos are dangerous, and the grand challenges of the day are connected. Foreign policy affects domestic security and living standards; the technological revolution has democratic as well as economic consequences; “the economy, stupid” raises as many questions as it answers for the Departments of Education, Energy Security and the Home Office, as well as for the Treasury.

Get this wrong, and you have “polycrisis”, the interaction of different problems that put governments in checkmate. Get it right and you get a virtuous circle of social, political and economic renewal, in which security and opportunity reinforce each other. That is what happened after Labour was elected in 1945 and 1997, and what is needed again. The policies of those periods are time-bound; no one is suggesting those policies should be regurgitated. But the lessons in how new ideas can power new politics are important.

One lesson is especially important: the need for both conservation and change. Conservation of some national principles, assets and advances, but change in ideas, institutions and implementation. In my experience, this combination does not need to be an oxymoron. The key is what you conserve and what you change.

We need to conserve the best of democratic norms and accountable governance against the march of impunity, and at the same time change our democracy to make it more responsive and our government more effective. In a perilous world, we need to conserve alliances like NATO, and change our relationship with institutions like the EU so we are once again genuine allies even though we are outside its structures. We need to conserve our areas of economic strength like scientific research and financial services, and change our economy so that it serves more people more fully. This is what this paper tries to address.

The politics of this project are especially challenging in western democratic countries at the moment. The IPPR report points out that national interests and borders are being reasserted just as global connectivity is rising, and faith in markets and politics to drive shared growth are being questioned just as a technological revolution is upon us. This can leave societies angry, fragmented and less free. The danger for all parties, but especially centre-left parties facing right wing populism, is obvious: that they are perceived to be defending the status quo, even as voters say it is failing. This is at least part of the explanation of the US election last year and the Brexit referendum in 2016; re-election of a Democratic administration, or remaining in the EU, were identified with no, or insufficient, change.

We know the narrative arc of the politics of grievance. It identifies victims and channels rage. The “ideas” it provides offer conservation in the form of nostalgia, and change in the form of blowing up the system. But there is no such thing as a better yesterday, and revolutions consume their own children.

As recent elections in Canada and Australia show, these so-called ideas can be exposed for the hollow shell they are when they are pitted against a strong alternative. That alternative competes on the terrain of values and policy. It rejects the false choice between ideology that is rigid and policy that is technocratic. Instead it harnesses values to mission, and finds policies that exemplify them and take them forward.

Britain is fortunately in a good position to develop the next steps in the new progressive project. We have a government with a mandate for change, new thinkers in and around politics, and a rich history of political initiatives with far-reaching impact. The charting of those next steps is the promise of this IPPR project, a promise which is much needed.

David Miliband

Former secretary of state for foreign and commonwealth affairs

SUMMARY

A quarter of the way through this century, change is in the air. Everyone, everywhere, seemingly all at once, wants out of the status quo. But into what?

The revolutionary spirit has been captured by populist parties. They now claim a larger share of the vote across western Europe and North America than the mainstream parties of the left, moving into pole position as champions of transformation. This has been driven largely by the populist radical right, who have grown six times more quickly than the populist left since the start of the century.

The populist radical right is not just gaining in the battle of votes but is also dominating the battle of ideas: about who the state is for, how it should be governed, its relationship to markets and the world, where the threats are coming from. They have moved political contest from policy debates which take place within the bounds of consensus, to ideological debates which reject them.

This means that progressive parties need a new set of defining and guiding ideas. Without them, they reach back for old ones, and find themselves defending a status quo that people have lost confidence in. Or they try to imitate their opponents, but this only boosts their competitors' brand and heightens the division they flourish on. The challenge is to address the changes and grievances populists speak to, but with distinctive ideas and solutions.

In a rapidly changing world, one resource is more valuable than all else: political imagination. The populist right wields it with ruthless effect. Progressives have the opportunity to do so too, but only if they engage more creatively with the big issues of the time, not as prophets of doom, but as sources of energy.

This report is about recovering faith in our capacity to shape what lies ahead. It describes how the world, politics and the economy have changed since the last time Labour was in government, and maps assets available to progressives in a new era. We set out three ways in which the world has changed, and the questions that need answering if progressives want to change with it.

1. **A world between orders:** national borders have been reasserted over global integration.
2. **The common good without common ground:** politics and the public sphere have fragmented and polarised.
3. **Economics after neoliberalism:** faith in free markets as the best way of organising economies has declined.

A WORLD BETWEEN ORDERS

National borders are being dramatically re-asserted, following decades of steady opening. The number of trade restrictions globally increased sixfold between the start of the first and second Trump presidencies, and have rocketed since, as America wages trade war against the world. Over the same period, many countries have introduced increasingly restrictive border policies, as the vote share of anti-immigration parties nears a quarter of the electorate in liberal democracies. International institutions such as the United Nations, the European Union and the World Trade Organisation have seen their processes bypassed and their authority undermined by a trend toward unilateral decision making and the return of the nation state.

Borders are not just being asserted but contested, and foreign policy is front page news again. Armed conflicts and related deaths are at a three-decade high, driven in large part by Israel's bombing of Gaza and the Russian invasion of Ukraine. In Europe, defence is top of the political agenda, as the long-standing partnership with the US fractures, and the continent's military capabilities seem feeble in the face of new threats. It will take Europe more than five years to reach its defence spending target on its current trajectory, meaning either a paradigm shift in European military, industrial and fiscal policy to re-arm more rapidly, or a prolonged period of vulnerability in the face of Russian aggression.

For the first time since the Napoleonic wars, four or five hegemons are battling for spheres of influence around the world. The UK is not one of them, but it is not without influence or agency. You do not need to be great power to be a great country. Our future lies in our alliances – now is the time to review old and forge new ones. Most obviously, and most importantly, the UK must decide what alliances to pursue with Europe. But progressives must also develop creative answers to new questions thrown up by a world between orders.

- 1. What alliances and capabilities do countries like the UK need to navigate a new era of great power politics?** This should include thinking about what EU alliances the UK should pursue, the role of the US and China in British prosperity and security, what rising powers to deepen relations with, and how the UK positions itself in a world of tariffs.
- 2. In a world of mass migration, how do we determine who is a citizen?** This should include thinking about whether citizenship should be inherited or acquired, and who counts as a refugee.
- 3. How can we address cross-border issues when global institutions are weak?** This should include thinking afresh about global institutions, co-ordinating and legitimising the energy transition, and progressive approaches to rebuilding military capacity.

THE COMMON GOOD WITHOUT COMMON GROUND

Societies have become less free in recent years, with authoritarianism not only increasingly common but increasingly popular. This has been permitted and encouraged by declining trust in democratic institutions, especially mainstream political parties, whose vote shares have collapsed in liberal democracies. This is especially true for parties of the left, whose traditional industrial working-class base has shrunk dramatically. People in working-class jobs made up 40 per cent of the British left's coalition in 1980 (30 per cent for European left parties), but only 7 per cent today (10 per cent for European left parties).

That has given populist right parties an opening to steal the left's historical claim to being for the many, not the few. They are mobilising people around an alternative vision of the common good at astonishing pace, contesting not only what is 'good' but who counts as 'common'. Fuelled by prejudice and propaganda, populist right parties present democracy as a zero-sum game, arguing that for one group to gain, another must lose. A backdrop of slow economic growth, deteriorating public services and declining civic infrastructure has encouraged this kind of thinking in large parts of the public, permitting the politics of resentment.

The splitting of society into separate spheres by the shift from 'legacy' to new media has made common ground even harder to find. One half of adults in the UK now use social media as their main source of news, while regular newspaper readership has halved three times in three decades. People now follow their own truth-tellers, who need not actually speak truth, remaking conversation in the public sphere into something that is less inquisitive and more reactive.

Progressives must decide if they want to re-direct (into a constitutional project) or diffuse the anger that fills the political system. Either way, they will need map out new answers to three questions.

1. **What should the state provide for citizens, and what responsibilities do people have for themselves, their families and communities?** This should include thinking about what intergenerational commitments progressives should defend (e.g. care, education, pensions), what we owe to each other in the face of climate breakdown, and who should and should not have access to social security.
2. **What political identities can compete with ethno-nationalism?** This should include thinking about how to make and mobilise new collective identities, how to build solidarity in times of scarcity, how smartphones have changed our sense of self and community, and developing education policy towards the common good.
3. **How can democratic reform deliver more representative and responsive government?** This should include thinking about reconnecting political parties and the public, reforming the media system, attenuating the relationship between privilege and power, and developing a more active and engaged citizenry.

ECONOMICS AFTER NEOLIBERALISM

Governments in countries with long histories of a hands-off approach to the economy are putting their hands back on the wheel. They are being drawn into economic interventions that were off-limits only a few years ago: industrial policy interventions (which have grown tenfold globally over the past decade), protectionism, price controls, and so on. Around two trillion euros were spent on state aid for businesses in the EU over the last decade, double that of the decade before.

A long-run decline in growth has combined with new social and political demands to usher in a new era of activist states. Whether it is competing in trade wars, rearming, decarbonising or responding to ageing populations, the result is the same. States are taking responsibility in choosing, promoting and shaping pathways to growth and economic security.

This has happened because of a profound weakening of faith in markets. Not so long ago, most economists and policymakers were committed to the idea that markets allocate efficiently and produce win-win outcomes. Growth would take care of itself, as long as the state respected the market, and provided skilled workers. But, ever since 2008, growth has not taken care of itself. Nor is work a sure route to security and prosperity anymore: the share of working households in poverty has grown by 27 per cent since the last time Labour entered power, while house prices have grown one and half times quicker than wages. Meanwhile, shareholder pay outs as a proportion of company profits in the UK's largest firms have tripled in the past three decades, as capital investment declined.

This is why the economy is no longer being shielded from state intervention. Like the last time there were economic upheavals of a comparable scale, the actors defining the new era are currently on the political right. But demands for greater state intervention favour progressives, who can grasp this moment if they can assemble a compelling programme of reform in response to these questions.

1. **What state interventions drive growth and create good jobs in a new era of artificial intelligence, and what don't?** This should include thinking about how to revive growth in deindustrialised and ageing societies, whether you need inclusive growth or can grow-then-redistribute, how to navigate trade-offs speed and direction of growth, and what worker power means in the AI era.

2. **How can states prevent extractive concentrations of economic power?** This should include thinking about effective regulation alongside supply-side reform, and the role of monetary policy in a time of supply-side inflation shocks and asset price growth outstripping wage growth.
3. **How should the state be reformed to provide the services and insurance everyone needs, without breaking the bank?** This should include thinking about whether the state should own or regulate water, energy and transport, what price-setting role states should adopt in relation to essentials, whether housing is a right or an asset, how to insure against extreme weather events, and tax reform.

FACING THE FUTURE

Moments when the future direction of policy and politics are up for grabs tend to pass quickly. The longer the populist right are left to meet the moment unchallenged, the more they will define the ground and set it in their favour. It is time to take the fight to them, with a new progressive political project. That will require political guile, resolve and even ruthlessness. But it will also hinge upon serious, new thinking about the ideas that define and guide progressive governments as they navigate a changed world.

Britain is a good place to be having that conversation. We have a progressive government, with a large majority, an openness to new ideas and that rarest of political commodities: time, before the next election. There is a strong ecosystem of thinkers and practitioners within and beyond party bounds. And we have a history of successful political renewal projects with far-reaching impact. The Labour government has a chance to play a coordinating role in the new progressive project, like its predecessor did, utilising the country's outsize diplomatic influence around the world.

The collapse of conventional ideas is scary, but it also means that this is a time of great political openness. The future is there for the making. This report maps new realities and new opportunities for progressives in a changing world. How to draw on them is the subject of work to come. Let us face the future, with confidence.

1. INTRODUCTION: A NEW LEFT FOR A NEW AGE

We may very well be standing at a decisive turning point in history which separates one era from another. Global commitments that have underpinned daily life for decades are being challenged, bringing much of what we take for granted into question. A shift in public discourse from reason to reaction means that judgement seems quicker to form and the truth harder to find. Side-effects of our economic model such as climate breakdown and inequality are now threatening to overwhelm the model itself, while living standards and life expectancy flatline.

These changes have trapped many people into thinking about the future only in terms of disaster (White 2024). This is a problem. When backed into a corner it is natural to look for a way out. This takes the form of radical decisions, in politics, as in other parts of life. People opt for a clean break from the present, intrigued by the prospect of creative destruction, which does not necessarily promise better but does promise change.

This is why the populist radical right is on the rise. They offer at once a nostalgic version of what was, and a clear pitch for what might be. All that it takes to shake off the depression into which we have descended, they argue, is for politicians to stop behaving like ‘non player characters’.¹ This kind of talk is used to cloak their determination to put themselves and their wishes above those of wider society.

In the face of these opponents, progressives all too often appear as defenders of a status quo that people have lost confidence in, instead of an alternative to it. We have been forced into a mode of reactivity and self-defence against incoming fire. This soaks up political capital and generates a politics of ambulance-chasing, as the populist radical right set the agenda.

This is true even where progressives are in power. Absorbed by firefighting, governments have yet to fully reckon with the era-defining lines they are crossing. It will take some time for those ‘lines to grow into walls’.² But they will, as crises and upheavals cohere into a new political settlement. By that point, it will be too late to ask who owns the future.

The time to ask and answer that question is now: progressives need to shift from defence to offence, from reactive to proactive, from apology to confidence.

The Labour government in the UK has the opportunity to show how this can be done. It wants to be an ‘insurgent’ government: to show itself to be a disruptor, not defender, of the status quo. The challenge it faces is defining and prosecuting an alternative.

Their task is made harder because the progressive engine of ideas seems to have run out of steam. When parties don’t have new ideas, they reach back for

1 Popular internet meme associated with the contemporary radical right. It represents people deemed not to think for themselves, referring to characters without agency in role-playing videogames.

2 From Hannah Arendt’s 1975 lecture ‘Home to Roost’ (Arendt 1975).

old ones, or imitate others. Neither of these approaches will work at a moment of great change and challenge. Progressives must understand that they cannot simply reach backwards in search of their ideas, goals and policies. The old world has dissolved, and its ideas are out of date.

Nor can they copy the populist radical right; it only boosts their opponents' brand and heightens the divisions they flourish on. Disruption in the mode of the populist right will only work for the populist right, whose greatest advantage is authenticity (Brown et al 2023; Krause et al 2023). The challenge is to address the changes and grievances they speak to, but with progressive ideas and solutions.

A major new programme at IPPR, A Decade of National Renewal, is trying to provide these. We will offer a sense of what progressive parties could stand for in the future, not just the recent past.

