

Institute for Public Policy Research



IT'S THE COST OF LIVING, STUPID

**WHY PROGRESSIVES
LOSE AND WIN**

**Sam Alvis,
Zoë Billingham
and Joseph Evans**

June 2025

ABOUT IPPR

IPPR, the Institute for Public Policy Research, is an independent charity working towards a fairer, greener, and more prosperous society. We are researchers, communicators, and policy experts creating tangible progressive change, and turning bold ideas into common sense realities. Working across the UK, IPPR, IPPR North, and IPPR Scotland are deeply connected to the people of our nations and regions, and the issues our communities face.

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The progressive policy think tank



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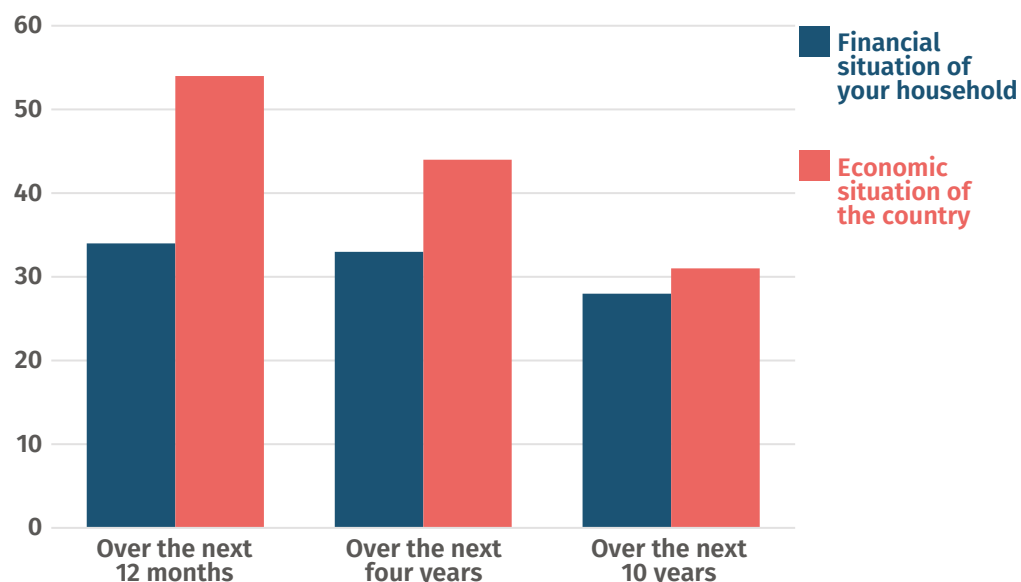
SUMMARY

The sense that the public both in the UK and abroad are losing out from the current economic model is one of the driving reasons behind collapsing public trust in government and national institutions, and growing pessimism about things getting better.

Global instability has only made this starker. Polling by YouGov for this report finds the public incredibly pessimistic about their own and the national economic fortunes over the next 12 months – yet are increasingly optimistic with a longer time horizon.

FIGURE S1

Public confidence about the economic situation over the next 12 months is pessimistic
Percentage of the public expecting things to get worse over the next year and beyond



Source: YouGov polling for IPPR, sample size 3,068 adults (GB), fieldwork 23–25 April 2025

The public is right to be sceptical of an economic model that has led to wage stagnation, exposure to soaring household bills and regional decline. This mistrust has also driven voters away from mainstream political parties to the political extremes. The progressive coalition is fracturing and degrading.

The challenge now is how can progressives address this scepticism and pessimism, and what role does economic policy play? To answer this, we looked across recent progressive governments in the US, Spain, Australia and Germany.

The Biden administration in the US took this challenge seriously, enacting a series of long-term structural reforms to give working people a stronger stake in the economy, and reorientate it in favour of progressive objectives. We interviewed nearly 40 people with experience in or around the Biden administration to understand this effort. Policies included a series of supply side reforms to increase investment in America, most notably in the clean and digital transition alongside increased wages and bargaining power for workers.

Yet people would say that these policies, often grouped as industrial strategy, failed to win Democrats the 2024 election. With the UK public impatient and pessimistic about the UK economy, what political space does the UK government have for long-term economic change that industrial strategy could bring?

On paper, Biden’s efforts were successful. Over his four-year term in office, wages grew 2.8 per cent (they fell 2.2 per cent in the UK over the same period), with the highest growth for the worst off. GDP growth averaged over 3 per cent with almost \$2 trillion in private investment in infrastructure and manufacturing – the vast majority of which went to disenfranchised communities. While some of the US’s growth comes from the more flexible nature of its economy and ability to rebound from Covid – Biden’s role was to shape where some of that growth was coming from – with the battery industry doubling between 2022–24 for example.

Yet the Democrats did not win the 2024 election. In a tight election there are a host of reasons why not. Analysts point to a lack of enthusiasm suppressing turnout, and a disconnect between the Democratic offer and voters’ number one concern – cost of living/inflation (see for example Shor 2025, Podhorzer 2025). Both are manifestations of a deeper issue – the increasing disconnect between public perception of progressive parties and what they offer and the priorities of working-class voters.

FIGURE S2
Cost of living beat every other issue for US voters and contributed to a loss of trust in the Democrats to deliver on key issues
Percentage of US voters who chose cost of living against an alternative issue when asked which is more important

Side one	Side two	Percentage of voters saying side one is more important than side two
Cost of living, inflation	Student debt	94%
Cost of living, inflation	LGBTQ issues	94%
Cost of living, inflation	Race relations	87%
Cost of living, inflation	Income inequality	85%
Cost of living, inflation	Voting rights	84%
Cost of living, inflation	The environment, climate change	84%
Cost of living, inflation	Abortion	79%
Cost of living, inflation	Immigration, border security	69%

Source: Shor 2025

Long-term reform such as industrial policies with investment in strategic industries and their workforce, is central to regaining the trust of working families. However, the concern is that in the short term they speak to a small percentage of the workforce and that other short-term economic factors derail such structural change. For the UK to avoid falling into a similar trap as the Biden administration, the government should apply three core lessons to its economic and industrial policies (Lombardo et al 2025).

LESSON 1: LONG-TERM ECONOMIC REFORM IS THE ONLY WAY TO WIN BACK TRUST IN MAINSTREAM POLITICS

As IPPR research shows, **structural economic reform is key to winning back those who've lost a stake in the current economic model**. Industrial policy has the potential, over time, to accelerate productivity growth and therefore wages, especially in those places left out currently (Narayanan et al 2024). Abandoning it abandons that potential.

One of the major critiques of Biden's industrial policy (IP) was the time lag between legislation passing and it being felt 'on the ground'. The Inflation Reduction Act (IRA) passed in 2022. Financing new factories, finding a workforce to build them, and then ultimately producing things was always a multi-year project. Biden only had 27 months to prove the IRA's efficacy; the government still has four years for its economic strategy to bare fruits.

Part of the challenge was a lack of agreement in the Biden administration on the political purpose of industrial policy. The administration fell between two stools over whether the policies were intended to win the next election or change the political economy of clean industry. While the latter was the goal, it was sold internally on the former, creating unrealistic expectations.

Many here point to planning regulations, yet while this helps it ignores two of the biggest restrictions on building things quickly: state capacity and labour shortages. The UK can speed up delivery, providing it has the right people both in government and on the ground to deliver.

- **State capacity.** Impact was limited by state capacity to implement legislation *and* to build the programmes required to have effect. This was the first time the US Treasury had really engaged in energy policy, let alone novel technologies like hydrogen; learning by doing takes time. This capacity delay was doubled when programmes were required both by the federal government to administer funds and then by state or local governments to use them.
- **Labour shortages.** Biden's Covid stimulus left a tight labour market with strong wage gains. The flipside of this was already reported difficulties for clean energy firms to find people and skills (see for example Ryan and Sparkman 2023). While the administration attempted to unblock these restraints, training programmes weren't stood up in time and shortages remained (BlueGreen Alliance 2024).

