The Unbalanced Economy

The British economy is in a state of imbalance. It has been so for many decades, exacerbated by the demise of an industrial base which at least could provide income from exports. Notwithstanding the deeply uncompetitive nature of British industry towards the ends of its life, due to a variety of factors, not least massive underinvestment (which continues to be a major failing of the British economy), it at least provided some potential for export-led growth if only it had been a strong platform from which to build such growth.

Today's reliance on a Service sector which accounts for some 80% of the British economy, does not provide such a platform. A weak economy results in an ongoing balance of payments deficit (where the cost of imports significantly outstrips the income generated by exports), and undermines the strength of the currency, leading to the paradoxical situation where exports become cheaper and therefore beneficial to the economy, if there is a basis from which to generate such an export drive, but imports become significantly more expensive, thus increasing the balance of payments deficit further, and making the import of raw materials upon which the country's manufacturing sector rely to produce their goods, more expensive, cutting margins and eating into the prospects for any export drive. This is particularly true when the country's manufacturing infrastructure is decimated by economic, social and political agendas. For example, Britain's last steel mill for producing steel as a raw material both for indigenous industry and for export, has been closed down leaving Britain as the only industrialised nation without the capability to produce its own steel. Britain's infrastructure is very weak for any revival of manufacturing industry, and the subsequent export of manufactured goods.

The political agenda which led to the demise of British manufacturing industry came about not because there was a recognition that it needed updating with overdue investment, but largely due to a battle between what was in effect poor British management of the manufacturing sector and unions who saw their objective as being that of extracting the maximum value for their member as they could in the circumstances that existed. As stated a historic lack of investment contributed significantly to this demise, along with what appeared to be a complete lack of confidence individually and collectively in the capability of British people to turn things around. The tribal nature of British culture, based to a significant extent on Britain's class system, led to this ongoing battle.

A large part of Britain's political elite have painted a picture of British workers as being lazy, bolshy and unwilling to contribute effectively to the success of the enterprises and businesses for which they worked, whilst the opposing part of the political elite painted a picture of mismanagement, greed, old boys networks and lack of leadership endemic in the British management structures. This face-off could inevitably only lead to internecine warfare, and the demise of the sector with one or other of the proponents claiming victory. The result has been the decimation of the industrial and manufacturing base, with no sign at present of a rebirth.

The Service sector, which has grown, and should be encouraged to grow, is not a balanced replacement for the lack of an engineering and manufacturing base which could provide the basis fro a strong economy focused on export-led growth. This is a major weakness.

The Service sector itself, contains many highly valuable areas of development, such as Information and Communication sub-sector, Arts, the media and culture and Professional and Technical services. The Financial sub-sector has been affected by Brexit and other factors, with London's significance as a major centre for these activities somewhat diminished, but this too remains a highly valuable area.

But the Service Sector does not generate on its own strong export-led growth in a balanced economy. It is a requirement that goods as well as services contribute strongly to such a balanced economy. This is an imperative which is multi-faceted.

Much of Britain's recent growth has been consumer-led, where relaxation of credit and attempts at increasing the amount of money circulating in the economy through tax cuts, etc have been targetted at increasing consumer spending, and thus boosting growth in this way. This is artificial and is not the basis for a strong economy.

The relaxation of credit controls in the 1980s has led to a debt crisis with the personal debt-to-income ratio reaching a peak in 2008 at around 157%. This has subsequently fallen to around 132% due to the credit crunch, austerity and more recently, increased interests rates due to high inflation. High personal debt and low levels of savings (fuelled to some degree by extremely low interest rates) do not provide a platform for economic confidence, and can lead, along with other factors, to pressure on the currency, and reduced foreign investment.

An economy which has a strong platform will encourage both domestic and international investment, and it must be a government's task to provide the basics of a strong economic platform. This has not been the case for many years, with the strength of the economy left to the brutalistic vagaries of an unfettered and cynical free market.

Government economic, industrial and business policy and strategy must be all-encompassing and build the basis for strong investment, as well as being directly involved in ensuring that (at least) domestic investment is focused on the long term and generates an underlying , balanced and ongoing strength in the economy.

Strategic planning and the generation of mission strategies in a wide number of areas is vital to provide this platform. Without it the brutal market rules, and if there is a perceived downward spiral in economic strength then the unfettered market will abandon the economy and leave it to sink. Steerage and seeding is necessary to avoid this happening. This requires a strong and rolling vision for where the country needs to head economically, industrially, financially and strategically, with appropriate activation and implementation of key strategies.

Balancing the Service Sector with Engineering & Technology, Technical and Industrial sectors, along with other elements in the economy, such as investment in Infrastructure, is vital. Export-led growth must be a central plank of this, driven by strong Research and Development, and Manufacturing investment. Consumer-led growth in a weak economy encourages growth in imports (further weakening the economic base) and discourages savings which reduce the possibilities of domestic investment. It also contributes to the personal debt crisis which undermines confidence in its own way.

Politicians, alongside business leaders and leading academic voices, must generate an ongoing and tangible vision for the country which drives strategic missions and policy over the long term. This is missing and is an imperative.

With a co-ordinated and sustained programme, Britain's economy (along with other parts of its systems) are not destined to be in permanent decline. It takes vision to turn it around, and it takes a recognition that the unfettered free market will not do the job by itself. The example of South Korea is an excellent one, where a long-term vision has been turned into a reality by action driven by government, business and academia. Britain can do the same.