This report, part of that programme, sets out the big changes that progressives must meet and master to 'own the future', and the big questions that they will need to answer in order to do so. It describes three defining features of our time and how political contest has fundamentally changed in a time of upheaval.

1. **A world between orders:** national borders have been reasserted over global integration.
2. **The common good without common ground:** politics and the public sphere have fragmented and polarised.
3. **Economics after neoliberalism:** faith in free markets as the best way of organising economies has declined.

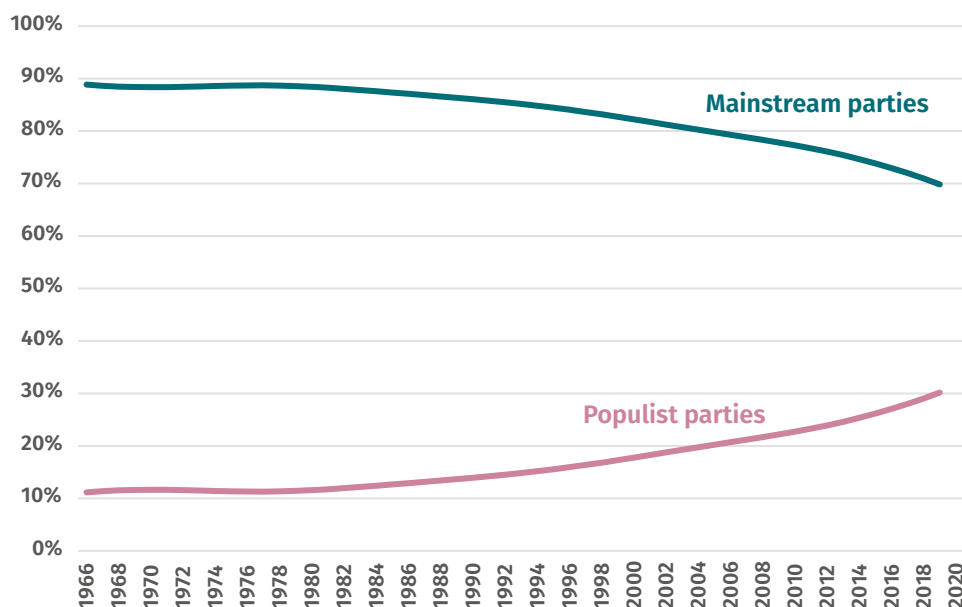
We need a new left for a new age. That will require a clear-sighted view of politics as society now practises it, together with a daring, distinctive programme of reform rooted in the world as it is now and will be in the decade to come. This report is about progressives recovering faith in our capacity to shape what lies ahead. Let us face the future with confidence.

2. THE POLITICS OF IMAGINATION

A forward march of populism is in full swing. Populist parties overtaking or taking over mainstream parties has halved the gap between the two in the west since 1980 (figure 2.1). The greatest rate of change came in the period after 2010. It shows no sign of slowing.

FIGURE 2.1: THE TRANSFORMATION OF WESTERN POLITICS

Vote share in countries in western Europe and North America, by party family



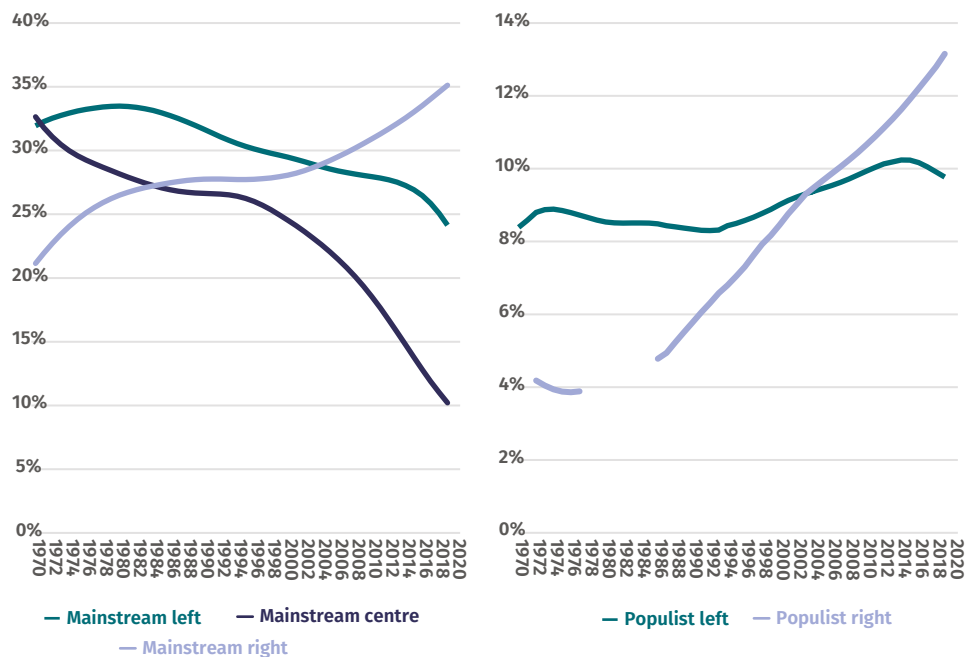
Source: Authors' analysis of V-Party

Note: Sensitivity analysis conducted using the PopuList dataset revealed a similar pattern.

The revolutionaries are on the right, not the left (figure 2.2). Since the start of this century, the share of the electorate in western Europe and north America voting for mainstream right parties has grown by 25 per cent, and by 57 per cent for populist right parties. This has transformed the nature of the political opposition for progressives, who must now compete not only with their traditional opponents on the centre-right but also the less predictable challenge of anti-establishment parties.

FIGURE 2.2: THE RISE OF THE RIGHT

Vote share in countries in western Europe and North America, by party family



Source: Authors' analysis of V-Party and Chapel Hill Expert Survey

These electoral dynamics mean mainstream parties on the left and right are facing profoundly different challenges. For the centre-right the question is existential: can it stop radicals hijacking its programme or its parties? The centre-left meanwhile finds itself in an identity crisis. Can it keep a progressive agenda relevant in the face of opponents who operate outside the traditional constraints of mainstream politics?

The answer often seems to be no. The share of the electorate voting for centre and left parties in western democracies has fallen precipitously since the turn of the century (figure 2.2). This trend will continue until or unless those parties realise that politics has been pulled onto a new battlefield. It is not just the adversary that has changed but the rules of engagement.

When the contest was between the centre-left and centre-right, politics was largely about problem-solving. It focussed on 'what works' more than ideological differences, which was kept within limits. Both sides were agreed on the fundamentals, such as free markets, globalisation and liberal democracy (Mair 2002; Mudge 2018; Boix 2021; Bickerton and Accetti, 2021).

Those fundamentals are now in flux (table 2.1). Rocked by crisis and upheaval, faith in markets has declined, national borders have been reasserted, and the public sphere has become more polarised. From this has emerged a stable and still-growing populist radical right movement (Kriesi et al 2008; Berman 2021). Its effectiveness is pulling political contests away from narrow policy debates towards broader ideological ones.

TABLE 2.1: FUNDAMENTALS ARE IN FLUX*Ideological comparison of the three largest party families in western Europe and North America*

	Mainstream left	Mainstream right	Populist right
Who is the state for?	Broad national polity	Broad national polity	Narrower, often ethnic, conception of the polity
How to govern the state?	Constitutional democracy	Constitutional democracy	Executive control
How to govern the economy?	Mixed markets, free trade, globalisation	Free markets, free trade, globalisation	Post-neoliberalism
Cause of resource scarcity	Low productivity growth, inequality	Low productivity growth	Immigration
Welfare state model	Expansive	Restrictive, based on means	Restrictive, based on citizenship
Threats to national security	External (eg hostile nations)	External (e.g. hostile nations)	Internal (e.g. immigration)
Threats to individual freedom	Freedom from discrimination	Freedom from state interference	Freedom of speech

Source: Authors' analysis

People are not voting for populist radical right parties because of their pragmatism and competence but because they are proposing a new set of ideas. Centre-left parties, historically the parties of transformation, are not. So they are seen as (and often are) defenders of the status quo, and the populist radical right as the vehicle of change.

To get out of this defensive position, progressives need to take part in the battle of ideas (Przeworski 2024; Krastev 2025; Berman 2024). In it, one resource is more valuable than all else: political imagination.

The populist right wields it with ruthless effect. Progressives have the opportunity to do so too, but only if they develop a clearer narrative that fully engages with the big issues of the time, and taps into the public mood for change. In a rapidly changing world, the need for imaginative and courageous politics becomes all the stronger.

In this context, the British Labour party is in an exceptional and precious situation. After a year in which half of the global population voted, it is the only progressive party to have won a landslide, forming a rare progressive government with the time and space for fresh thinking before the next election. It must seize that opportunity. Voters asked Labour not only to administer society but to change it.

The last time progressives had to systematically rethink what they stood for, in the 1990s, the world was different. It seemed that markets were becoming more open, global networks more integrated, and cultural identities more fluid and decentralised. They benefited from serious empirical and intellectual analysis that that was grouped under the rubric of 'The Third Way' (IPPR 1994; Giddens 1998). This provided a progressive vision for a world of globalisation and rising individualism, in which the principle large-scale alternative to capitalism had recently been extinguished.

In today's very different world, progressives need a different plan. Just as New Labour was a product of its time, so too must this Labour government be. What is a progressive strategy for a world in which the global order is disintegrating (chapter 3), authoritarians are not just common but popular (chapter 4), and states are taking a hands-on approach to the economy (chapter 5)? It is time for a new rubric.

3.

A WORLD BETWEEN ORDERS

While much attention is paid to individual countries and the threats they pose, both real and imagined, one of the most significant developments of the 21st century has been the degradation and undermining of global institutions. The United Nations, World Trade Organization, World Bank, North Atlantic Treaty Organisation, European Union, World Health Organization and international legal bodies have seen their processes bypassed and authority disregarded. The post-war international order is in disarray, undone by its architects and opponents in tandem.

Nations that built the rules-based order are increasingly acting outside of those rules. Its architect-in-chief, the United States, has been most consequential, withdrawing wholesale from several international institutions and weakening others. It is easy to fixate on the Trump presidencies, the consequences of which are seismic (including destabilising Nato, withdrawing from the Paris Agreement and the WHO, and effectively abolishing USAID), but the pushback against multilateralism comes from both sides of the aisle. The Biden administration's unilateral withdrawal from Afghanistan, continued paralysis of the WTO and denunciation of the International Criminal Court caused substantial injury to global institutions, layering damage not just on the legacy of the first Trump presidency but on those of earlier administrations that had, for example, bypassed the UN in their interventions in Syria and Iraq.

Other liberal democracies have helped hollow out global institutions. Australia, Italy and the UK, for example, have breached or exhibited significant disregard for international refugee law. The UK threatened to override the Northern Ireland Protocol, a binding part of its Brexit agreement, while Brexit itself now resembles an early staging post in the end of liberal globalisation.

Unilateral decisions like these almost always reflect domestic political considerations and concerns about national interest. Individually, each of them has their own logic, but collectively they represent a significant weakening of the authority and effectiveness of the post-1945 order.

It is not surprising then that others have proved adept at exposing disunity and further undermining international norms, rules and institutions. Russia's invasion of Ukraine and the creation of parallel international financial architectures – such as China's Belt and Road Initiative (Frankopan 2019) – are developments with world-historical implications. But nations not necessarily considered adversaries of the west, such as India, Saudi Arabia, Hungary, Turkey and Indonesia, have also been emboldened.

The idea that the liberal international order was set up by the west to protect its interests and exclude others has gained widespread and increasing support in many countries around the world (Fortin et al 2023; Heather and Rapley 2024; Jaishankar 2024). Vaccine nationalism in the Covid-19 pandemic, inconsistent application of international law in the face of conflict in Ukraine and Gaza, and the withdrawal of international development assistance has accelerated this trend (Mishra 2024; Ahmed et al 2025). One of the most prominent themes of global geopolitics in the last decade has been the pushback against western leadership.

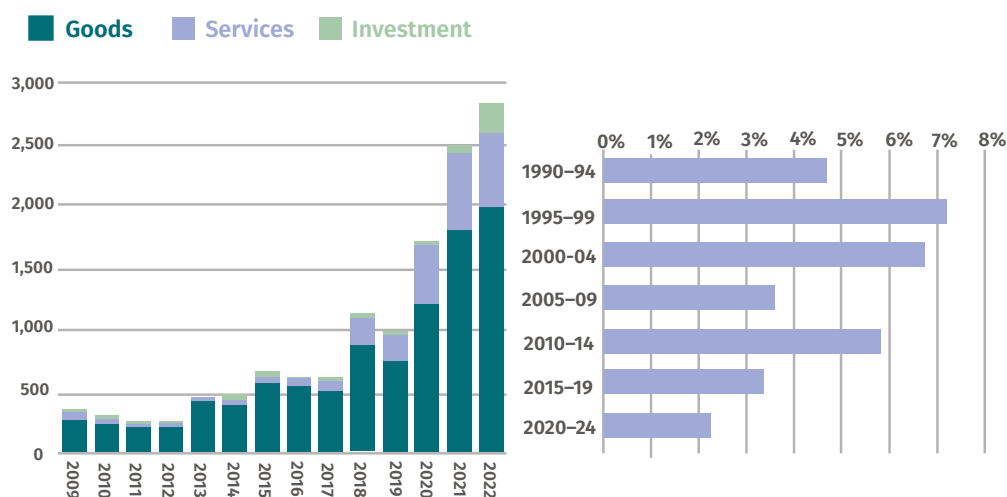
3.1 THE END OF THE FREE WORLD

Rule breaking is contagious. Empirical analysis of aggregate global patterns, more robust than individual examples, show that the underpinning assumptions of the ‘free world’ are being shattered.

This is particularly true of the international economic order, which lends itself to measurement. After declining for most of the 20th and early 21st centuries, restrictions on global trade have exploded (Goldberg and Reed 2023). Even before the second Trump presidency, global trade growth was at its slowest pace since the fall of the Berlin Wall (figure 3.1). It will now slow further. As this report goes to publication, the US has declared trade wars on countries across the world, some of whom have retaliated, plunging the world economy into the largest crisis since the pandemic.