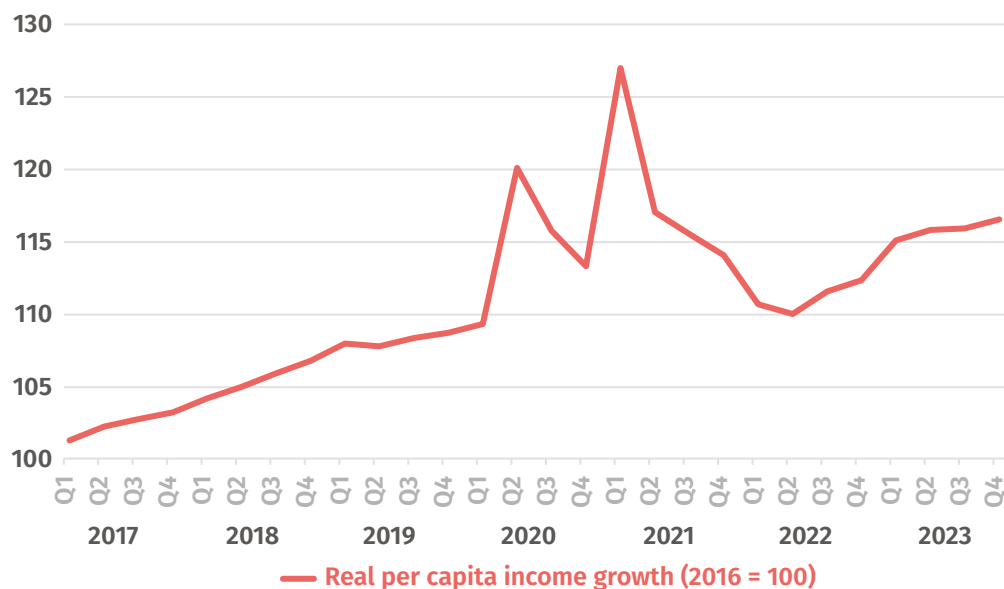
LESSON 2: PROGRESSIVES MUST ADDRESS COST OF LIVING CONCERNS TO IMPROVE PEOPLES' LIVES

The Biden administration and the subsequent Harris campaign were **perceived as having nothing to say on the public's primary concern – increasing prices – which created a disconnect with working people**. There are three principal reasons for this.

1. The industrial policy acts passed by the US Senate removed many of the social investments such as child tax credits that would have helped address cost of living pressures. The administration was forced to defend and champion the acts as passed, leaving a disconnect with working people.
2. Although real wages grew over the course of the administration, they fell sharply in 2021/22, when inflation picked up, at a time when Covid-era support was either withdrawn or wasn't made permanent. This sharp drop while prices rose lived long in the memory – which is a concern echoed in the UK where welfare changes have cut through on the back of double-digit inflation of basic goods.

FIGURE S3

While incomes grew over the Biden administration, sharp drops lived long in the memory
Real per capita income growth in the US 2017–23



Source: Baker 2024

3. Biden's post-pandemic stimulus contributed to strong economic, productivity and wage growth. Sometimes described as 'running the economy hot' it led to a significantly faster economic recovery than in other G7 economies. But some argue that high government spending and the strong jobs recovery was linked to inflation. There is a similar risk in the UK where our polling suggests that the public would prefer costs to fall and wages to remain flat, rather than wage growth and accompanying inflation.

Knowing that industrial policy, even with reforms, struggles to pay off in the short term, the choice is not whether to do them or not – they're central to the long-term progressive project. The question is whether there are more short-term popular policies that can sit alongside the transformative policies to build political support.

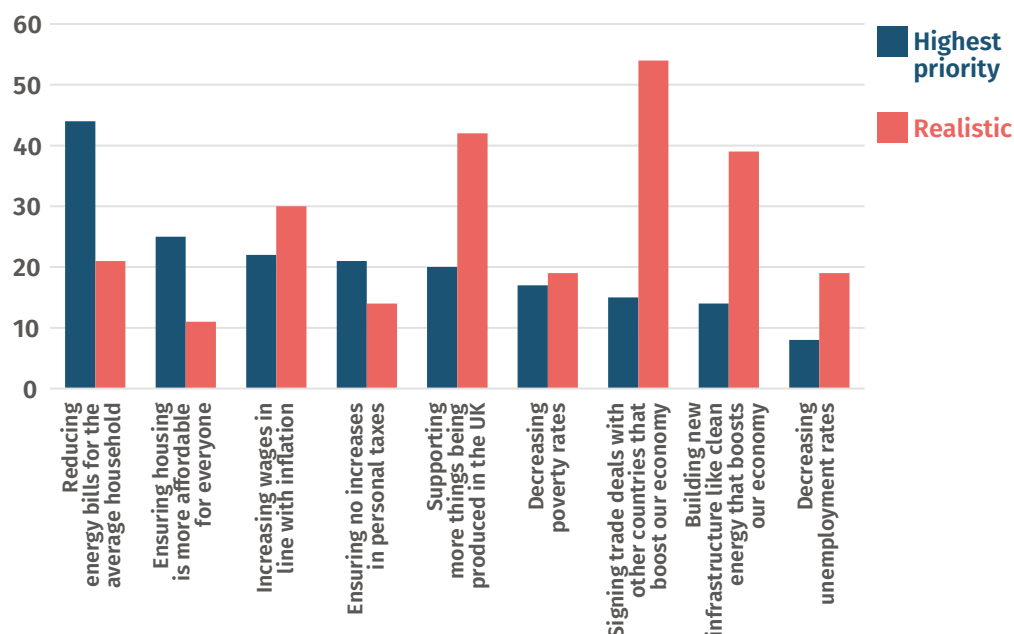
In both Spain and Australia, progressive governments have bought space for their multi-billion, multi-year investments in green industrial policy through a clear focus on cost of living in the short term. For the Australian prime minister Albanese this was action on energy bills – neutralising a key attack from opponents; for Sánchez in Spain this was reducing housing costs.

In our UK polling, cost of living issues come top of the public's concerns. But they are deeply sceptical that change is likely. Energy and utility bills top their worries, far higher for example than the prospect of tax rises. There appears to be an inverse relationship between what the public thinks is a realistic objective and what should be a priority focus. Although reducing energy bills was a top priority – just 21 per cent thought it was realistic that bills would fall with 69 per cent saying it was unrealistic. This was flipped for delivery of new infrastructure which, while seen as more realistic goals, were low priorities.

FIGURE S4

There is an inverse relationship between the economic goals the public want prioritised and their view on whether they are likely to be met

“Imagine that the government were to establish new goals, commitments and targets for the rest of the parliament. How realistic, if at all, do you think each of these would be?” and “If you could pick just TWO, which would you most want to prioritise?”



Source: YouGov polling for IPPR, sample size 3,068 adults (GB), fieldwork 23–25 April 2025

LESSON 3 – PROGRESSIVES NEED TO BE MORE AUTHENTIC IN SELLING ECONOMIC CHANGE

Being seen as defenders of a difficult status quo does not bode well for incumbent governments. In 2021 Olaf Scholz and the Social Democratic party (SPD) won on a message of security and stability. In 2025 the same message rang hollow, and the SPD lost almost 10 per cent of its vote share. The previous US administration was also considered a defender of the status quo – in the meantime, prices were continuing to rise and the promised change of the industrial policy was yet to be apparent. However, this was also reflected in views of the US as failing to have credible answers on cultural issues – notably migration.

Progressives need to fight for economic change with the right message, in the right channels, and strike the right tone.

Message

We heard from ex-administration officials about the perils of the US government slowly developing messages in ‘hermetically sealed’ environments. Too often the government was concerned with being 100 per cent aligned, on message and disciplined across spokespeople rather than allowing ‘real talk’ messages to develop in real time. This resulted in a lack of stories and emotion that resonated with people. It also makes the case for long-term investments harder, discussion of trade-offs less convincing, and concern over the cost of living sound remote.

Channels

Opponents to progress often communicate beyond traditional media using 'new' platforms that are increasingly listened to. This continues to be a key lesson for progressives in the US whose political culture is still dominated by the now outdated idea of political television advertising campaigns. Our polling suggests that the UK government is making inroads here, with 22 per cent picking up government spokespeople on social media, although the majority still see government messages on TV news (38 per cent) or the radio (19 per cent), despite these being increasingly marginalised news sources, especially for younger people. In developing a more organic message, champions of economic change need to be in different places that allow for more direct communication and expose arguments to public challenge.

