

UK's Industrial Policy: Learning from the past?

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As a result of the institutional inability to learn from experience, British industrial policy suffers from policy inconsistency and coordination failures.

Policy recommendations

- UK needs to develop an institutional framework that supports evidence-based, forward-thinking and long-termist policymaking
- A statutory, independent oversight body should be set up to evaluate industrial policies and provide actionable information to Parliament
- A special purpose vehicle such as a sovereign wealth fund should be established to mobilise industrial policy initiatives -incorporating long-term horizons into strategic planning and investment decisions

Key insights

- The UK's industrial policy since the 1970s has been characterised by frequent policy reversals and announcements. This has been driven by political cycles, while multiple uncoordinated public bodies, departments and levels of government are responsible for delivery
- While the ambitions of British industrial policies may match the German, Japanese, French and Chinese counterparts, the UK does not compare well when it comes to the coordination of policies
- At the policymaking level, analysis and decisions in the UK are disjointed across ministries and agencies. Policy is largely generated from a 'top down' approach and the institutional structure for collaboration and coordination is inherently absent
- The authors find that a consequence of the policy inconsistency and poor coordination is that UK industrial policy lacks adequate information feedback channels from outcomes to the policy process; there is a failure to learn or to build on successes.
- To produce a policymaking practice that is forward-looking and long termist, the UK needs to develop better policy processes, requiring an institutional framework that would enable an effective capability for information gathering and analysis and a learning mechanism to ensure that information gathered and evaluation of outcomes is the primary force shaping industrial policymaking (as opposed to political lobbying)
- The UK also needs an independent oversight body to evaluate the efficacy of its industrial policies. The provision of independent scrutiny would deliver credible and actionable information to Parliament and guidance for future policies. Conferring statutory status would be crucial to provide institutional longevity.
- The UK should consider a special purpose vehicle to mobilise long-term industrial policy initiative. Here, the state typically utilises arms-length investment institutions (such as a sovereign wealth fund or a venture fund) to mobilise industrial policy initiatives that work alongside competitive market forces to ensure financial discipline in its interventions. The developmental mandate forces these institutions to incorporate a long-term horizon into their strategic planning and investment decisions and a key outcome would be more competitive and productive companies plus investment in infrastructure, regional and human capital development