FIGURE 3.1: PROTECTIONISM AND THE GLOBAL TRADE SLOWDOWN

Number of trade restrictions imposed annually worldwide (left) and global trade growth rate (right)



Source: IMF 2023 and World Bank 2024

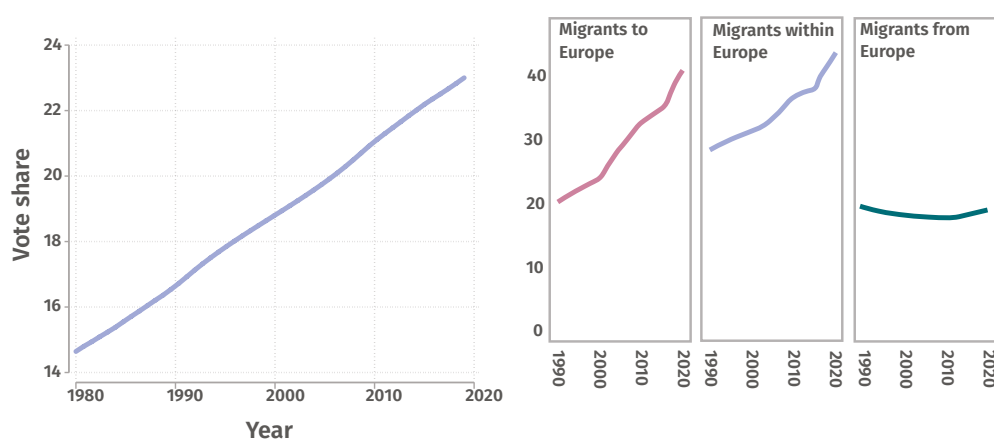
Its position at the heart of the global economy has allowed the US to wield trade policy as a weapon of mass coercion (although it remains unclear to what end and with what consequences). This spectacle, however, should not distract attention from a structural turn against free trade. Liberal democracies are increasingly using trade policy as a tool to shape distributional outcomes in their domestic economies, in response to populist movements taking hold in deindustrialised regions (Colantone and Stanig 2018; Autor et al 2020). Economic nationalism is firmly back on the agenda. At the same instant, supply chain fragilities (and the related inflation crisis) exposed by the Covid-19 pandemic, war in Ukraine and global shipping disruptions have coalesced with national security concerns (especially about China) to create new enthusiasm for onshoring production (Yellen 2022; Draghi 2024).

Growing restrictions on the movement of goods are mirrored by those on the movement of people. Most, although not all, liberal democracies are making some effort to regulate or reduce voluntary migration, and great effort to limit the arrival of those seeking asylum.

The transformation of the migration and asylum order, like trade, is largely attributable to domestic political concerns (and to a lesser extent those of national security). Parties that oppose immigration have been mobilising a growing number of voters in the west (figure 3.2), transforming political competition in liberal democracies as a result (Mudde 2019).

FIGURE 3.2: POLITICISATION HAS NOT AFFECTED EUROPEAN MIGRATION FLOWS

Vote share of immigration sceptic parties (left) and migrants to, within and from Europe (right)



Source: Authors' analysis of V-Party and International Organisation for Migration 2024

It is much harder for policymakers to dictate flows of people (who have their own agency) than flows of goods (which do not). The UK, which exited the EU in part to limit immigration, nonetheless experienced record high levels of legal migration last year, and the second-highest number of small boat arrivals (Migration Observatory 2024). This is less statecraft, more hard reality. The number of people who want or need to move is fast rising (figure 3.2).³

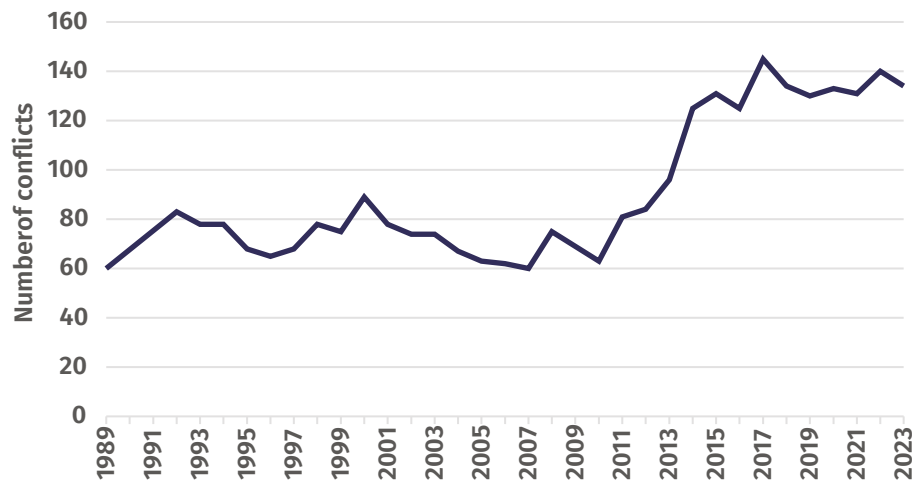
One reason is conflict. The world is experiencing an extraordinary number of conflicts (figure 3.3), many of which appear increasingly intractable due to the growing involvement of both domestic and external actors, complex underlying drivers, and escalating geopolitical tensions (IISS 2024).

The data also shows the number of conflict-related deaths in the past three years recorded (2021–23) are higher than any time in the past three decades (UCDP 2023). The dramatic increase in deaths was driven by three conflicts: civil war in Ethiopia's Tigray region; the Russian invasion of Ukraine; and Israel's bombing of Gaza. The Sudanese civil war has since escalated and the number of people who have died is much higher than previously reported.

³ The overwhelming majority of international migration is voluntary, not forced. People migrate to more affluent states to improve their living standards, with a preference for nations where they have kin and familiarity with language. More migrants come from India than any other country (International Organisation for Migration 2024), by some distance, for whom English-speaking countries with large Indian diasporas (e.g. the UK and US) are a popular choice.

FIGURE 3.3: SURGE IN ARMED CONFLICT

The number of armed conflicts recorded globally



Source: Authors' analysis of the Uppsala Conflict Data Program

Many of these casualties are civilians, the intentional targeting of whom is unlawful under international law. Nevertheless, it persists and has been permitted, further helping to undermine and erode the authority of international law. The idea of the rule of law – another tenet of the post-1945 order – has weakened, including among liberal democracies (figure 3.4).

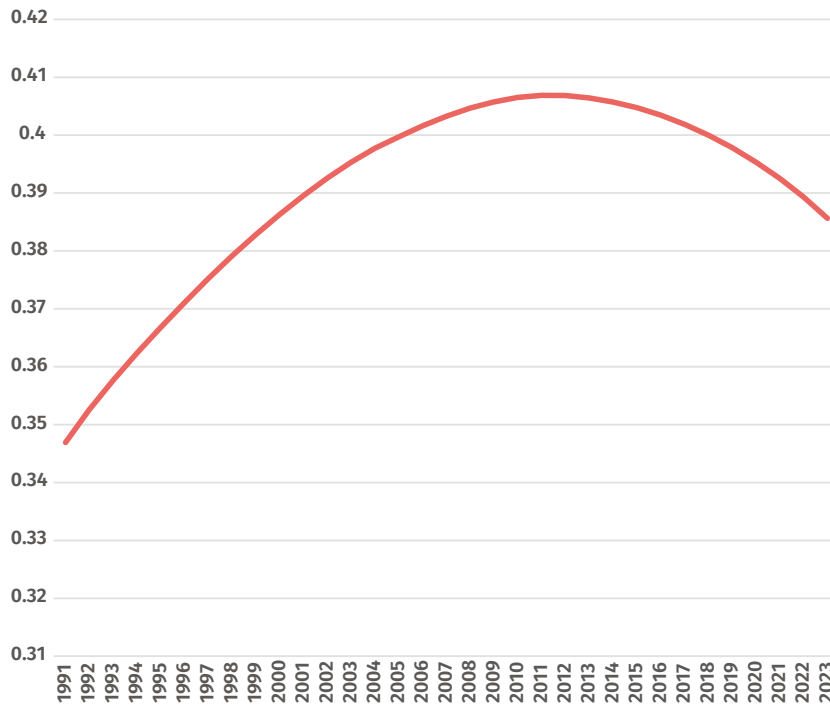
We are witnessing not a handful of rogue actors or disparate trends but the end of the old world order. No clear alternative is yet emerging, producing an increasingly unstable global environment. The result is a growing sense of international anarchy: ours is a world between orders.

The transition from one order to another is a perilous time (Allison 2017). Alliances and commitments long taken for granted come into question. Questions of sovereignty and territory are once more contested, and foreign policy is front page news again.

The peace dividend that followed the end of the cold war has been cashed in, and defence spending is once again top of the political agenda. Spending on defence among European states rose after the Russian invasion of Ukraine and is set to accelerate (figure 3.5), as the US re-considers its responsibilities to Nato (Burilkov and Wolff 2025). The world is a more uncertain and dangerous place than was the case just a few years ago, which is prompting previously unimaginable fiscal policies to be enacted in European states attempting to re-arm and demands for nuclear weapons from those without them.

FIGURE 3.4: THE DECLINE OF LIBERAL DEMOCRACY AROUND THE WORLD

V-Dem Liberal Democracy index measuring the rule of law, checks and balances, civil liberties, free and fair elections and media freedoms, globally

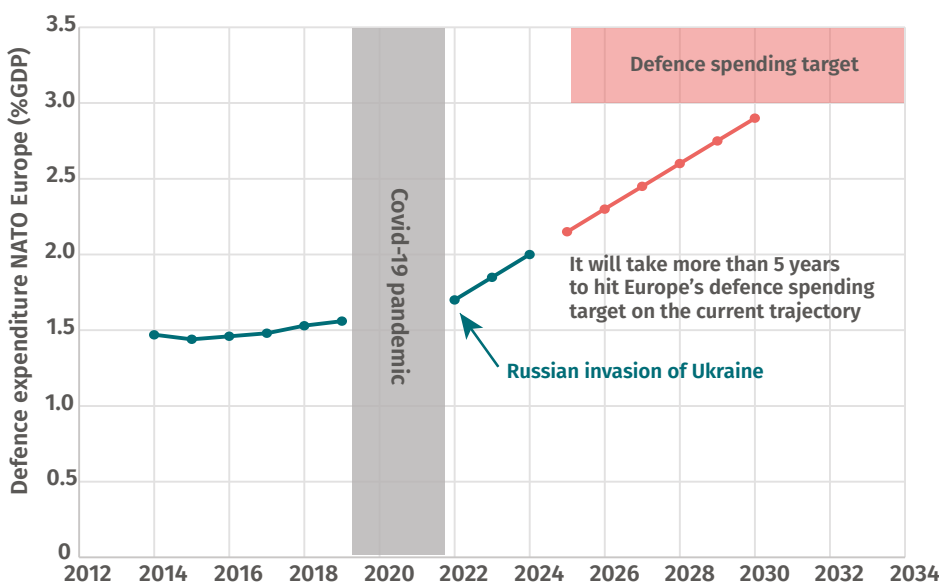


Source: Authors' analysis of V-Party

Note: based on expert coding by the V-Dem Institute, based at the University of Gothenburg in Sweden. It combines information on suffrage, the freedom and fairness of elections, freedoms of association and expression, individual and minority rights, equality before the law, and executive constraints. It ranges from 0 to 1 (most democratic).

FIGURE 3.5: DEFENCE SPENDING IN EUROPE IS ACCELERATING

Defence expenditure as a share of GDP in European countries part of NATO



Source: Authors' analysis of Nato 2024

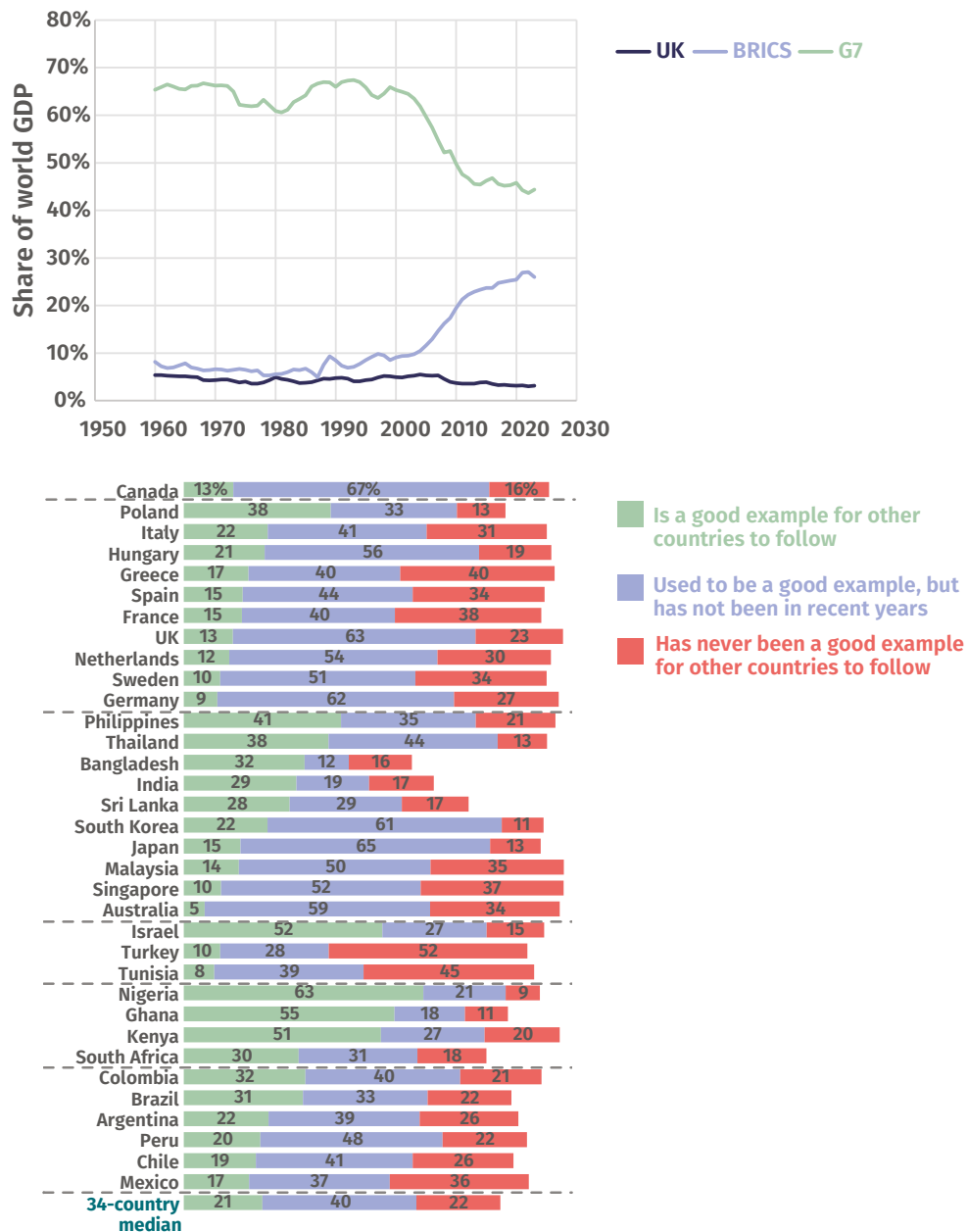
Note: the shaded area is the target referred to by the European Commission, the French President and independent analysis by Burilkov and Wolff (2025). Data from the period of the Covid-19 pandemic is excluded because of rapid fluctuations in GDP.