Messengers

We heard from US progressives that industrial policy lacked two categories of champion. The first was that the president failed to make the argument for industrial policy frequently enough, or in the right places. Substituting the principal – in this case the president – with other cabinet members proved unsatisfactory. The second shortcoming was that the administration failed to use more authentic spokespeople to champion their issues. There were some inroads made through governors and mayors, but there was an overlooked opportunity of engaging non-political actors such as community or faith leaders, business owners or supporters of change locally. This is in addition to the need for progressives to actively cultivate 'non-political' messengers that are now increasingly required to deliver political ideas, as the public across the political spectrum increasingly actively avoid mainstream news.

1. INTRODUCTION

Working people have lost out from a broken and outdated economic model. Public trust in government and democratic institutions has collapsed across democracies including the UK, US, Spain and Australia (Valgardsson et al 2025). People feel they have less of a stake in their national economies, and that government is powerless to change that.

Progressives exist to change economic and political structures to benefit those that have lost out in the current system. Joe Biden's administration in the US from 2020-24 represented one of the first serious attempts to do this in power. Through an active industrial policy and targeted investment, the Democrats sought to boost economic supply and restructure the US economy in favour of clean energy and advanced manufacturing.

On paper his efforts were successful (The American Presidency Project 2025):

- The administration helped pass several pieces of landmark legislation on the economy, reversing a trend for stasis in Congress.
- GDP grew by an average of over 3 per cent per year. Unemployment and underemployment were at record lows.
- Real wage growth meant average wages increased by \$4,000 after tax, with stronger growth for the worst off. Wealth also grew for the median household.
- The Inflation Reduction Act, CHIPS and Science Act and Infrastructure Act helped catalyse over \$1 trillion in modern manufacturing industries and \$756 billion in public infrastructure (Biden White House 2025).
- Workers' bargaining power increased significantly in a tight labour market, while worker rights progressed (albeit slowly) through the National Labor Relations Board.

Yet despite this, the Democrats did not hold the White House in 2024. Does that mean 'Bidenomics' or supply side economics more broadly should be discarded? It wasn't only the Biden administration that pushed such policies. Germany, Spain and Australia have all also developed some form of pro-investment, pro-industrial policy interventionism – with varying electoral outcomes. Arguably Kamala Harris did better than incumbents globally, losing by a smaller margin than for example the UK Conservatives (Burn-Murdoch 2024), potentially in part due to some of their economic successes.

Even if 'it's the economy stupid' is a received wisdom of election outcomes, every election is a mixture of short-term political dynamics and long-term structural changes. In a tight election there can be no consensus on a single cause; it all matters. Table 1.1 highlights some of these emerging and competing trends in the US.

TABLE 1.1

Short-term issues cost the Democrats in a narrow election, but long-term trends threaten their viability in the future

Short-term issues	Long-term trends
Cost of living (post-Covid inflation) was a dominant issue, blamed on the government which Republicans led Democrats on by a wide margin.	Young and politically disengaged voters are becoming more right-leaning, particularly men.
Surge voters (~19 million people) from 2020 and 2022 stayed at home. There was very little direct Biden–Trump switching.	Moderates and working-class voters of all ethnicities have continued to trend away from Democrats.
Democratic party and Biden administration favourability was very low, further impacted by a late change of candidate.	Nine of the last 10 US elections have been ‘change elections’.

Sources: Galston and Kamarck 2025, Podhorzer 2025, Shor 2025

Our goal in this report is not a post-mortem of Democratic defeat, but rather it is an attempt to understand the connection between progressive economic policy and political dynamics, and whether, therefore, these issues resonate in other countries, including the UK.

In the UK the new government is itself trying to drive economic growth, at pace, through supply side interventions, leaning on both clean power, planning reform and industrial strategy. Its promise of ‘securonomics’ was explicitly modelled on ‘Bidenomics’ (Wheeler 2023). Rapidly learning the lessons from those who have gone before is vital to ensuring the effectiveness and sustainability of the UK’s economic strategy.

To do this we take the issues in table 1.1, compare them to other jurisdictions and explore their connection to economic policy. Crucially, we also ran a deep and broad public opinion exercise with YouGov to understand the salience of these issues in the UK, and how, therefore, we might need to do things differently to respond to the needs of our electorate.

In chapter 2 we unpack the short-term impacts; chapter 3 focuses on the long-term, assessing how policy or strategy could have best mitigated these issues; and chapter 4 then looks at how communication of policy sits alongside the policies themselves.

2. ECONOMIC POLICY IN THE SHORT TERM

Progressives have been taught that ‘it’s the economy stupid’, which means that trust in progressive parties to manage and improve the economy is central to governing and political success. Yet, if US wages in 2024 were at a high, unemployment and underemployment at record lows, and the economy growing year on year, why wasn’t the Biden–Harris administration rewarded for it?

Our interviews across Washington DC pointed to broad agreement that the loss was marginal and that the Harris ticket outperformed comparative democracies. But the concern was that the tightness of the election masked more fundamental challenges – particularly on the disconnect between public concerns, most visibly on the cost of living/inflation, and the platform offered by progressives.

2.1 COST OF LIVING AND INFLATION

In 2024 inflation became known as the incumbent killer (Wike et al 2024), with every governing party facing election in a developed country losing vote share (Burn-Murdoch 2024). The Democrats’ defeat in the US was wrapped into the same narrative. But progressive governments in Spain and Australia managed to survive the threat of rising prices.

While the American economy was strong, Democrats couldn’t connect with voters on the major economic issue they were facing. Voters wanted action on cost of living and inflation, yet the administration’s attention was on the impacts of its industrial strategy.

There are three blurred but separate critiques here, that Bidenomics was:

1. **Inflationary, and contributed to the cost of living crisis.** Furman (2025) for example, argues that the stimulus was unnecessary, with enough pent-up demand from savings, and an overcorrection from Obama’s under-stimulus in 2008.
2. **A distraction either in state capacity or rhetorically from inflation.** In particular that championing the successes of Bidenomics rang hollow when people were concerned about prices.
3. Challenges in policy design and the structure of industrial policy meant **a mismatch in public perception and reality.**

We tackle point three in chapter 3, but the first two critiques are discussed below.

2.1.1 *The Covid-19 stimulus may have increased inflation, industrial policy didn’t*

To understand the impact of inflation we need to separate two strands. Bidenomics contained two different economic interventions: the three industrial policy investment bills, focused on increasing investment in clean and digital technologies, and infrastructure spending,¹ and the Covid-19 stimulus (the CARES Act²).

1 Infrastructure & Jobs Act, CHIPS & Science Act and the Inflation Reduction Act.

2 The CARES acronym stands for Coronavirus Aid, Relief, and Economic Security Act.

There is no evidence that the Inflation Reduction Act (IRA), the CHIPS Act³ or the Infrastructure Investment and Jobs Act caused inflation to rise. Given US inflation was driven in overwhelming majority by supply side constraints (Blanchard and Bernanke 2023), attempts to increase supply through these interventions should have eased inflation. However, the IRA specifically, despite its name, likely did little to reduce inflation in the short term (Congressional Budget Office 2022), although there were specific effects on drug prices (Kogan and Duke 2024).

The CARES Act was a different matter. The stimulus was about putting money directly into people's pockets. Estimates vary but suggest that the impact of Trump and Biden's Covid support packages collectively raised inflation by between 2 and 3 percentage points in 2021 and 2022, with a possible further percentage point in 2023 (see for example Jorda et al 2022, Gordon and Clark 2023). A notable increase but for a time-limited period only.

Even this potential inflationary impact can be defended. In late 2021 to early 2022 inflation was running at between 7 and 9 per cent.⁴ The alternative of marginally lower inflation would have come with a trade-off against economic and wage growth. US GDP and investment growth significantly outperformed other developed economies (Brooks and Harris 2024).

