

VII. How to get to where we want to go

Our core proposals constitute a manifesto for long-term growth that we believe can form the basis of a political consensus. This can provide the kind of stable policy framework that will encourage long-term investment in the UK.

But while cross-party commitment to the policies that are needed would be a good first step, it will not be enough by itself. If such policies are to have a material impact on growth, action must be sustained over several parliaments. The Commission's discussions have highlighted how in many crucial areas – notably education, infrastructure and financing for innovation – there has been a sustained failure to implement long-term strategic approaches to policy. This weakness has been recognised in many recent reviews.

We must break the familiar cycle of institutional churn and political procrastination to find ways of ensuring that difficult and contentious long-term decisions are based on the best available independent expertise. This is not a plea to take the politics out of long-term investment: apart from its moral imperative, a healthy democracy is vital for keeping policy responsive and government accountable. But politics is best in its right place – making strategic choices, setting objectives and holding executive bodies to account.

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Drawing on examples of effective institutional innovation, we have proposed:

- Creating a ‘flexible ecology’ for schools with a greater institutionalised focus on the performance of disadvantaged children. There is also a need to reduce local authority control and provide a more flexible labour market for teachers with greater on-the-job performance evaluation.
- Creating a new institutional architecture to improve the planning and delivery of infrastructure of national importance: a body (or bodies) tasked with identifying strategic priorities for infrastructure and helping to create a more stable policy environment that will encourage the provision of long-term private finance for infrastructure investment.
- Increasing competition in retail banking and ensuring that the Business Bank has an independent board and a remit to support SMEs and innovation.

Implementation of an ambitious long-term growth programme will demand sustained effective direction from the centre of government. This is another area where institutional change is overdue. Unlike in many other democracies, the Whitehall machinery for providing strategic advice and overseeing implementation is relatively small-scale and informal and has been prone to radical change from one government to the next. This needs to change. The absence of stable machinery at the centre of government makes it more difficult to develop and implement a long-term strategy for promoting economic growth.

Strategy and performance management are vital functions that cannot be left to ad hoc units staffed by a shifting population of short-term, often party political staff. Without continuity, strategy is overwhelmed by short-term politics and performance management is interrupted and ineffective. Constant flux in Number 10 and the Cabinet Office leaves too much power in the hands of HM Treasury, which is above all a finance ministry. This cycle of ‘uncreative destruction’ is wasteful and inhibits the evolution of successful institutions.

There have been many proposals for creating a substantive and stable centre of government (as argued, for example, in Lord Heseltine's recent review: BIS, 2012). Elements of a system that could win broad-based support include the following:

- There must be a permanent, top-level political mechanism for setting strategic direction and overseeing implementation.
- This has to be supported by proper planning processes, which directly involve departments, to translate strategic direction into concrete plans and action across government.
- These implementation plans must be underpinned by clear accountabilities and proper management information to track progress.

The challenge now is to implement these ideas, to support a clearly articulated long-term growth strategy – and stick with them across governments.

In the next 50 years, the world will change radically – in terms of technology, sustainability and the global balance of economic and political power. Some of these changes may not be benign, causing instability – financial, fiscal, social, political and environmental – and potentially derailing paths to increasing prosperity. We can anticipate some of the emerging patterns, but not others. We must, however, be prepared to respond to all of them.

This means putting a premium on policies and institutions that foster anticipation and flexibility. It also means putting a premium on systems that celebrate and encourage entrepreneurship, innovation, opportunity and discovery. Establishing a strong, stable and credible investment climate for human, physical and innovation capital is a crucial step towards creating this kind of society. We call for a group across society and all the UK's political parties to work on a Manifesto for Growth as we have championed in this report.

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