3.2 BRITAIN IN THE NEW WORLD ORDER

The new order will not be built in the image of the west alone. Its economic and moral power has faded and might now fracture as the US and Europe uncouple. The fraction of world GDP produced by G7 nations has shrunk, from two-thirds in 2000 to less than a half today, and majorities across the world now believe American democracy ‘used to be a good example, but has not been in recent years’ (figure 3.6).

FIGURE 3.6: THE WEST HAS LOST HARD AND SOFT POWER

Share of world GDP by international grouping (top) and global public opinion of the US as an example to follow (bottom)



Source: Authors' analysis of World Bank and Pew Research Centre 2024

Less clear is who will construct it, and what its norms and institutions might be if there is indeed a decisive move on from the current chaos. For the first time since the Napoleonic wars, multiple hegemony seem likely.⁴ The future is likely to be one dominated by great power politics, as the US, China, Russia, Europe and potentially others like India battle for spheres of influence.

Britain will not be one of these powers. But you do not have to be a great power to be a great country. Progressives and conservatives alike too often confuse realism with resignation. The British ship of state is not simply blown around by global winds but has some capacity to sail them (Bew 2016). That requires being realistic about how much influence we have, and how to maximise it.

Britain's future lies in its alliances. Now is the time to review old and forge new ones. The country is in a position of considerable openness and could act imaginatively. It might look to form closer alliances to European states and strategic distance from the US; it might look to do the exact opposite. Both strategies merit scrutiny, as does remaining 'unaligned' in a fracturing western bloc.

Harder thinking about other existing or emerging powers is also required. What is China's role in the future of British prosperity and security? Are alliances with rising states such as Turkey and Saudi Arabia, or blocs like ASEAN and MERCOSUR,⁵ desirable? Are deep and trusting alliances based on partnership possible with states such as India, where Britain once held relationships of domination and extraction?

Progressives have sometimes been reluctant to participate in thinking about grand strategy. But it cannot be avoided; new realities demand new answers (see box). Realist thinking about geopolitical strategy is essential, but it must not be mistaken as incompatible with moral or ethical thought (Quincy Wright 1942; Rosenthal 2002). There is much at risk, and much to play for.

KEY QUESTIONS: A WORLD BETWEEN ORDERS

IPPR's Decade of National Renewal programme will grapple with three big questions facing progressives in a world between orders. We will focus on the UK, but a version of these questions will be relevant to progressives across the world.

- 1. What alliances and capabilities do countries like the UK need to navigate a new era of great power politics?** This should include thinking about what EU alliances the UK should pursue, the role of the US and China in British prosperity and security, what rising powers to deepen relations with, and how the UK positions itself in a world of tariffs.
- 2. In a world of mass migration, how do we determine who is a citizen?** This should include thinking about whether citizenship should be inherited or acquired, and who counts as a refugee.
- 3. How can we address cross-border issues when global institutions are weak?** This should include thinking afresh about global institutions, co-ordinating and legitimising the energy transition, and progressive approaches to rebuilding military capacity.

4 World orders since the Napoleonic wars can be largely understood as Pax Britannica and Pax Americana. Our thanks to the historian Gary Gerstle for making this point to us.

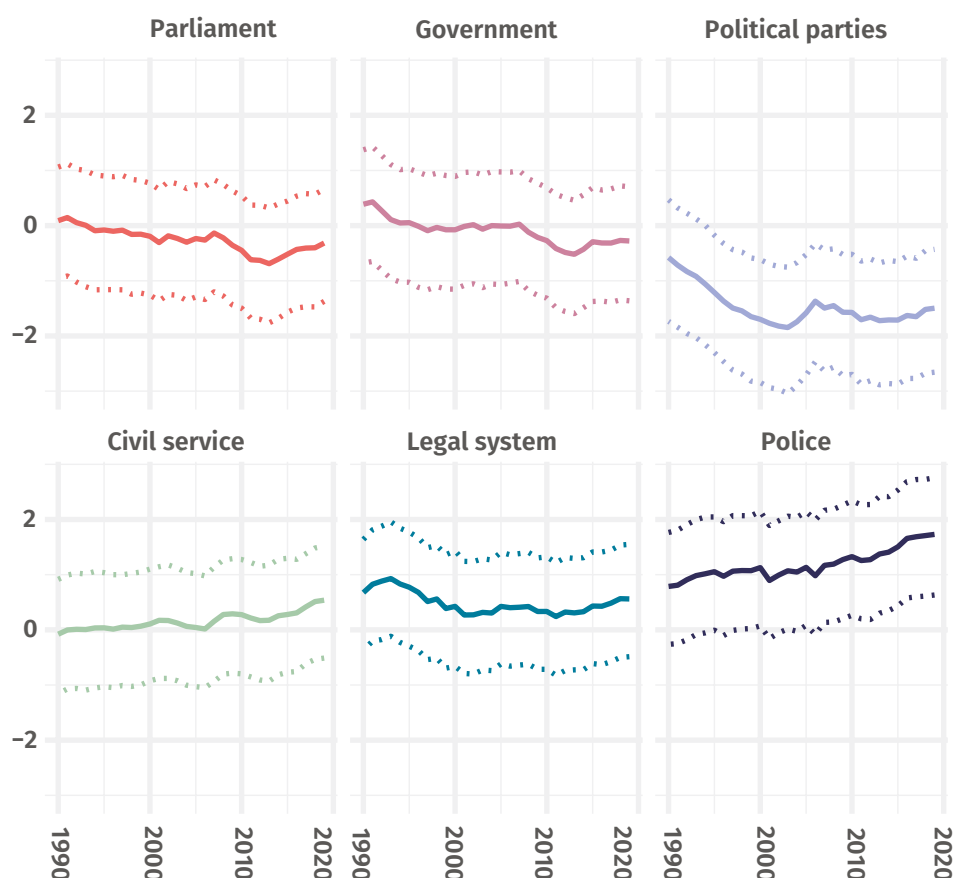
5 The Association of Southeast Asian Nations (ASEAN); the Mercado Común del Sur (MERCOSUR) or Southern Common Market.

4. THE COMMON GOOD WITHOUT COMMON GROUND

A defining characteristic of our age is the rising appeal of authoritarians. Societies have become less free in recent years, with authoritarianism not only increasingly common but also increasingly popular (Papada et al 2023; Silver and Fetterolf 2024). This includes liberal democracies, where modern-day populism is better described as authoritarian populism.

FIGURE 4.1: PROBLEMS OF REPRESENTATION, FAITH IN IMPLEMENTATION

Bayesian estimates for global trends in trust in democratic institutions using harmonised survey data, including only democracies



Source: Valgarðsson et al 2025

Note: Sensitivity analysis finds a similar pattern when the country sample is limited to those in Western Europe and North America. In the UK, public trust and confidence in government are at record lows across a range of measures (Curtice et al 2024).

Authoritarianism has been permitted and encouraged by a collapse in confidence in representative democratic institutions. Analysis based on the views of five million people globally finds that while trust in technocratic institutions like the civil service has remained strong, even grown, trust in representative institutions has broken down (figure 4.1). This is especially the case for political parties (White and Ypi 2016).

Trust is the belief that others will uphold their end of the bargain. Few now believe that mainstream parties will. Their vote share and memberships have declined dramatically in liberal democracies (Hobolt and Tilley 2018; Bale et al 2019).

The obvious reason is because mainstream parties have fallen short as governors of the state, unable to wield its powers to improve living standards or make good on commitments to voters. That is true. But it explains only the rise of new parties not why so many of them are of the populist type, who do not win voters over because of their governing credentials.

Explaining the growth of political movements claiming to represent the ‘will of the people’ means reckoning with a second way in which mainstream parties are falling short. They are increasingly remote from wider society (including for reasons not always in their control) and therefore less able to speak for people. Put simply, they are worse representatives. When politics leaves citizens as spectators, scholars have long warned, populism will emerge (Katz and Mair 1995; Mair 2009).

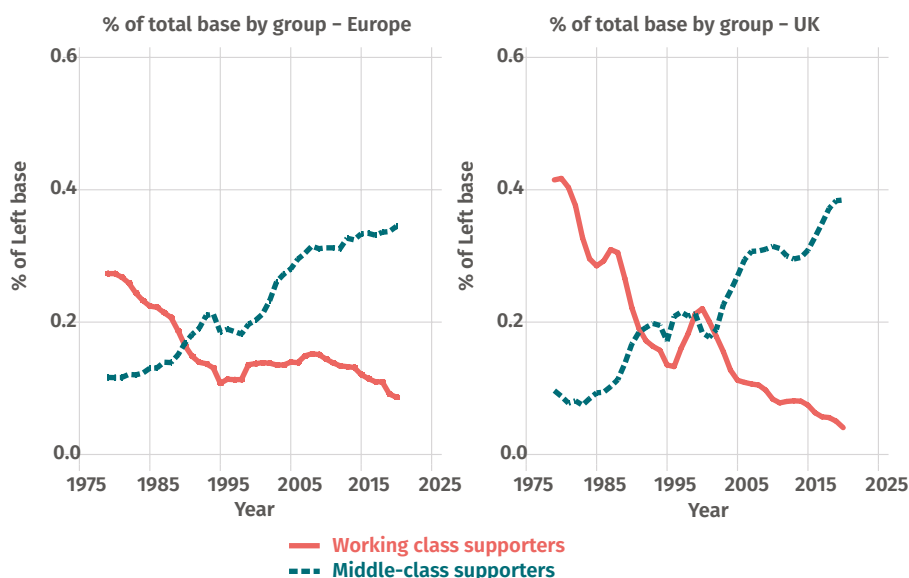
And so it has. Populist parties are making and mobilising new political identities, forging radical but cynical new visions of the common good.

4.1 A DIFFERENT KIND OF COLLECTIVE

Parties are communities of the like-minded. They pair concrete short-term demands with principled long-term causes, giving people reason for sustained commitment (White 2024). But reasons to sustain that commitment have become less secure, because of changes in society and in politics (Mair 2013).

FIGURE 4.2: THE TRANSFORMATION OF THE LEFT’S COALITION

Share of the left parties’ voter base by employed class group



Source: authors’ analysis of European Social Survey and Eurobarometer

Note: the class groups include only currently employed workers (not spouses or retired people).

This is especially true for parties of the left, whose traditional base of working-class supporters has shrunk (figure 4.2). This partly reflects the changing class composition of modern societies: fewer people are working class than before, at least according to what kind of work they do. But it also reflects the fact that fewer working-class people today see themselves as like-minded to left parties.

Some argue that working-class people abandoned left parties, others that left parties abandoned the working class (Evans and Tilley 2017). Either way, at the start of this century, it seemed as though new social identities, such as those based on gender, race and sexuality, were displacing class as the chief medium of political mobilisation (Beck and Beck-Gernsheim 2009). This was supposed to lead to more inclusive, vibrant democracy, as politics and society broke free of traditional boundaries (Blair 1999).

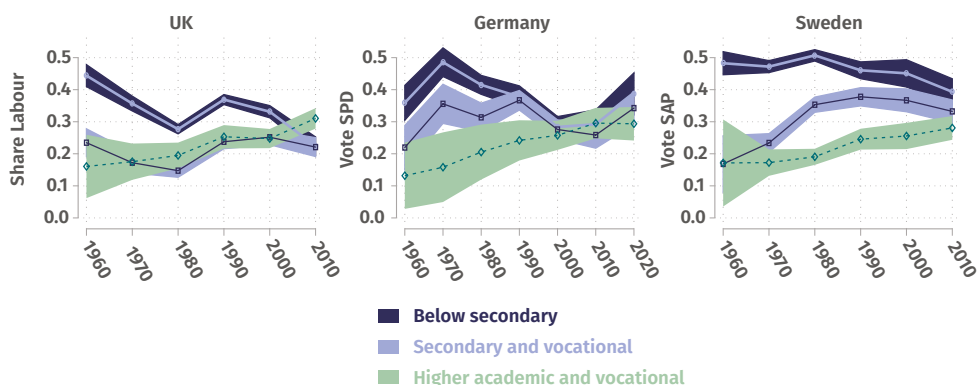
Instead it created new divides and pushed politics more firmly into the realm of cultural conflict (Kitschelt 1994; Hooghe and Marks 2018; Norris and Inglehart 2019). The left struggled not only to break free of old boundaries but became imprisoned by new ones as identity politics took over (Berman and Snegovaya 2019; Malik 2023). A single, shared vision of the common good was replaced by multiple group-specific ones.

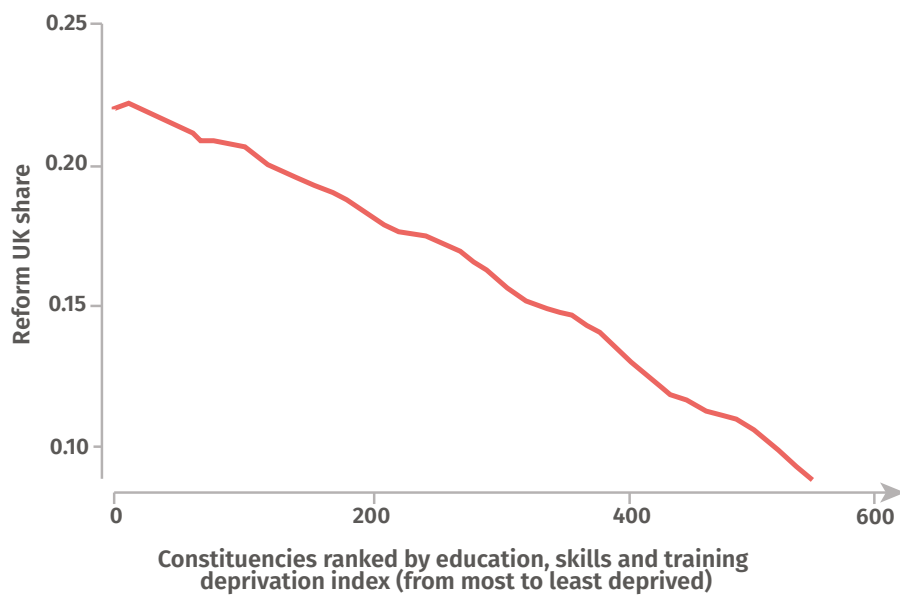
If identity politics fragmented the left, it breathed life into the populist right. It gave them an opening to steal the left's claim to being for the many, not the few. They have mobilised people into an alternative vision of the common good at astonishing pace, contesting not only what is 'good' but who counts as 'common'. Fuelled by prejudice and propaganda, they present a more cynical and exclusionary version of democracy.