Running the economy hot benefited all but gave the most to the most vulnerable. Real wage growth for the 25th percentile was 3.2 per cent 2019–23, 1.7 per cent for the median and still 1.1 per cent for the 75th percentile. While average real wage growth in the US was 2.8 per cent at this time, in the UK it **fell** 2.2 per cent (van Nostrand et al 2023).

All the same, our interviews with former Biden officials pointed to several aspects of the CARES Act which they deemed unnecessary, notably the funding to state and local governments. However, their criticism was not about its impact on inflation, but the lack of rationale or targeting behind the funding which meant states funded a diverse range of things in their own interests.

“We went too big on the state and local government recovery programme; it was too flexible ... A lot of that money was not used in ways that aligned with Biden’s view of recovery. We wanted it to go to infrastructure and workforce, but some chose [local] tax cuts. We couldn’t articulate what it did and what people should feel as a result.”

Senior US Treasury official

Yet, running the economy hot clearly improved economic outcomes. It was a deliberate decision on behalf of the Biden administration to prioritise stronger wage demands albeit at the expense of increased prices. Inflationary policies like deficit spending preserved economic activity, preventing an output gap. Running the economy hot has clear relevance for the UK where economic growth is being prioritised by the current government. Our polling suggests that the UK public would prefer costs to fall and wages to remain flat, rather than wage growth and accompanying inflation, which may mean as far as the public are concerned the economy should not be ‘run hot’.

“There’s always gonna be something that’s more expensive or going up ... and your wages don’t match that anymore.”

UK focus group participant

3 The CHIPS acronym stands for Creating Helpful Incentives to Produce Semiconductors.

4 See <https://tradingeconomics.com/united-states/inflation-cpi>

2.1.2 Industrial policy on its own isn't enough

Some argue that while focusing on industrial strategy might have been effective economically it still damaged the Democrats' economic credibility. Even if infrastructure investment didn't cause inflation, working-class voters may have linked inflation and high government spending (Marshall et al 2024).

There were attempts to have a wider economic story. The original version of the Inflation Reduction Act, the Build Back Better Act, included several provisions which would have helped households weather inflation – most notably the child tax credit, free preschool, or other tax provisions for the middle classes (Biden White House 2021).

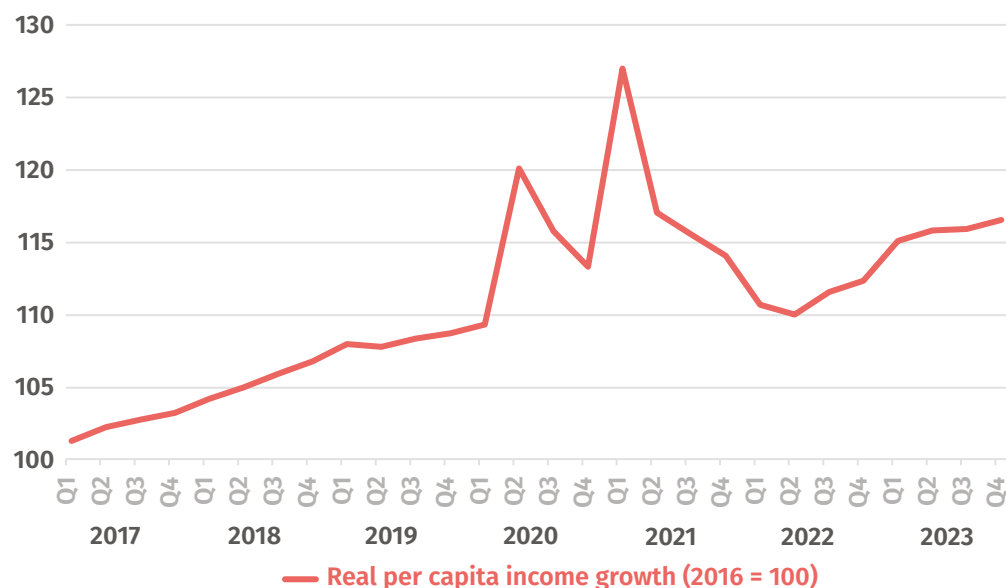
Wages are not the only source of income for struggling households. The withdrawal of Covid-era support (or failure to make them permanent) hit key groups, meaning real per capita incomes were 6 per cent lower in 2022 than 2021 (Mason 2025).

This points to the importance of the significance of events to the public over time. Although real per capita incomes grew between 2020–24 (figure 2.1), the drop from 2021–2022 was what the public remembered, more than the gains. This is particularly poignant in the UK where welfare provision has been a major debate, and since the large-scale support from the UK government during Covid.

FIGURE 2.1

While real per capita disposable incomes grew under the Biden administration, sharp drops lived long in the memory

Real per capita income growth in the US 2017–23



Source: Baker 2024

While the IRA and CHIPS acts were successful, they were incomplete as a result of compromises. This forced the administration to defend the act as it was passed, not the version they wish they had which included wider social support.

This also meant that championing new investments crowded out speaking to the public's topmost concern – the cost of living due to inflation. This likely damaged the public trust in the Democrats on the most important electoral issue (see figures 2.2 and 2.3).

This was at odds, for example, with the German election where each voting block prioritised a different set of issues (Tagesschau 2025). Voters also saw the Democrats as more ideologically extreme than Trump and the Republicans, and less likely to make their lives better (Shor 2025).

It's a not dissimilar picture in the UK. The economy and the cost of living are the top concerns facing the country and 'your local area'. When presented with a list of economic policies – reducing energy bills and making housing affordable comfortably tops building new infrastructure, for example (figure 2.2).

Yet when asked about how they think the government is handling their concerns, just 7 per cent think the cost of living is being handled well, as opposed to 69 per cent who think it's going badly. Forty-four per cent of the public think Labour is handling the cost of living worse than the Conservatives did, including 20 per cent of 2024 Labour voters.

FIGURE 2.2

Cost of living beat every other issue for US voters and contributed to a loss of trust in the Democrats to deliver on key issues

Percentage of US voters who chose cost of living against an alternative issue when asked which is more important

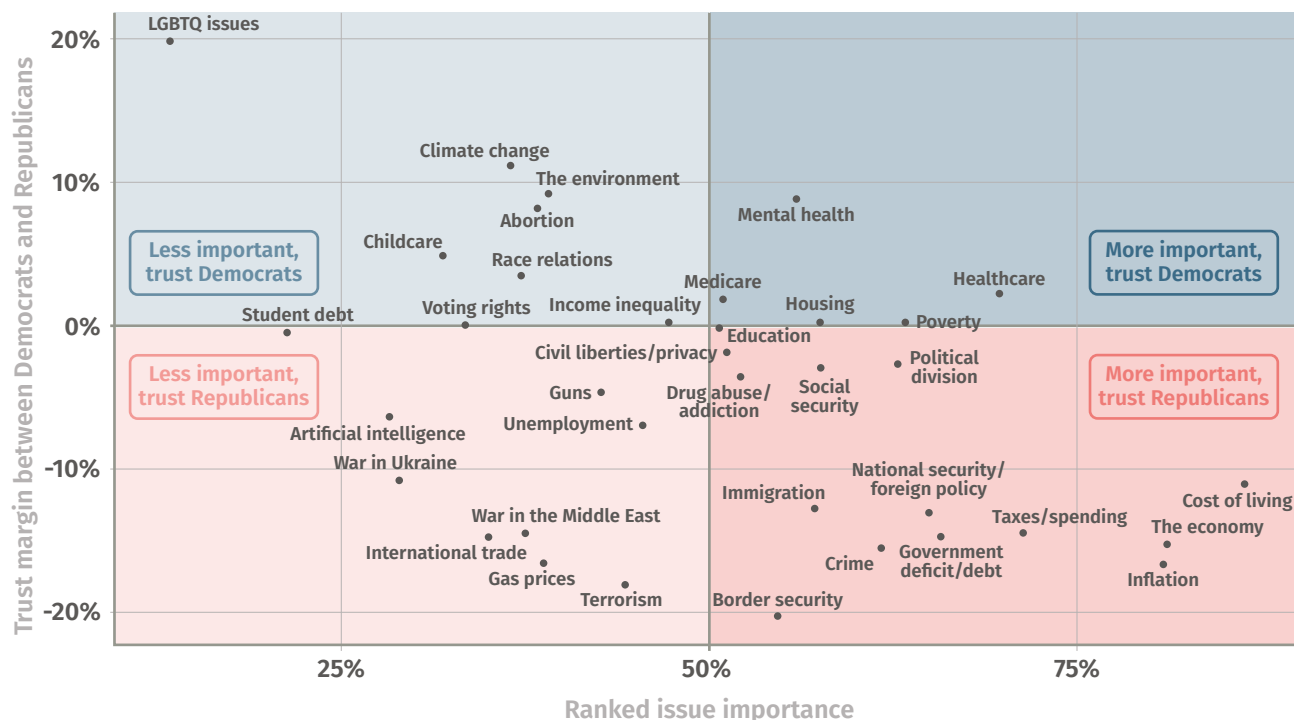
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Cost of living, inflation	Voting rights	84%
Cost of living, inflation	The environment, climate change	84%
Cost of living, inflation	Abortion	79%
Cost of living, inflation	Immigration, border security	69%

Source: Shor 2025

FIGURE 2.3

Voters trusted Republicans more than Democrats by huge margins on the issues they say are the most important

Trust margins between Democrats and Republics on ranked issues of importance



Source: Shor 2025

While wages, investment and economic growth are important, championing the success of these metrics – and the economic policy of the administration – when the public felt squeezed proved to be a mistake. For a UK government concerned about growth, this raises a concern about disconnect with the public mood (Good Growth Foundation 2025).

The UK government will face a similar trade-off to Biden. In a direct trade-off, and according to our new polling, the UK public clearly prefer prices to fall than wages to rise. Forty-seven per cent of the public would prefer the UK government to focus on bringing costs down even if this causes wages to stagnate, as opposed to just 12 per cent who want the government to focus on increasing wages, even if costs rise too.

Very few people think industrial policy itself was the cause for the Democrats' loss, if anything it caused a minor upswing in some countries (Glass and Madland 2025). But trumpeting wins of one strategy without identifying with the major economic concerns of the majority meant that success felt hollow and disconnected, and trust in progressives fell. Industrial strategy and investment alone struggle to speak to household security.

The ability of Biden to sell the achievements of his government and for Harris to position herself as a 'change' candidate were central to this challenge, particularly on perceptions of immigration policy. A lack of strong, credible answers on these issues, particularly to key swing state voters, crowded out the potential to be on the front foot on issues that bind progressive coalitions like economic policy. This is a short-term outcome of a deeper argument, namely that progressives have failed to both update their approach to the modern media ecosystem or to get on the front foot of the issues they care about (see chapter 4).

3.

THE CHALLENGE OF DELIVERING LONG-TERM ECONOMIC POLICIES

The short-term problems detailed in chapter 2 could all be argued to be manifestations of a slower burn and more endemic problem – an economy that no longer works for working people, and desperation from voters to find someone to fix it, quickly.

The paradox of functioning economic policies but poor public support has caused others to call for the “death of deliverism” (Bhargava et al 2023). While economic and industrial legislation post-pandemic were perceived by a commentariat to be achieving their stated goals, in our interviews we heard a more complicated story of little – if any – agreement on what those goals were.

“Industrial policy achieved its goals – manufacturing investments, jobs market, etc, but nobody cares, we delivered on stuff they didn’t care about.”

3.1 AGREEMENT ON RATIONALE

The Biden administration heralded a return to explicit industrial policy in the US, embodied by its three major legislative achievements. Beyond the economic rationale, for example competition with China on emerging technologies, and supply chain or energy resilience, in our interviews we heard two political justifications for a focus on industrial policy (IP):

1. **Industrial policy will help the Democrats to win in 2024.** For this group, IP was motivated by a belief that by creating jobs and visible investments in left behind places, voters would be more likely to support the government that delivered those policy wins. To quote a crude summary from one of our interviewees: “Industrial policy would turn Republican voters into Democrat voters.”
2. **Industrial policy will help make clean investment durable and long-lasting.** Here, IP was necessary because it created new coalitions of support and stakeholders which are essential to embed a political economy of support for long-term climate policy in the United States. If the US were to tackle climate change, it was necessary for organised labour, private business and investors, and red-state Republican politicians to see the upside.

The Biden administration knew the challenges of IP when passing these bills. Namely because of the time it takes to develop policy, release funding, secure private investment, build a factory and employ people, let alone start producing, policy ‘wins’ were highly unlikely to be reaped within the 2020-24 term. The administration largely passed its landmark industrial policies to change the political economy for climate action (justification 2) but sold it within the Democratic party by arguing it would deliver more immediate electoral benefits (justification 1). If some thought IP was delivering for the next election, others that it was fundamentally changing

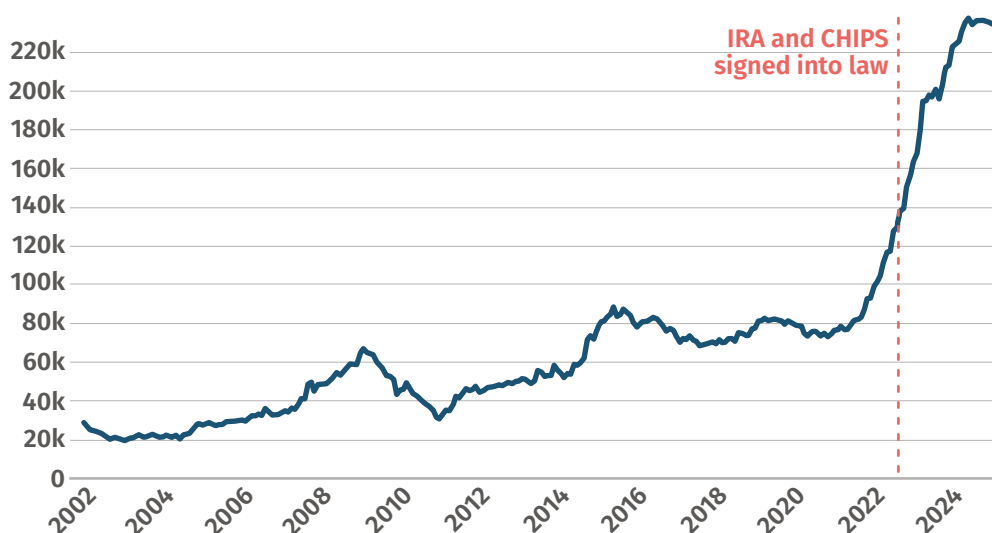
the political economy for climate action, it was always going to be challenging to assess whether the policies “delivered”.

Biden’s policies weren’t designed for maximising partisan political benefit but focused on long-term durability through bipartisan consensus and business support. Seventy-eight per cent of funding went to Republican-held districts, rather than swing or Democrat-held ones (Milman et al 2025) – though this was significantly influenced by their economic profile, for example lower labour costs. The time lags inherent in industrial policy mean any party would be incredibly lucky to see political benefit within one term, if not two. Even if the latter had been the goal, it is hard to see how it would be achieved.

FIGURE 3.1

Manufacturing construction spending boomed following IRA and CHIPS

Total manufacturing construction spending in the US



Source: Turner et al 2025

This has stark implications for the “death of deliverism” discourse. It’s only possible to test deliverism if you’re delivering things that people notice and appreciate – this is a function both of timescales and public priorities. As one of our interviewees said:

“We did not test [deliverism] because we didn’t deliver the things they asked for. If you give your kid a toy train at Christmas and he wanted a plane, he’s not going to say thank you.”

Policymakers need to be clear about goals and metrics to judge success and progress. Sometimes policy goals and political objectives can pull in different directions. We’re not naive that selling large public investments on an economic return with a multi-decade timescale is challenging. But by not being clear, politicians trade one problem for another by making both successes harder to claim or creating unrealistic expectations.