The social divide they organise around is different to the one the left once did (Lipset and Rokkan 1967; Bornschieer et al 2021; Westheuser and Zollinger 2024). The most salient divide in western democracy has changed from occupation to education (Hooghe and Marks 2025). That looks set to endure. People who have not been to university, historically associated with left parties, increasingly think of themselves as more aligned with the populist right (figure 4.3). The opposite is true for graduates.

Put simply, dreams of an inclusive public sphere and faith in dialogue instead became much more like nightmare.

FIGURE 4.3: MUTATIONS OF CLASS: GRADUATES TO THE LEFT, NON-GRADUATES TO THE RIGHT
Vote share of social democratic parties by education qualification (top) and vote share of the UK Reform party by constituency education profile (bottom)





Source: Authors' analysis of British Election Study, Swedish National Election Study, Comparative Study of Electoral Systems, German Longitudinal Election Study and House of Commons Library

4.2 SHRINKING COMMON GROUND

Political divides have not just changed but intensified. People harbour more resentment towards people who are not like them (Iyengar et al 2019). That is true across most western publics, not just the US, which is highly but not outlandishly polarised (Gidron et al 2020). The politics of resentment is what arises when democracy is seen as a zero-sum game, in which different identities view each other as rivals in a contest for inclusion or resources.

One reason is resource scarcity. A backdrop of slow economic growth has incubated zero-sum thinking, the belief that for one group to gain, another must lose (Chinoy et al 2023). This often plays out in the politics of immigration (Dancygier 2010). When the ground is not growing but more people want to stand on it, space becomes contested (figure 4.5).

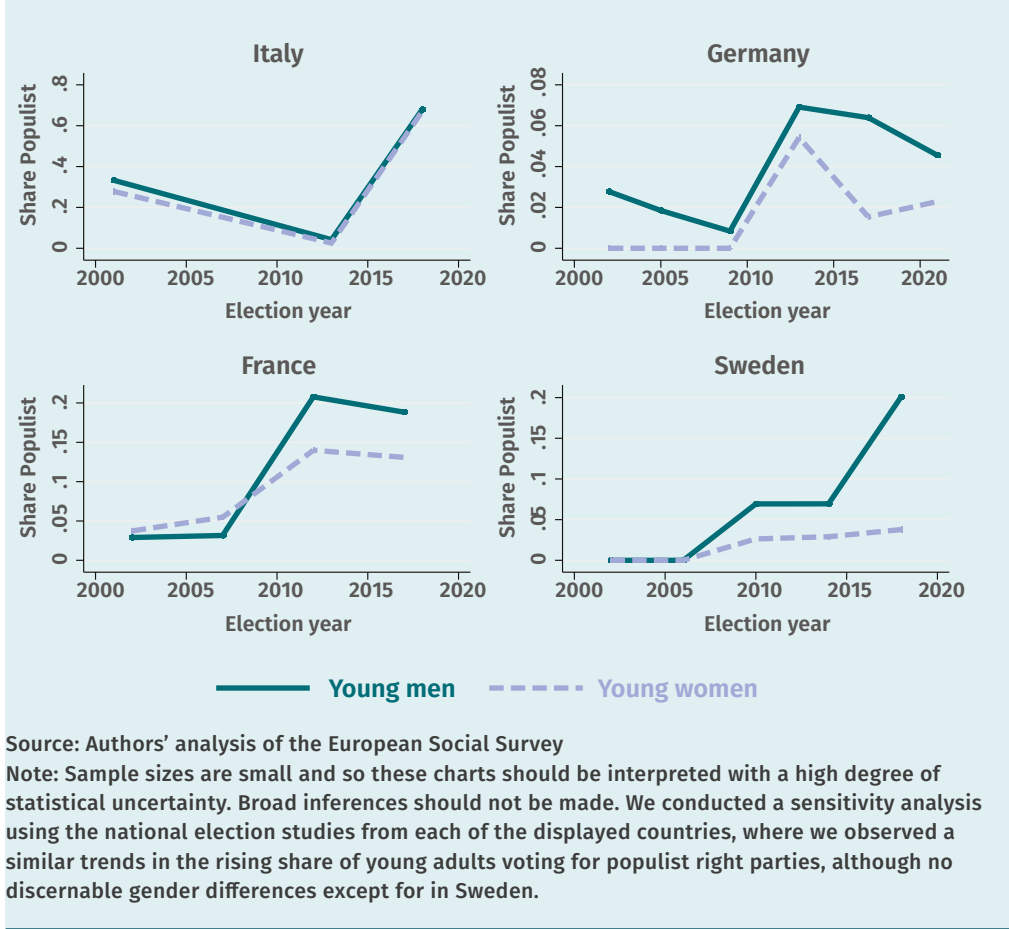
ARE THE KIDS ALRIGHT?

Although education polarisation is an enduring trend, it too is changin. Graduates who end up in 'unskilled' jobs are more likely to vote for populist right parties than those who get jobs that match their qualifications (Ansell and Gingrich 2021). Disappointed expectations have political consequences.

That is also true of intergenerational mobility. People are more likely to vote for radical parties if they do not become better off than their parents (Kurer and Staalduinen 2022). This is one reason why young people (especially but not exclusively men) are voting for populist right parties in some European countries (figure 4.4), challenging long-standing assumptions that demography is on the side of progressives.

Disappointed hopes may explain the appeal of radicalism but not why it is right-wing. That is altogether more complicated and reflects differences in organisational capabilities in an age of reactionary digital politics (Finlayson 2023).

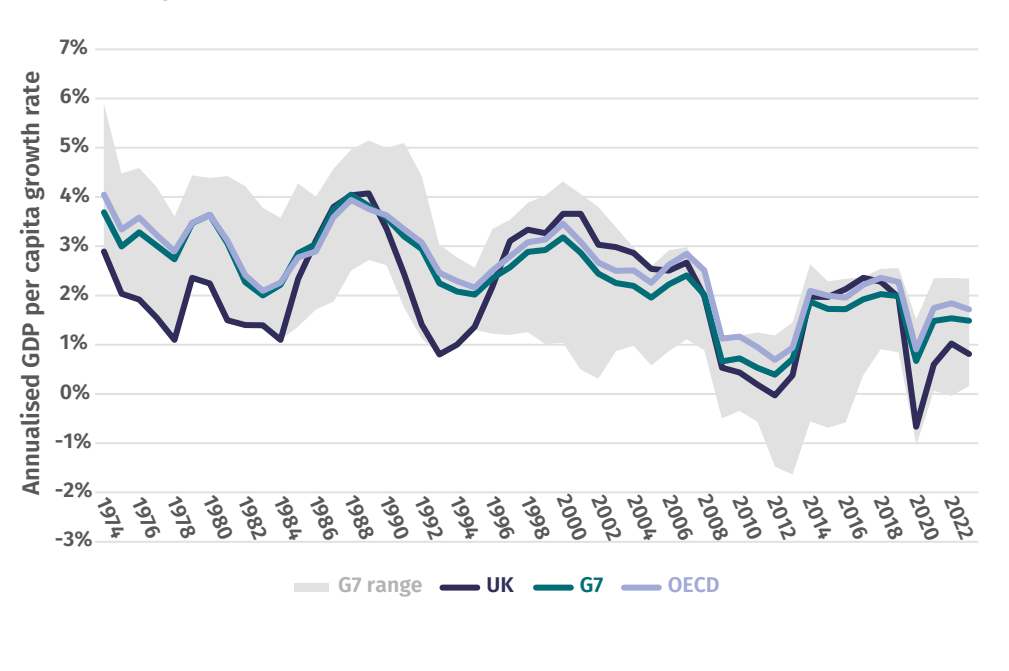
FIGURE 4.4: YOUNG PEOPLE ARE VOTING FOR THE POPULIST RIGHT IN SOME COUNTRIES
Vote share of populist right parties among 18–30-year-olds in selected countries, by sex

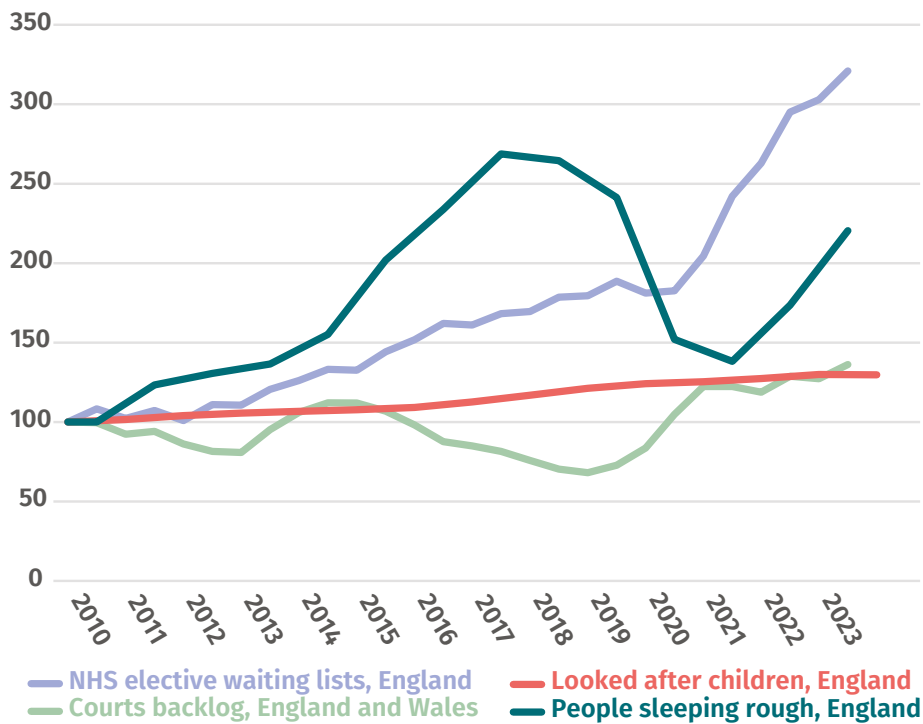


Source: Authors' analysis of the European Social Survey
Note: Sample sizes are small and so these charts should be interpreted with a high degree of statistical uncertainty. Broad inferences should not be made. We conducted a sensitivity analysis using the national election studies from each of the displayed countries, where we observed a similar trends in the rising share of young adults voting for populist right parties, although no discernable gender differences except for in Sweden.

FIGURE 4.5: RISING RESOURCE SCARCITY BREEDS CONFLICT

GDP per capita growth rate five year rolling average (1st chart) and growth of UK public service backlogs since 2010 (2nd chart)

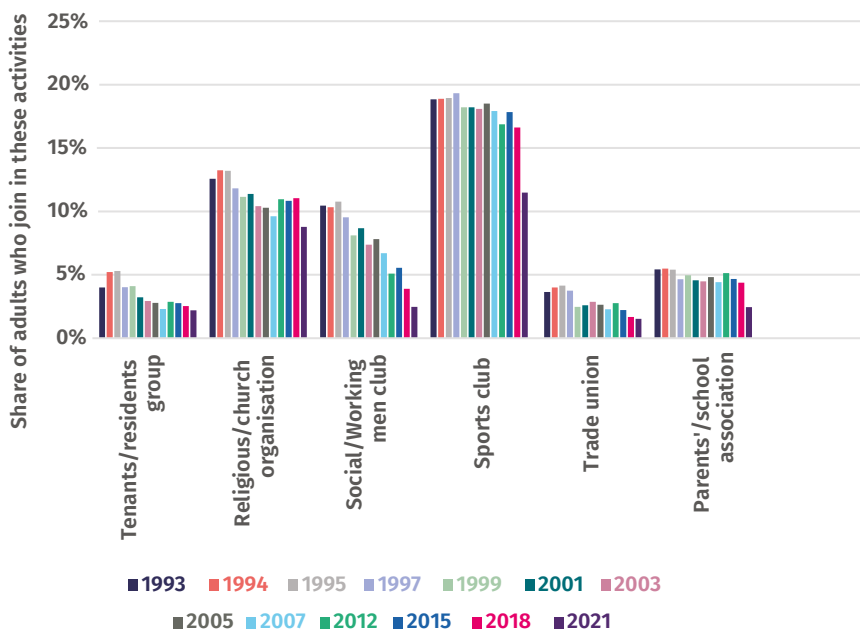




Source: Authors' analysis of OECD, ONS, NHS England, Criminal Court Statistics and Institute for Government

Another reason is relationship scarcity. The more someone interacts with people from a different social group, the less likely they are to resent them (Pettigrew 1998). But people are mixing less today with others from different backgrounds, especially educational backgrounds, in part because participation in broad-based social institutions has declined (figure 4.6).

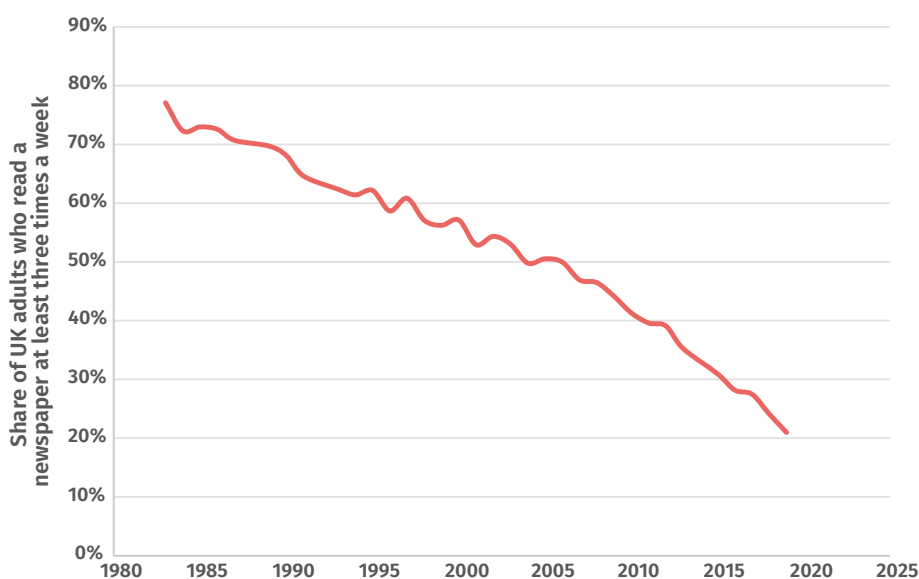
FIGURE 4.6: WE DON'T HANG OUT LIKE WE USED TO
Share of adults in the UK who participate in a civic or social association



Source: Authors' analysis of the UK Household Longitudinal Study

FIGURE 4.7: THE COLLAPSE OF TRADITIONAL MEDIA

Share of adults in Great Britain who read any newspaper at least three times a week



Source: Authors' analysis of the British Election Study

The splitting of society into separate spheres is also a consequence of social media. Media has a profound impact on our perceptions, so its transformation matters. Regular newspaper readership halved three times in just three decades (figure 4.7), emblematic of a broader collapse in so-called legacy media. Half of all adults in the UK are now using social media as a news source (Ofcom 2024). They follow their own truth-tellers, who need not actually speak truth, dramatically reordering the way in which we understand and interpret the world.