Policymakers too often have a nostalgia for selling policies with claims of job creation. This is misplaced in two main ways. First, bolstering green manufacturing is economically valuable in its own sense in that it diversifies an economy’s output and increases value-add (Narayanan et al 2024). But investments in manufacturing

aren't intended to deliver significant jobs bonuses; the aim is to boost competitiveness and that comes from automation. Manufacturing is a structurally important sector that drives service growth, but it is limited in size. There is also a wealth of evidence that jobs remain one of the least persuasive ways to message climate action and investment to voters (see for example Public First 2021, Akehurst and Murphy 2022, Akehurst 2023).

The lesson that we will focus on for the remainder of this chapter is that industrial policies are, while hard to justify in the short term, essential to a fairer economy in the long term. Long-term economic transformation is key to rebuilding trust and reuniting a degraded and split progressive coalition. It's important to maintain that long-term ambition, but progressives can only find the space to do that if they can also tell a wider, more immediate economic story.

3.2 HELPING INDUSTRIAL POLICY SPEAK TO HOUSEHOLDS

Given that industrial policies are both critical to growth and unlikely to yield political short-term benefits, what are the choices facing progressives? We believe that there are two main options. On one hand, policymakers could design 'stepping stones' that sequence visible early interventions alongside longer lead times as part of a longer-term path. Alternatively, progressives can continue to pursue these transformational policies but with a parallel policy track – or 'train tracks' – that speaks to more people and *will* yield electoral support on a shorter-term political cycle.

3.2.1 Identifying or accelerating deliverables

This strategy is all a question of timing. Given the time taken for industrial policies to impact, policy development requires sequencing and prioritisation – aligning development with a recognition of when outcomes are likely to materialise, for example getting a factory built and employing people in a post-industrial town is likely part of a two-term strategy, but a visible solar panel farm or EV charging point can be sooner.

This is informed by what the IRA did and did not achieve in the short period between it passing Congress and the 2024 election. The Inflation Reduction Act passed very close to halfway through Biden's term, in August 2022, having lost a year negotiating the Build Back Better bill. In some ways, the fact it is credited with so much is a testament to how effective the tax credits were. Had it been passed earlier it could have had significantly more impact; although expecting the IRA to change the entire landscape of production in the US economy in 27 months is of course, unrealistic.

"It wasn't going to transform the map in two YEARS after 50 years of deindustrialisation."

Interview with senior Biden White House official

Lessons for the UK from this are clear. Besides managing the short-term transformational expectations of industrial policy, any government should make the most of the time it does have. Labour took power in July 2024 and will only publish its industrial strategy 11 months later in June 2025, with the National Wealth Fund currently still searching for a new CEO. There are still four years to make an impact, but that requires scaling up ambition and sequencing action now.

We heard from our interviews that there was a significant amount of blame placed on permitting ('planning' in UK English) as a reason that more money didn't get out the door. For example, Third Way have been strident in their criticism of permitting holding back building in the case of the Broadband Equity, Access, and Deployment Program and National Electric Vehicle Infrastructure Program (Horwitz and Laska 2025).

The Biden administration knew that permitting was an issue with build out and took steps to address these barriers, such as modernising environmental review or attempts to streamline transmission. Yet the administration was unable to compel permitting for projects crossing different jurisdictional boundaries, or where federal government isn't the lead agency. This is particularly problematic for faster and therefore more visible infrastructure types like EV charging or broadband (ibid).

Permitting undoubtedly contributed to the slow pace of progress, but delays were also the result of skilled labour bottlenecks. Part of the success of Biden's Covid response package was leaving a tight labour market with strong wage demands. But the flipside of this was already reported difficulties for clean energy firms to find people with the required skills (see for example Ryan and Sparkman 2023). While the administration attempted to unblock these restraints, training programmes weren't stood up in time and shortages remained (BlueGreen Alliance 2024).

Another factor as, if not more, important was the lack of state capacity. Impact was limited by state capacity to implement legislation *and* to then run through all the regulatory changes needed for it to have effect – organising project finance or hiring workers all takes time. As one former official said of tax credit development, “hard things are hard”, and this was the first time the US Treasury had engaged in energy policy, let alone novel technologies like hydrogen. This capacity delay was doubled when programmes had to be built both by the federal government to administer funds and then state or local governments to utilise them.

The UK government will face similar challenges and therefore has to roll the pitch for the necessary building of state capacity to do new and hard things. There's no shortcut to building an empowered, strategic, active state.

Another widespread critique of Bidenomics was the “everything bagel” diagnosis, most notably by Ezra Klein (expanded in a new book, *Abundance*). Klein and others argue that individual policies and spending lines tried to do too much. Aiming to decarbonise *and* boost unions *and* address racial inequality *and* low business investment, lacked coherence and slowed delivery of funding or outcomes, like an everything bagel with too many toppings.

This critique fails to separate the multitude of policies under industrial policy, and therefore which aspects could lead to quicker delivery or outcomes. Building any funding programme takes time. The administration was building grants, loans and tax credit programmes, each with different ‘eligible entities’ – for a broad variety of technologies. For grants in particular, many programmes funded states and local government who then had to administer or spend the money themselves. This in effect meant building two spending programmes, one at the federal level, one at the state. Expanding eligibility of those receiving funding, or narrowing the conditions of each spending line might have marginally increased the speed they were created (and resource to create them), but it fails to recognise either the multitude of industrial policy or the need and complexity in targeting funding to specific challenges.

Turning to tax credits, providing additional funding or bonuses, did, according to our interviewees, increase the speed with which money was spent *and* accelerate the social outcomes. The tax credit bonuses for things such as higher wages for workers, locating in disadvantaged communities or using domestic materials, provided more additional money to companies than the costs of meeting those conditions.

“It's in companies' financial interests to take higher tax credit and pay prevailing wages.”

BlueGreen Alliance

One critique of the effectiveness of tax credits, however, is that they are a passive instrument. Although they got money out faster, they are harder to attribute to government and therefore likely did little to improve the administration's reputation or to claim wins. This is interesting context for the UK where the Competition and Markets Authority recently highlighted the efficacy of tax credits for industrial policy (CMA 2025).

Hindsight is obviously 20/20 vision, but a stepping-stone strategy for the IRA might for example have prioritised industries amenable to speed. This could include social and consumer investments or unblocking quick-to-build infrastructure like the broadband or EV charging. This would potentially leave complex or long-term new technology development like the hydrogen programme undeveloped or in hope of a second term. Similarly, it would affect the type of financial tool used – grants took a lot longer to develop than the more passive tax credits.

The UK's lessons here are different. Biden was restricted to mostly financial measures to drive change, which manifests in a wide range of spending lines with different conditions and potentially more diffuse impact. While the UK has more tools (regulation, etc), it is also faced with a smaller end market and tighter fiscal headroom and so has less power in driving social outcomes through industrial policy. More important in a UK context would be to target specific areas of comparative advantage and go big, rather than try a bit of everything.

3.2.2 Having a parallel economic story

Knowing that structurally important policies like industrial policy struggle to pay off in the short term, the choice is not whether or not to do them but whether to run more short-term popular policies *alongside* the transformative policies to build political support. To put it another way, progressives need to learn to walk and chew gum.

Governments need to deliver on the short-term priorities of voters. That has two effects: the first is it proves they are effective at making change and can build trust for longer-term structural measures like industrial policy; second, it allows longer-term policies the space to develop and not feel pressured to retrofit different or competing outcomes that are short term to them.

What sort of things would fit into this category? The 2024 election review by the Progressive Policy Institute (PPI) (Marshall et al 2024) identifies several areas of concern for households that went unaddressed in 2024:

“Their kitchen table economics of improved wages and lower costs is more important than the macroeconomic story, as is their experience of accessing good local health care more important than process targets.”

Marshall et al 2024

As we noted in chapter 2, the administration's twin-track approach of long-term structural change was supposed to come with short-term more tangible economic support. Yet, the need for bipartisan agreement in the Senate on industrial policy meant that many policies intended to address the cost of living were lost. Specific provisions that were negotiated out of the Build Back Better Act included: an expanded Child Tax Credit; paid family and medical leave; \$150 billion for affordable housing, including dentistry, eye-care and hearing in Medicare; and greater drug price negotiation. Had these measures been passed *alongside* Biden's effective industrial policies, it is entirely possible that voters would have been feeling very different about the economy by the time of the 2024 election.