This has vast implications for how societies achieve consensus on facts and news, throwing up two entirely different challenges for the development of common purpose. The first is familiar and the second fundamental. Algorithms primed to provide personalised content are forging culturally homogeneous communities (Chayka 2024), hardening siloes and entrenching difference. Increasingly, even when we occupy the same physical spaces, we experience the world with radically different perceptions because we get our information from different sources.

More profoundly, social media is changing public discourse. The business model of most platforms relies on grabbing attention and eliciting reaction. The goal is therefore to create content that could go viral, or at the very least generate some kind of reaction (such as likes or comments). This is remaking conversation in the public sphere into something that is less inquisitive and more reactive (Davies 2023).

In this new environment, politics is more 'react and counter-react' than the old ideal of 'persuade or be persuaded'. We are entering an era in which common ground is harder to find.

4.3 DEMOCRACY AS WE KNOW IT: STICK OR TWIST?

Progressives face a dilemma. Do they accept that common ground has shrunk irreversibly, or do they try to rebuild it? The former implies liberal democracy in its current form is exhausted; that radical democratic reform may be necessary. The latter suggests democratic institutions can be shored up rather than rewired, so long as inclusive political identities are remade, and faith in dialogue restored.

It is not clear which is the more strategic choice.

The distinguishing political mood of the new era is a yearning for control and for decisive political action. Populism, as an ideology, speaks directly to this. It challenges not the idea of democracy but the way it is practised (Mény and Surel 2002; Urbinati 2019).

The populist right has translated this into an authoritarian project. It challenges actors who oblige government to behave in a particular way, such as parliament, the legal system and the administrative state. Where liberals view these as essential checks and balances, the populist right portray them as obstructing the ‘will of the people’, often embodied by a single person at the helm.

Progressives have an opportunity to put forward an alternative. They too can funnel the deep-seated resentment at the political system into a constitutional project. This must deepen democracy, not only to guard it against those who wish to abuse power, but also to make the political system more responsive (Patel 2023). Addressing why democracy is more responsive to the preferences of the well-heeled than the worse off (figure 4.8) will require deliberate efforts to join up policy agendas on political and constitutional reform, the national curriculum, economic democracy and the arts. This is an example of how progressives can speak directly and convincingly to the grievances the populist radical right exploit, with our own solutions. The tension progressives will need to grapple with, not for the first time, is between majority rule and the common good. What if the majority wanted things that resulted in environmental destruction, fiscal unsustainability or plain cruelty?

FIGURE 4.8: UNEQUAL DEMOCRACY

Predicted probability of policy change for 50th and 90th percentile citizens when their preferences diverge by more than 10 percentage points



Source: Mathisen 2023

Alternatively, progressives can try to diffuse the anger in the public sphere and make pluralist institutions in their current form work more peacefully again. That

involves forging new, inclusive political identities, such as those based on class or nationhood. If there is one lesson to take from politics this century it is that identities are made, not given (Valentim 2024; Berman 2024).

This task will also require original thinking about the public sphere and media ecosystem. What will it take to shift the base of discourse from reaction to reason? Without this, maintaining fair terms of cooperation, let alone shared ideas of the common good, seems impossible.

Either way, whether progressives choose to funnel or diffuse the resentment that fills the political system, they will need to map out convincing responses to the big questions of the time about identity, democracy and belonging (see box).

KEY QUESTIONS: THE COMMON GOOD WITHOUT COMMON GROUND

IPPR's Decade of National Renewal programme will grapple with three big questions facing progressives on the theme of society, culture and democracy. We will focus on the UK, but a version of these questions will be relevant to progressives across the world.

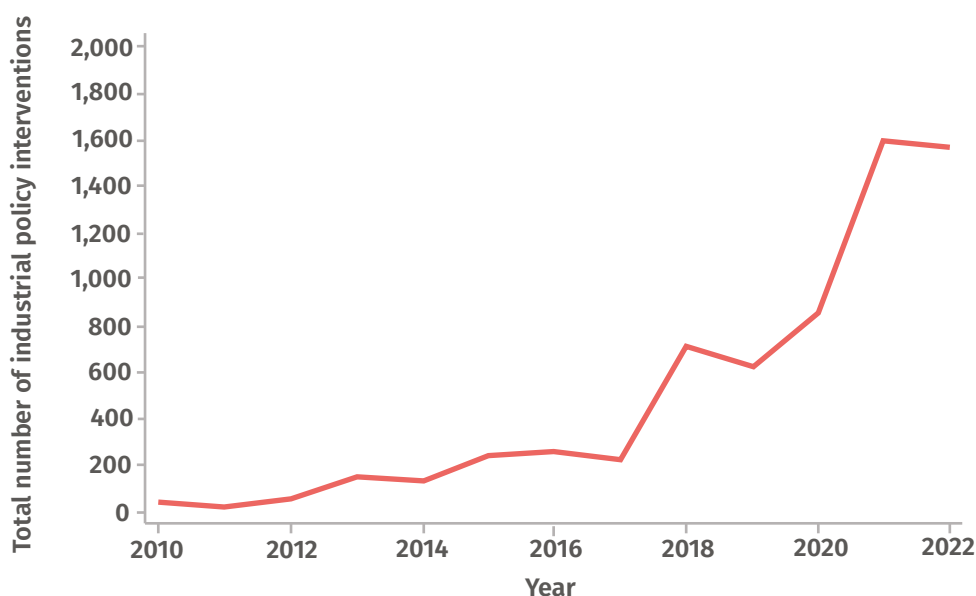
- 1. What should the state provide for citizens, and what responsibilities do people have for themselves, their families and communities?** This should include thinking about what intergenerational commitments progressives should defend (e.g. care, education, pensions), what we owe to each other in the face of climate breakdown, and who should and should not have access to social security.
- 2. What political identities can compete with ethno-nationalism?** This should include thinking about how to make and mobilise new collective identities, how to build solidarity in times of scarcity, how smartphones have changed our sense of self and community, and developing education policy towards the common good.
- 3. How can democratic reform deliver more representative and responsive government?** This should include thinking about reconnecting political parties and the public, reforming the media system, attenuating the relationship between privilege and power, and developing a more active and engaged citizenry.

5. ECONOMICS AFTER NEOLIBERALISM

Western states have been drawn into fiscal and industrial interventions that were not just taboo but totally off-limits a few years ago. In the name of rearmament Germany, once Europe's most influential fiscal hawk, has relaxed its constitutionally-encoded debt brake with the intention of borrowing one trillion euros over the next 10 years. The European Union will also scale up debt-financed investment in defence. The spectre of war expands economic possibility but should be understood as part of a decade-long trajectory in which the state has moved firmly back to the centre of the economic order.

The UK relaxed its own constraints on public borrowing months before defence spending was forced up the agenda by shifts in US foreign policy. It also capitalised a state-run investment fund (the National Wealth Fund) and created a publicly-owned energy company (Great British Energy). More broadly, industrial policy, once tainted with a bad reputation, has returned. Industrial policy interventions are increasingly common (figure 5.1), including in advanced capitalist economies (tariffs on steel, US Inflation Reduction Act, EU Clean Industrial Deal, and so on) who are taking inspiration from the success of the east asian model of economic development.

FIGURE 5.1: THE RETURN OF INDUSTRIAL POLICY
Number of recorded industrial policy interventions globally



Source: Juhasz et al 2023

Governments in countries with long histories of a hands-off approach to the economy are putting their hands back on the wheel. These upheavals follow in the wake of the Covid-19 pandemic, in which unprecedented economic interventions intended as one-offs both cast long fiscal shadows and weakened norms of economic policy.

But this fundamental shift in approach has longer-term causes, with the ‘growth engine’ of capitalist economies apparently faltering. A long-run decline in private investment in productive and strategic sectors is now butting up against new social and political demands. Whether that is competing in trade wars, rearming, decarbonising and adapted to climate breakdown, or responding to the implications of an ageing population, the result is the same. States are taking responsibility in choosing, promoting and shaping pathways to growth.

The business of government today is less about enabling and more about ensuring (or at least seeking to ensure) prosperity and security, ushering in a new era of activist and creationist states.

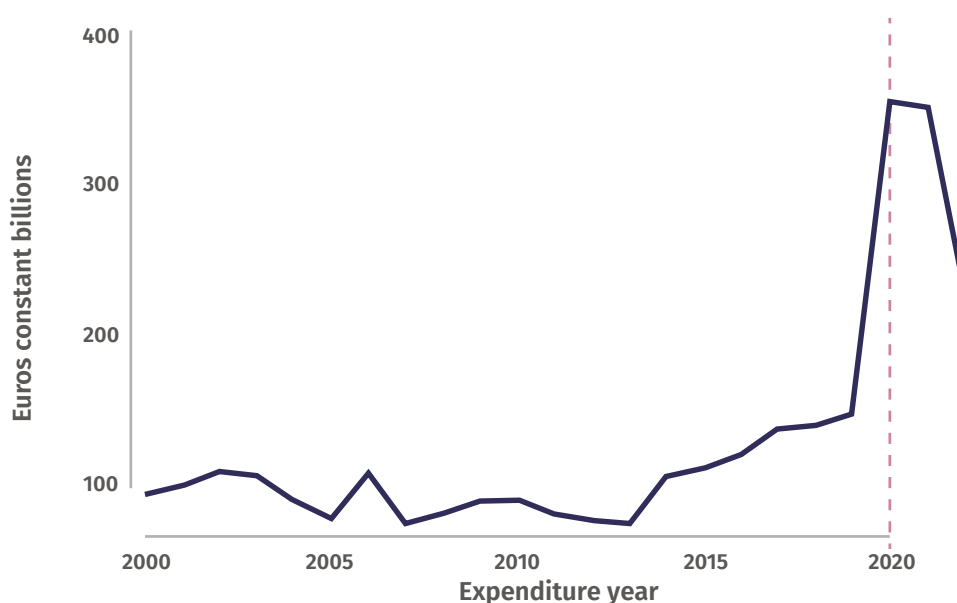
5.1 FROM SAILOR TO CAPTAIN

Declining business dynamism and increased global competition have drawn western states into the task of reviving production and innovation. In strategic sectors, often those related to technology, defence, climate and infrastructure, states are empowering private actors with more resources and less regulation.

A rapid expansion in direct support for business and firms (figure 5.2) has come alongside new entrepreneurial ventures in the shape of sovereign wealth funds and state-run venture capital (Alami and Dixon 2024). Dwarfing both has been the new tide of public investment in infrastructure, which hopes to ‘crowd-in’ or ‘de-risk’ private investment (Gabor and Braun 2025). The sum of these policies is a major increase in the state’s direct role.

FIGURE 5.2: STATE AID IN EUROPE IS NO LONGER TABOO

State aid for businesses in the European Union



Source: Authors’ analysis of European Commission State Aid Scoreboard

Speed matters. Governments are in a global race against geopolitical rivals and a domestic one against the electoral clock. This has unleashed a new wave of deregulation. Rules that stop or slow ‘spades in the ground’ on colossal infrastructure projects are being relaxed (such as the UK’s planning and infrastructure bill, or the weakening of environmental protections in the US), in an attempt to make progress visible to voters. Meanwhile, in the global race for artificial general intelligence, rapid expansion is winning out over attempts to shape its direction (Jung 2025).

Deregulation and de-risking investment can, and historically has, favoured large firms, leading to a rise in market concentration, which is already very high (De Loecker et al 2020). This is a problem because dominant firms can exercise undue power to stifle competition or hold down wages. Some, although not all, governments are attempting to limit this. Anti-trust interventions in the US and the EU, especially against the largest technology companies, have become more common and more robust in recent years. In the UK, labour rights are being strengthened (the Employment Rights Bill) and minimum wages are on the rise (figure 5.3).

FIGURE 5.3: MINIMUM WAGES ARE MARCHING UPWARDS

Minimum wage as a share of the median wage in the UK and OECD average



Source: Authors’ analysis of OECD

The greatest economic taboo turned on its head is protectionism. The leading edge of this is America’s flawed attempt to shift its fiscal base from taxes to tariffs. Whether that is possible remains to be seen, but it has ensured tariffs have returned as a tool for policymakers that can be wielded for political, geopolitical, retaliatory or distributional goals (Klein and Pettis 2020; Farrell and Newman 2024).

Protecting domestic industries with trade policy (often at the expense of consumers) can be mirrored by protecting domestic consumers with price controls (Weber 2024). Yet another economic policy instrument long considered out-of-bounds is back in use, deployed to cap energy prices in the UK and Europe, and drug prices in the US.

The defining feature of the new state is its willingness to play a greater direct role in economic affairs. It has gone from sailor to captain, assuming new responsibilities and exercising new powers.

5.2 THE BREAKDOWN OF MARKET INTELLIGENCE

This has happened in part because of a profound weakening faith in markets. Not so long ago, most economists and policymakers were committed to the idea that markets allocate efficiently and produce win-win outcomes. Growth would take care of itself, as long as the state respected the market.

Hardly anyone believes this now. The limitations and defects of this worldview have become palpable since the global financial crisis of 2007–08, which was not the first financial crisis in the age of globalisation, but the first emanating out of Wall Street. Markets were found not to be unimpeachable information-processors but capable of producing catastrophic risk.

In the years since, living standards and life expectancy have stagnated, while inequality and exploitation have increased. Few politicians now believe market intelligence alone is capable of producing inclusive growth, or even growth at all.

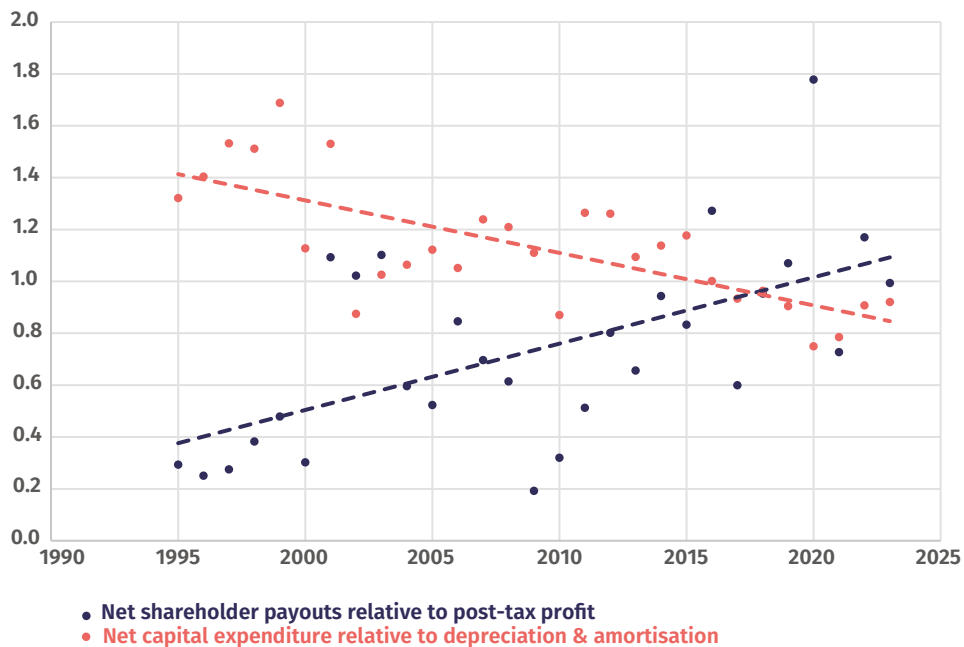
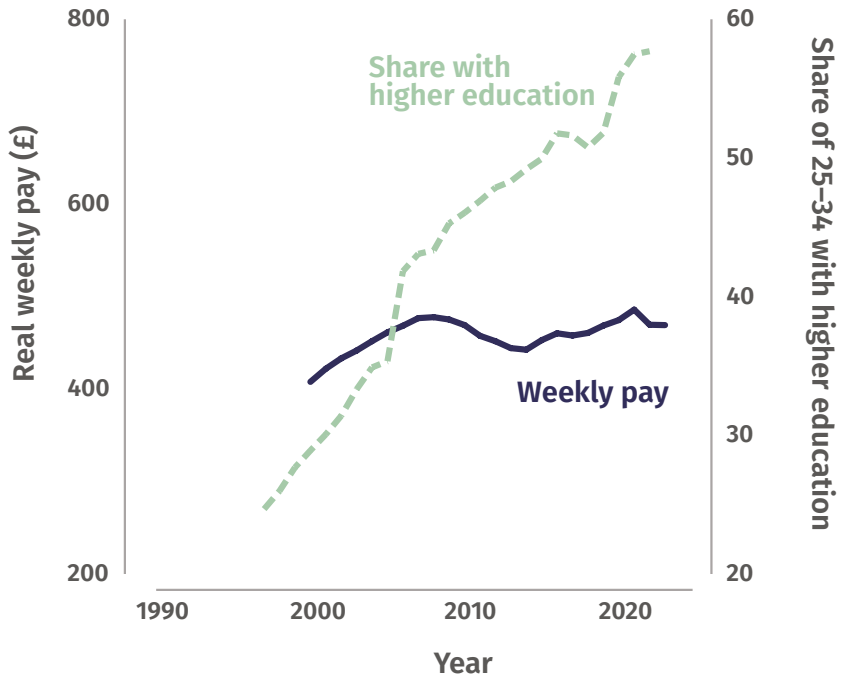
When they did, the dominant view of the state was as a supporter or enabler, investing in people but not industry, which would take care of itself. That belief has run out of road as growth and productivity have stagnated despite large increases in human capital (figure 5.4). States are ramping up investment in hard capital because markets are not. Among the largest companies listed on the London Stock Exchange, investment is falling while shareholder pay-outs increase (figure 5.4).

This pattern reveals the difference in the theory and practice of markets. Neoliberal thinkers in the previous century conceived of markets as a ‘perpetual referendum’ in which individuals exercised a sort of democratic preference through choices made over everyday consumption. This was always flawed logic, but today it is increasingly common to have only one option on the economic ballot as superstar firms achieve and then abuse monopoly power (Khan 2016; Philippon 2021). Meanwhile, market attention shifts from productive and innovative activity to the seeking of rents (Christophers 2022).

Others are being economically disenfranchised altogether. Many people have seen their purchasing power decline as the returns on work diminish (figure 5.5). A growing number of working people find themselves living in poverty and locked out of homeownership, which is increasingly reliant on what you inherit rather than what you earn (Clark 2024). For the young, it has delayed an important rite of passage, moving out of home, which may be contributing to declining marriage and fertility rates (Esteve et al 2020).

FIGURE 5.4: CAPITAL DYSFUNCTION

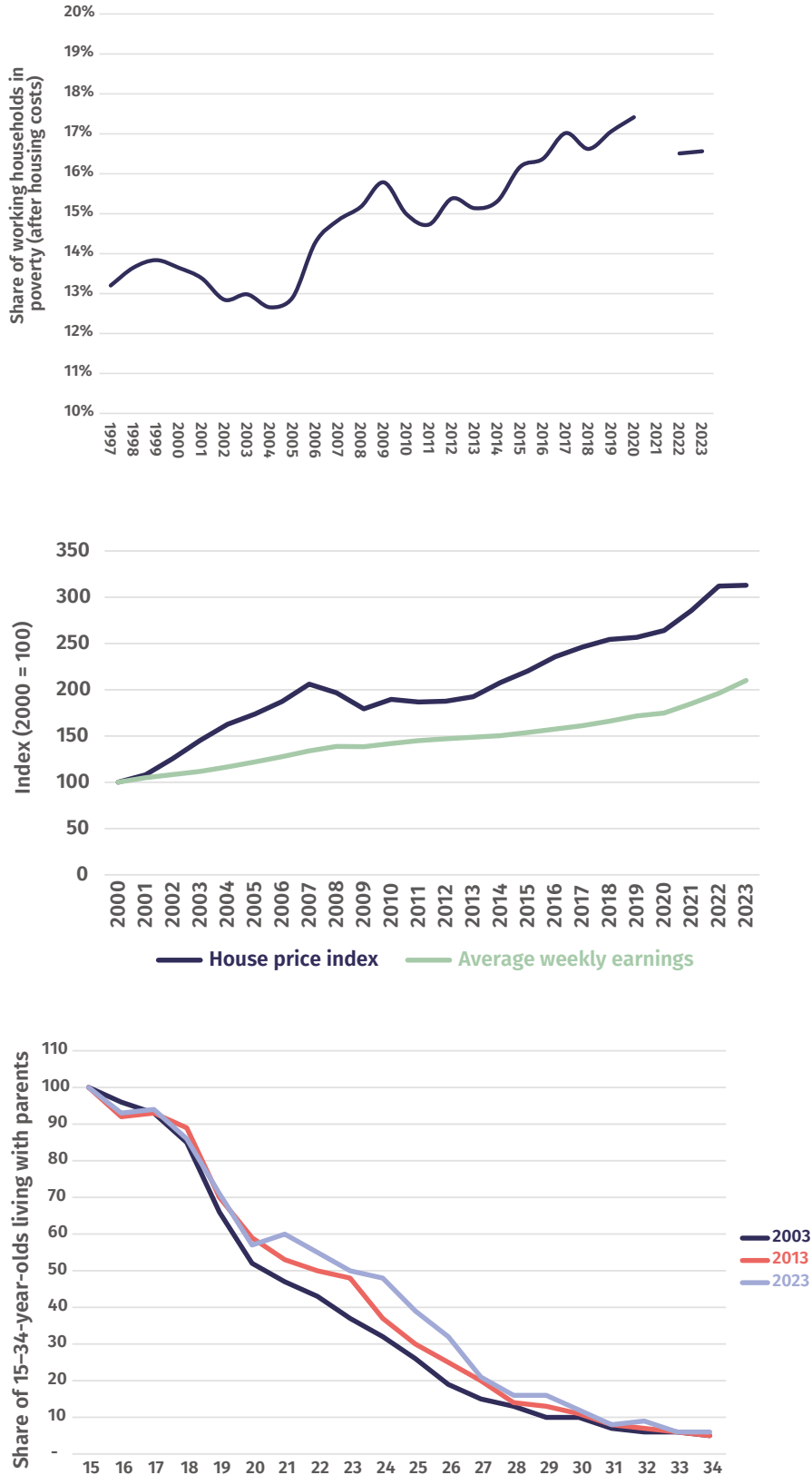
Share of 25–34 year olds with higher education and real weekly pay (top) and shareholder payouts relative to profits and capital expenditure relative to depreciation/amortisation in the 110 firms present in FTSE350 between 1995 and 2024 (bottom)



Source: Authors' analysis of OECD, ONS and Shearer et al 2024

FIGURE 5.5: WORK IS A LESS SURE ROUTE TO PROSPERITY AND SECURITY

Relative poverty in working households after housing costs (top), increase in house prices and average earnings indexes to 2000 (middle), share of 15–34 year olds living with parents (bottom) in the UK

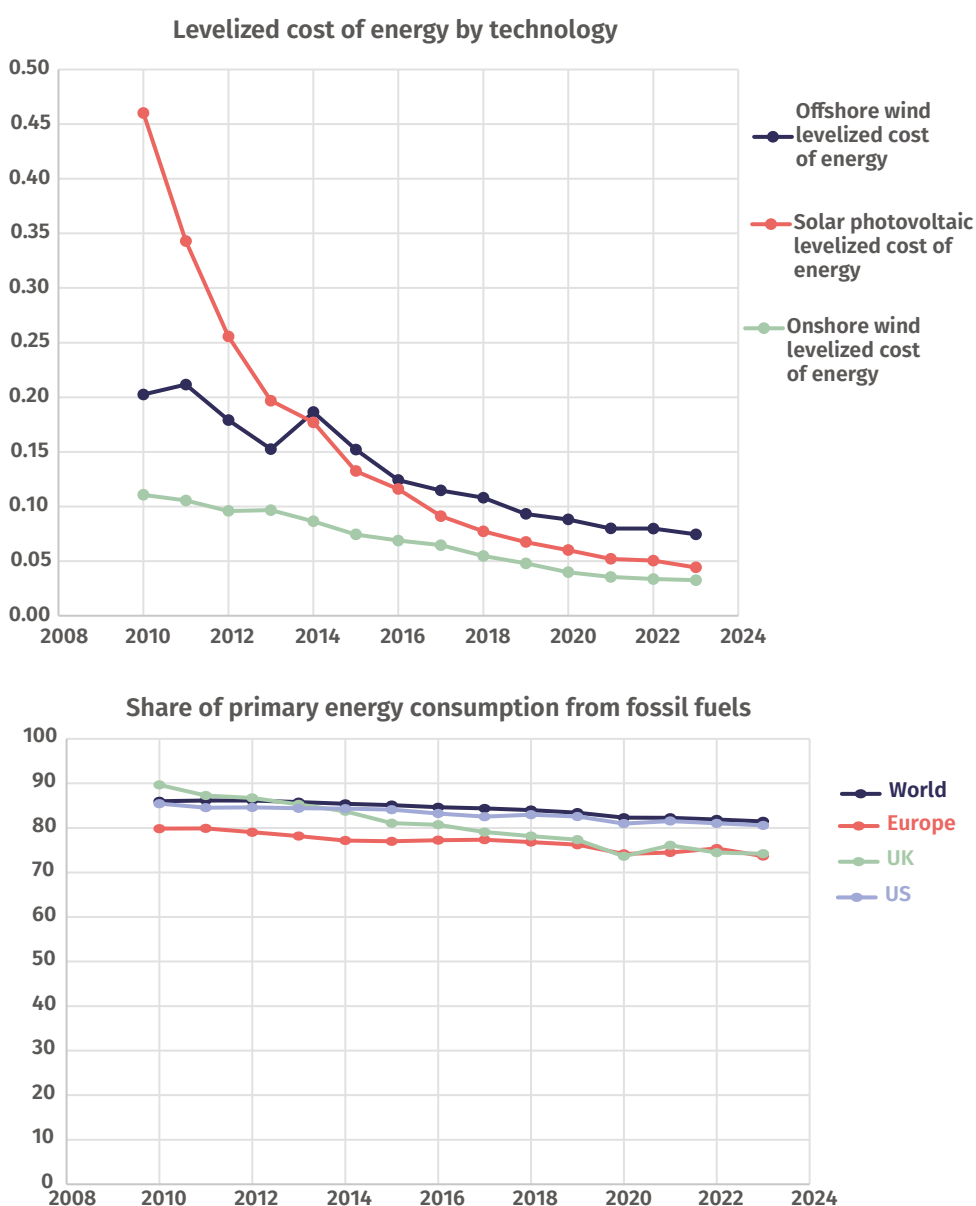


Source: Authors' analysis of DWP, ONS and OECD

Ultimately, the aggregate of individual consumer choices is not the same as the common interest. Once described simply as ‘market externalities’ (with the implication that they could be managed by simple regulatory or tax interventions) climate breakdown, regional inequality and public health crises have moved into the heart of current economic debate. There are serious concerns as to how much can be achieved on the basis of incentives, price mechanisms and the logic of the market alone. The clean energy transition embodies this problem (Christophers 2022). Despite the price of renewables collapsing, most electricity is still produced from fossil fuels (figure 5.6).

FIGURE 5.6: THE ENERGY PUZZLE: FOSSIL ADDICTION DESPITE CHEAP RENEWABLES

Levelised cost of renewable energy by type (top) and share of primary energy consumption from fossil fuels (bottom)



Source: Authors' analysis of data from IRENA 2024, Our World in Data, Energy Institute 2024

5.3 THE GOOD STATE AND THE BAD

The economy is no longer being shielded from state intervention. The decline and fall of the neoliberal order has crystallised (Gerstle 2022), but what will replace it is less clear.

The last time there were economic upheavals of a comparable scale, the actors defining it were on the political right. Reagan and Thatcher introduced new ideas about how the economy works, its long-term goals and the correct relationship between the state and the market.