“Nobody would have done the IRA the way that the US did unless they had to.”

Former Senior White House Official

The passage of legislation in the UK is obviously different, but the same lesson applies. There is a live risk that UK industrial strategy becomes government's load-bearing policy and is expected to deliver both immediate outcomes across many different issues, diluting its impact or distracting limited state capacity from the ultimate long-term objective of increasing economic potential.

Government has looked to some of those short-term issues, notably prioritising the NHS and worker rights. But with a remaining gap on the public's number one priority – cost of living – it risks losing the opportunity to implement long-run change – particularly as recent decisions on welfare will make the cost of living worse.

BOX 3.1 HOW HAVE OTHER GOVERNMENT'S BALANCED TWO ECONOMIC STORIES?

Progressive governments in countries like Spain and Australia have sought to create empowered, strategic and active states – and have held on to power. Part of their success lies in combining long-term structural reform with short-term interventions on living standards. In countries where policymakers have struggled to repeat initial electoral success – notably the SPD's recent defeat in Germany – their ability to combine industrial strategy with short-term interventions has been held back by state capacity.

Spain: Pedro Sánchez and PSOE are investing €163 billion from 2021-26, with almost 40 per cent (€65 billion) devoted to the green transition (European Parliament 2024). Alongside a five-year programme, Sánchez's governments have provided short-term cost of living relief during the pandemic (Rodon and Rodríguez 2024), and for the inflationary spike which followed (Uxó 2022). The PSOE-UP coalition also introduced new employment rights (Kennedy and Cutts 2023), legislated to expand affordable housing and cap rent increases (ibid), and introduced a Minimum Viable Income policy for people on low incomes (Klose 2024).

Australia: Labor prime minister Anthony Albanese and treasurer Jim Chalmers have pursued a 'mission-led' agenda similar to the UK (Manwaring and Foley 2025), including committing A\$22.7 billion over 10 years to the 'Future Made in Australia' industrial policy package (Australian Government, The Treasury 2025). The Labor party has balanced this long-term agenda against short-term measures to improve living standards, including energy bill relief, rent assistance, wage increases and cheaper medicines (Chalmers 2024). Albanese kicked off the 2025 election campaign by extending an energy rebate to meet his commitment to lower energy bills (Prime Minister of Australia 2025).

Germany: As chancellor, Olaf Scholz attempted to follow a similar playbook. But Scholz's attempts to raise public investment in targeted future-orientated sectors – housing, railways, charging stations, offshore wind farms, photovoltaic plants and power grids – were hampered by disagreements with coalition partners (Atlantic Council Experts 2024) and the debt brake (Van Rij and Schröder 2024). Disagreements within Scholz's coalition over the debt brake ultimately brought down his government (ibid). Scholz's personal popularity declined rapidly after the German constitutional court declared in November 2023 that his coalition's budget had violated Germany's ultra-strict national fiscal rules (Münchau 2024). The measures Scholz did manage to introduce – like a €12 minimum wage – did not shift the dial on the SPD's popularity, for reasons we explore in chapter 4.

3.3 UK VOTERS ARE MOST WORRIED ABOUT THE NEXT 12 MONTHS

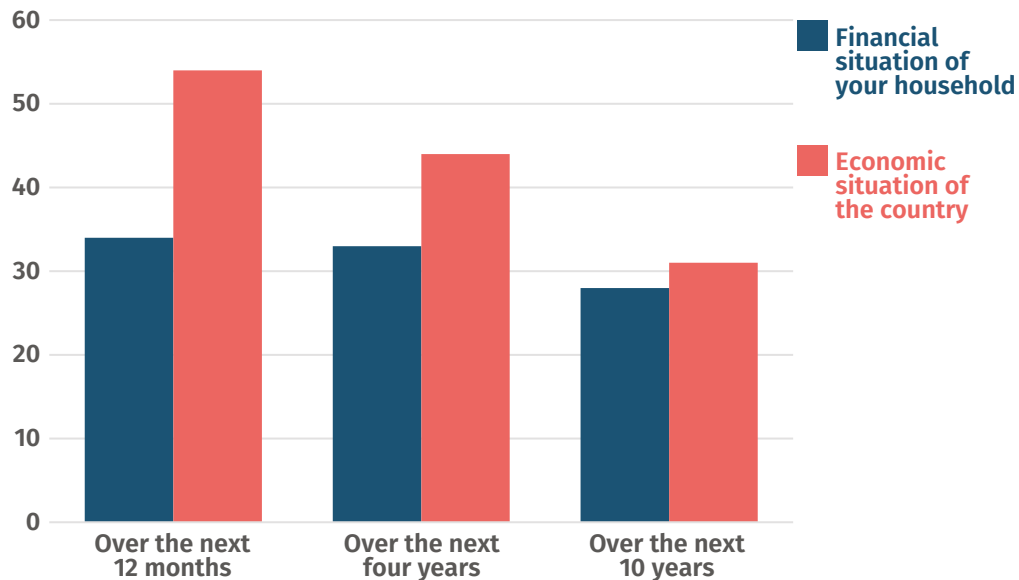
Given the difficulties we outline, accelerating delivery of growth or industrial strategy will be a challenge – even in a world of perfect planning reform. The time horizon the public are most concerned about is the next 12 months, as opposed to the next 4 or 10 years (figure 3.2) – 34 per cent expect the ‘financial security of their household’ to deteriorate, with 54 per cent feeling the same for the economic situation in the country as a whole – which demonstrates far greater pessimism than over the next 4 or 10 years.

“It’s feeling secure within yourself to be able to afford your weekly shop, to be able to afford to do things that you want to do, to be able to have a job without fear of it not being around next week or you being evicted next week.”

UK focus group participant

FIGURE 3.2

Public confidence about the economic situation over the next 12 months is pessimistic
Percentage of the public expecting things to get worse over the next year and beyond

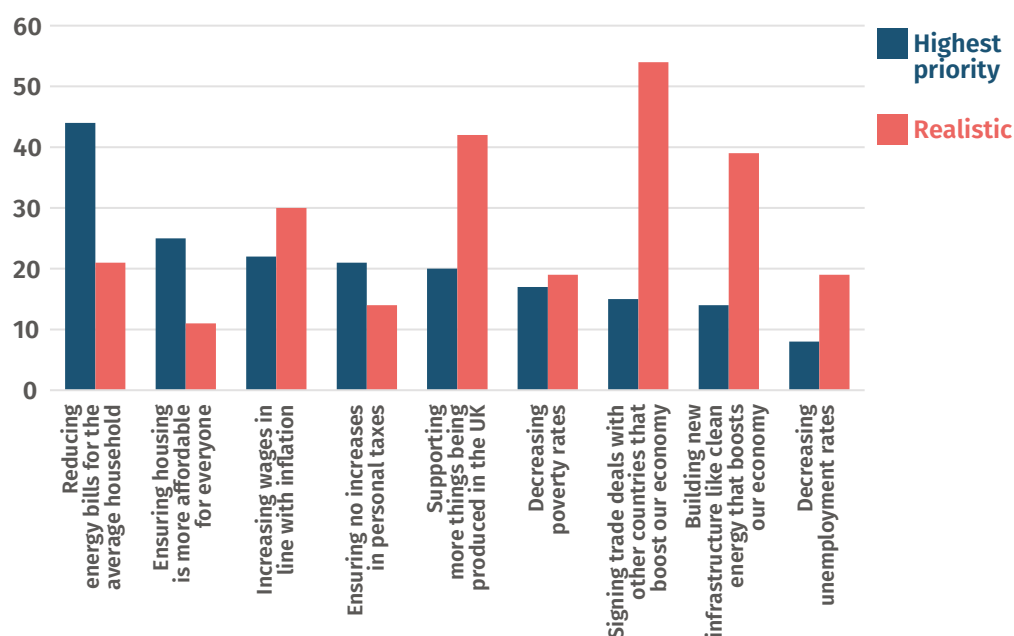


Source: YouGov polling for IPPR, sample size 3,068 adults (GB), fieldwork 23–25 April 2025

FIGURE 3.3

Energy bills are top of the public's list of economic concerns

"Imagine that the government were to establish new goals, commitments and targets for the rest of the parliament. How realistic, if at all, do you think each of these would be?" and "If you could pick just TWO, which would you most want to prioritise?"



Source: YouGov polling for IPPR, sample size 3,068 adults (GB), fieldwork 23–25 April 2025

"Everything's going up. There's not one bill that's going down."

UK focus group participant

The challenge for government in speaking to the public about their household security is the inverse relationship between what is seen as a realistic objective and what the public think should be a priority focus of the government. Although utility bills are seen as the number one cause of financial insecurity (78 per cent) and reducing energy bills should be a top priority for the government (44 per cent – figure 3.3) – just 21 per cent thought it was realistic that bills would fall, with 69 per cent saying it was unrealistic.

"The cost of living. It's just crippling everybody."

UK focus group participant

Delivery of new infrastructure to boost the economy, however, is seen as much more realistic, with 39 per cent agreeing – but just 14 per cent think it should be a priority. Similarly, while 54 per cent see signing new trade deals as realistic, only 15 per cent want it prioritised. Worryingly for the government, YouGov polling shows that just 2 per cent of the public think housing as an issue area is being handled very well (12 per cent total well), with 49 per cent thinking it's going badly.

One of the reasons these things might be seen as realistic is because government has put them front and centre. A similar focus on cost of living alongside its longer-term priorities would be more in line with what the public want to hear and hopefully begin to sound more realistic when attached to tangible actions.

4. COMMUNICATING POLICY

How you communicate policy while governing is essential for earning support for economic change. The need for message clarity in a noisy and shifting information landscape is therefore increasingly essential. From our interviews we know that the message, the channels and the messengers matter most for both short- and long-term policy communication.

4.1 MESSAGE – ARE YOU DEFENDERS OF THE STATUS QUO?

Governments need to show that they are not afraid to challenge the status quo to address the public's concerns. In failing to address rising prices, and talking about other issues, the public perceived the US administration as defenders of the status quo. We heard from interviewees that shifting from the economy to defending democracy in the campaign didn't land as intended and instead reinforced the idea that the incumbent administration, without reforms of their own, were enforcers of the status quo. Similarly in Germany, Olaf Scholz and the social democrats ran and won on a message of security and stability in 2021, but by 2025 that message rang hollow, and the SPD lost almost 10 per cent of its vote share. Scholz struggled with proof points that the social democrats had delivered on either security or stability.

While progressives are often considered natural defenders of institutions, they must not be afraid to make clear where institutions are not serving, or are undermining, their agenda and what they will do about it. Planning reform to remove barriers is one example of this, but delivering economic projects also requires investments in state capacity. In the UK, the government is making early moves through its 'insurgent government' agenda which seeks to name and change the blockers to progress as they define it. If insurgency is only removing things, the government will struggle to deliver its economic aims.

We also heard from ex-US administration officials about the perils of governments developing messages in 'hermetically sealed' environments. Too often the government was concerned with being 100 per cent aligned, on message and disciplined across spokespeople rather than allowing authentic messages to develop in real time. This resulted in a lack of stories and emotion that resonated with people. For progressives to connect economic change with those who have lost trust, former Senator Sherrod Brown makes clear recommendations:

"The easiest way to understand the working class is to be of the working class: to spend as much time as possible outside D.C., to talk with people working regular jobs, to hire people from all kinds of backgrounds who have worked different types of jobs."

Brown_2025

Caution makes the ongoing case for long-term investments harder to make, discussion of trade-offs less convincing and concern over the cost-of-living sound remote. Progressives must embrace a variety of stories around the same core message.

4.2 MEDIA CHANNELS: ARE YOU TAKING MESSAGES TO WHERE PEOPLE ARE?

The global media landscape is shifting fast and progressives are not keeping up. In the US, Democrats have continued to measure media impact through television advertising, 'direct mail' and usual suspect messengers. Meanwhile, opponents to progress often communicate beyond traditional media in increasingly listened to 'new' forms; digital first, 'always-on' platforms and high decentralised social media channels. Forty per cent of young adults today turn to TikTok for their news source (Leppert and Matsa 2024).

Our polling suggests the UK government is making inroads here, with 22 per cent picking up government spokespeople on social media, although the majority still see government messages on TV news (38 per cent) or the radio (19 per cent), despite these being increasingly marginalised news sources, especially for younger people. In developing a more organic message, champions of economic change need to be in different places that allow for more direct communication and expose arguments to public challenge.

4.3 The messengers: are you working with people the public trust?

In a world of increasing sense of exhaustion with politics and frustration in its seeming inability to change the world, an increasing number of people are tuning out of both traditional news sources and indeed the news itself, with 43 per cent of US citizens actively avoiding the news (Reuters Institute 2024). Neither traditional media platforms nor usual suspect messengers can be relied upon to deliver messages for progressives. Meanwhile non-progressive parties have long cultivated new 'non-political' messengers as part of the 'new media' and have built out huge audiences over time.

On industrial strategy we heard from US progressives that industrial policy lacked two categories of champion. The first was that the president failed to make the argument for industrial policy frequently enough, or in the right places. Substituting the principal, in this case the president with other cabinet members proved unsatisfactory. The second was that the administration failed to use more authentic spokespeople to champion their issues. There were some inroads made through governors and mayors, but there was an overlooked opportunity of engaging non-political people like community or faith leaders, or business owners locally. In the wake of the Biden administration, there are now few messengers who continue to stand up for what the administration did and what should happen next, impacting policy longevity.

WHAT MADE 'STABILITY AND SECURITY' A WINNING MESSAGE FOR SCHOLZ IN 2021, AND A LOSING MESSAGE IN 2025?

Olaf Scholz and the SPD ran on a 'stability and security' platform in the 2021 and 2025 federal elections in Germany. The SPD's promise to deliver economic security contributed to its emergence as the largest party in the Bundestag in September 2021 (Schläger et al 2021). But the same message rang hollow in 2025, leading to the SPD's worst ever result in a federal election. Scholz's government started as a hopeful Fortschrittskoalition, or 'coalition for progress', after 16 years of status-quo politics, but descended into dysfunction (Fleck and Rizzo 2024).

The coalition's genuine achievements, like weaning Germany off Russian gas at record speed, were undersold or went unnoticed (Atlantic Council Experts 2024). This stands in contrast to Sánchez and the PSOE, who campaigned clearly on their economic policy achievements – especially the 'Iberian Exception' gas price cap, which they used to draw a clear dividing line (Heller 2022).

'Stability and security' was not a successful message for the SPD's re-election in 2025. The message was not out of step with the national mood: German voters' top three priorities when voting were peace and security, the economy and social justice (Schläger et al 2025). As in the US, where recent elections have been about 'change', incumbency was a disadvantage. 'Stability and security' rang hollow when the perception was that Scholz's government had failed to prove it could provide it in its first term.

5. CONCLUSIONS

UK households are impatient for change. Trust in our political system is low and that's reflected in scepticism across the board that government can make things better. This is exacerbated by the global economic fallout from the US's trade policies, something that has clearly cut through to a UK public now expecting the next 12 months to be significantly worse for the national and personal economies.

Government has the right objectives to drive growth and restructure the economy through its industrial strategy in the long term, but this focus runs the risk of falling foul of the same trap that both Biden and Scholz fell into – failing to align an economic story with voters' core concerns in the shorter term.

Accelerating delivery of objectives might help, but this is likely to face the twin barriers of labour shortages and state capacity. That only leaves government with the option of balancing two economic policies at once. Here a short-term populist message on costs is vital to provide the space, and prove the efficacy of progressives to make long-term, deeper changes.

In the meantime, progressives must get better at communications: emotive messages, new channels and non-political messengers. It can be done.

In the short-term the value signalling of policies on the cost of living and industrial strategy could align. There is a clear overlap, for example, with reducing energy bills now and building clean infrastructure to reduce them permanently in the future. But they don't always have to be. Progressives must become adept at campaigning and speaking to one set of public priorities, while also making fundamental structural changes in the background. The future of progressive policies and politics depends on it.

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