Now, like then, the momentum is with the political right. Although ‘Bidenomics’ helped to shift the international common sense on government intervention in markets, it is the Trump presidencies that have now obviously changed the goalposts. In its willingness to deploy the interventionist power of the state, and its rejection of free trade, the new right represents a sharp break from that which came before it. What they have in common is aligning with powerful, rising factions of capital.

None of this yet adds up to an alternative economic ideology, nor have markets been jettisoned. The populist right programme to date has done more to confuse than clarify. It extends the state’s discretion and degree of intervention, while cutting harshly back on its capacity (e.g. the US Department of Government Efficiency, which is less about efficiency and more about dismantling large functions of the administrative state). This agenda for transforming the state and its purpose is yet to play out in full and will vary country to country. But it is beset by contradictions, cruelty, and a rapid shifting of risk onto individuals and communities.

This means there is ample opportunity, and real urgency, for progressives to seize the moment to set out a new vision for the state and the economy. ‘Bidenomics’ should not be consigned to the dustbin of history but developed and combined with better and more ambitious thinking about the state. What is a progressive vision of the activist state that is willing (and able) to discipline capital in the service of the common good?

The state has always been central to the progressive project, but its role and structure have been reimagined many times over in response to changing economic realities and new public demands (see box). Necessity is again the mother of reinvention. In a more precarious world, states are accumulating new responsibilities: finding new ways to drive and steer inclusive growth while mitigating and insuring against risks such as extreme weather, pandemics and military aggression. They are also being forced to grapple with rising pressures on their more familiar functions, such as delivering public services and managing public debt.

The starting point for progressives must be to offer a vision that connects the purpose of the state directly to improvements in people’s lives. This is a harder task than that of the theatrical anti-politics of the populist right, but it is a more valuable and authentic one for progressives who believe in the good the state can do.

Although bigger than ever by most conventional measures (figure 6.2), the state seems less able to act. It is struggling to deliver the basics, let alone engendering confidence in its ability to meet new demands and harness new opportunities (for example, effective regulation in the digital economy and adopting artificial intelligence technologies). The result has so far been a doom loop of worsening outcomes and declining public faith. Breaking out of that will require progressives, who are often instinctively defensive of the state, to grapple with difficult questions

about the state's purpose, accountability, capacity and capability. This means both clear-sighted challenge where the state is failing, and creative thinking about the new role of the state.

THE EVOLUTION OF THE STATE

In the postwar era, progressives largely promoted an expansive view of the state, establishing national government as the key actor for providing solutions to public problems. This approach meant that the state provided basic services and played a central role in steering the economy, largely through public spending, ownership of key industries, and regulation. In this period, the state was highly visible and legible to voters, for better or worse.

By the 1970s, this vision of the state was coming under pressure, culminating in the reforms of the Thatcher era. Changes in the global economic system, the combination of rising unemployment with inflation, and a growing new middle class, created demands for rethinking the state. The Thatcher governments, drawing on a wider network of right-wing think tanks and intellectuals, challenged both the vision of the state as a solution to social problems and the structure of public funding, regulation and provision underpinning it. To reshape the state, they embraced 'supply side' approaches to macroeconomic management, privatisation and market deregulation. The emerging state was meant to be smaller, more constrained and less directive, while maintaining the capacity to enforce market rules and ensure national security (Gamble 1994).

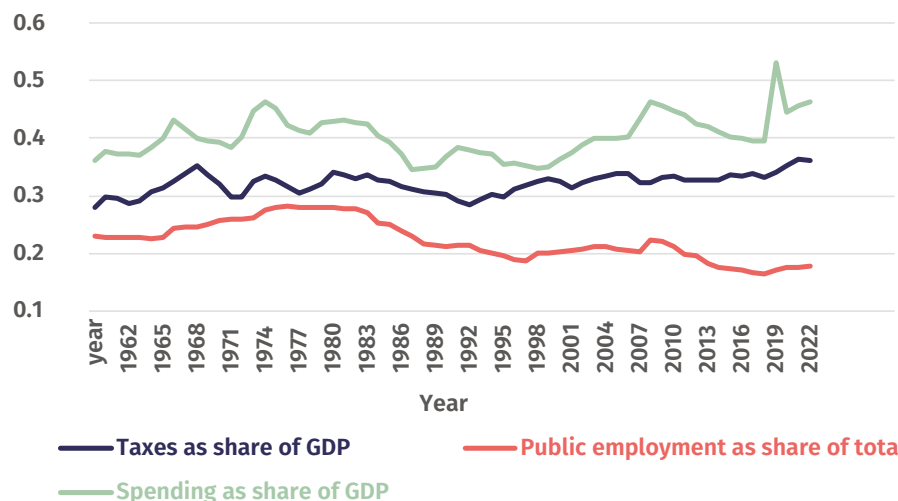
While progressives challenged many of these moves at the time, they too were conscious of the deficiencies of the postwar state and stepped up efforts to reconsider it in an increasingly globalised world. Third Way progressives continued to advocate for a critical role for the state in pursuing social aims but questioned a return to more directive state action. Instead, they argued that the state had a central role in investing in people through public services and skills that would allow more people to participate in a globalised 'knowledge economy'.

Rather than seeking to rebuild substantial control over the economy through public ownership, the investing state focussed on making the state architecture more responsive to citizens and business. These moves involved a growing emphasis on labour market policies to expand citizens' skills, access to childcare and activation programmes that encouraged work; support for global market integration; and a relatively radical restructuring of the state to make it more responsive, both through constitutional reform and devolution, and public services reform introducing more competition and central target setting. The state maintained a central role, but it was more closely entangled with markets, and less visible.

In the post-financial crisis period, this vision of the state came under fire. Weak economic growth, and new attention to regional, wealth and social inequality, changing public demands, and an increasingly fragmented global environment have re-opened fundamental questions about the role of the state.

FIGURE 5.7: BIG BUT HOLLOW

Government expenditure (share of GDP), tax receipts (share of GDP) and public employment (share of total employment) in the UK



Source: Authors' analysis of ONS

KEY QUESTIONS: ECONOMICS AFTER NEOLIBERALISM

IPPR's Decade of National Renewal programme will grapple with three big questions facing progressives building the post-neoliberal economy. We will focus on the UK, but a version of these questions will be relevant to progressives across the world.

- 1. What state interventions drive growth and create good jobs in a new era of artificial intelligence, and what don't?** This should include thinking about how to revive growth in deindustrialised and ageing societies, whether you need inclusive growth or can grow-then-redistribute, how to navigate trade-offs speed and direction of growth, and what worker power means in the AI era.
- 2. How can states prevent extractive concentrations of economic power?** This should include thinking about effective regulation alongside supply-side reform, and the role of monetary policy in a time of supply-side inflation shocks and asset prices outstripping wages.
- 3. How should the state be reformed to provide the services and insurance everyone needs, without breaking the bank?** This should include thinking about whether the state should own or regulate water, energy and transport, what price-setting role states should adopt in relation to essentials, whether housing is a right or an asset, how to insure against extreme weather events, and tax reform.

6.

CONCLUSION: DARING TO DREAM

Despite some notable electoral successes, the past decade has seen progressives on the back foot. They have struggled to defend their ideas against eye-catching alternatives, and to make the case for competent public policy delivery at a time when numerous voices cast doubt on the very possibility. The world has changed, but progressives have been slow to change with it.

Anti-liberal currents of thought are questioning whether liberal democracy is the same as freedom, while geopolitical upheaval is forcing us to interrogate our international relationships. Failures of market coordination and the disappearance of economic growth have re-opened questions we presumed answered. Things we thought we understood about identity and politics have been turned upside down.

So much for the recent past. What of the future? It is always easier to define eras that are coming to a close than to make out the contours of what will replace them. The scale and pace of change is destabilising, but progressives have agency to shape the coming era. The ambition of this report has been to focus minds on how economics, society and politics have fundamentally changed since the last time Labour were in power, and to provide a sense of action and intention about the future. The collapse of conventional ideas makes this a time of great political openness.

We should be meeting that openness with hope, not fear. Too many progressives are trapped by the feeling that things will not change for the better, in the lengthening shadow of the populist right. But that shadow can shrink, too. Electoral competition in most democracies remains closely fought, and nothing is settled.

An open future presents opportunity to those with the courage and the imagination to seize it. It is time to dream again – to renew what we stand for in a changed world.

There is real urgency to this task. The longer we leave the populist radical right to meet the moment unchallenged, the more they will define the ground and set it in their favour. It is time to take the fight to them. A world beset by insecurity and uncertainty has given them an opening, but the context does not necessarily favour them. Demands for democratic control and greater state intervention in markets have historically energised the left.

They can again. That will require political guile, resolve and even ruthlessness. But it also hinges upon serious, new thinking about the ideas that define and guide progressive governments as they navigate a changed world. The urgency of big ideas, always key in establishing governing agendas (Hall 1993; Campbell 2002; Blyth 2002), is especially important in this period of confusion. It is through ideas that we can create a shared understanding among politicians and the public, a vital component of any successful political project.

Britain is a good place to be having these conversations. We have a progressive government, with an openness to new ideas and with that rarest

of political commodities: time, before the next general election. There is a strong ecosystem of thinkers and practitioners beyond party bounds. And we have a history of successful political renewal projects with far-reaching impact; the governments of Attlee, Thatcher and Blair each showed an alertness to developments elsewhere in the world and in turn exerted real influence on governments and politics in other countries (Patel et al 2024).

The populist right is exchanging ideas, goals and policies at considerable speed around the world. Progressives must do more in this regard. Britain, with a Labour government, has a chance to play a coordinating role, utilising its position 'in between' the US and Europe, and its outsize diplomatic influence.

POLITICAL PROJECTS AND THE INFRASTRUCTURE OF IDEAS

The handful of governments that have transformed Britain remained alert to developments elsewhere in the world, kept an eye on how people were changing, and were open to new ideas and policies. They were able to do this by working with thinkers and practitioners beyond the bounds of their party.

- **Blair.** In the years before the 1997 election, as Labour modernised, it drew on new think tanks (including IPPR) and 'big ideas' (like Anthony Giddens' analysis of 'post-traditional' society, Ulrich Beck's idea of the 'risk society', and Etzioni and others' understanding of the 'new communitarianism'). These helped the Labour party to make sense of a range of new questions which demanded a new sort of centre-left programme: deindustrialisation and the rise of the knowledge economy, globalisation, individualism, constitutional reform and citizenship. These shaped not just policy but also the party's analysis of politics, and its successful appeal to the public as a new project.
- **Thatcher.** Thatcher may have often preferred to present her Conservative government as an exercise in the force of willpower, but it rested on sustained intellectual work. The Institute of Economic Affairs was founded in the 1950s, inspired by the Austrian intellectual Friedrich von Hayek. This was followed in the mid-1970s by the Centre for Policy Studies, as well as the Adam Smith Institute. The 'marketplace of economic ideas', Peter Hall noted (Hall 1993), 'expanded dramatically in the 1975-79 period'. It was the political right that reaped the rewards.
- **Attlee.** The agenda of the 1945 Labour government did not materialise from thin air. It was guided in particular by emergent groups like the XYZ Club and the New Fabian Research Bureau, which brought practical policymakers together with intellectuals, economists and financiers, to reimagine the party's programme after the failures of the 1929 government. Through this, Labour's leading lights came to embrace the theories of John Maynard Keynes, who offered alternative economic ideas, and William Beveridge's roadmap for the welfare state.

6.1 WHAT COMES NEXT?

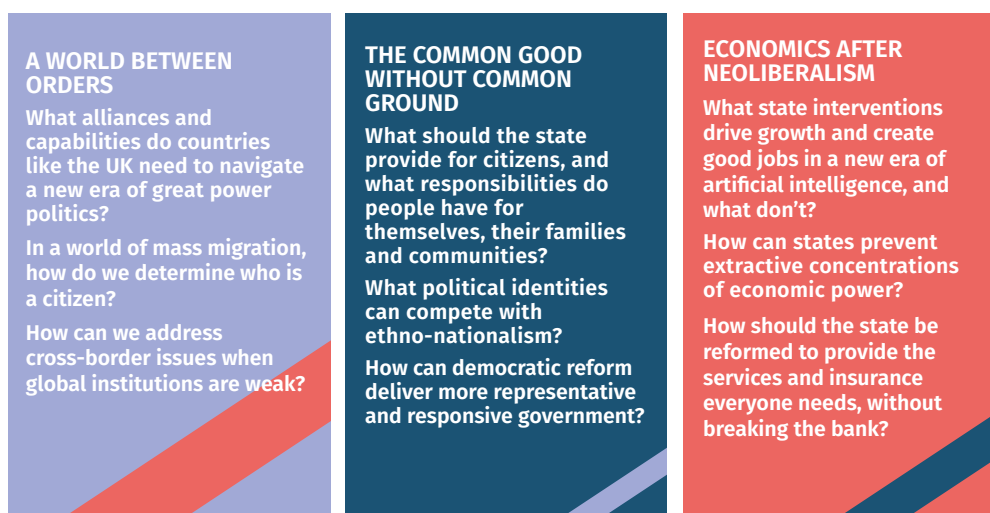
This paper has set out the big changes that progressives must meet and master to 'own the future', and the big questions that they will need to answer in order to do so (figure 6.1). These are areas in which the future can be grasped, and where new paths can be mapped out in concrete policy terms. These may involve trade-offs and difficult, sometimes unpopular, choices. These will not please everyone. But

choices must be made, all the same. They will help to provide a clear sense of what progressive parties must stand for in the future, not just in the recent past.

The ideas that guided Labour the last time it was in power have run out of steam, superseded by the world they were intended to interpret, navigate and shape. Faith in markets has been eroded, the benefits of globalisation called into question, and cultural divides multiplied and hardened.

The danger of being seen to defend a failing system is the fundamental problem of progressives today. IPPR's Decade of National Renewal programme will put forward original answers to the questions set out in this report, and define a progressive route out of the status quo. We encourage others to join us, in the UK and beyond. In doing so, we can start to forge a new 'common sense' that defines and guides governments, political parties and other actors as they navigate a changed and changing world.

FIGURE 6.1: QUESTIONS FOR OUR TIME



Source: Authors' analysis developed through workshops, interviews and roundtables

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The image features a solid salmon-colored background. A large, dark teal shape is positioned on the right side, extending from the top edge down to the bottom edge. The teal shape has a curved top edge that follows the curve of the salmon background. On the left side, the teal shape has a vertical edge that is slightly offset from the left edge of the page, creating a rectangular cutout. The bottom edge of the teal shape is also curved, mirroring the curve of the salmon background at the bottom.

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