

**NATIONAL INSTITUTE OF ECONOMIC AND SOCIAL
RESEARCH:
PRESS CONFERENCE
Tuesday 29th October 2019
Opening remarks by the Director**

Good morning. Welcome to the National Institute of Economic and Social Research for the release of our November 2019 *Review*, which is the 250th issue in a sequence dating back to 1959. As we enter another prolonged delay in Brexit and political stasis, reform is our keyword this month. As well as commissioning Review articles to outline a fundamental reform of the UK's policy framework, we have also published an Occasional paper on the need for monetary reform. The prospects for the UK continue to depend both on the nature of our exit from the EU but ironically also on the prospects for the global economy, the most important of which is the rest of the EU.

The news from the rest of the world is not good. Recent international data indicates that the global output growth cycle may have peaked and we expect global GDP growth to be slower than in the past two years. Tariff increases, trade disputes as well as some reduction in production in key emerging economies have contributed to slowing growth. Compared to our expectation at this time last year, the flow of news is such that world growth this year will be significantly lower than we had anticipated.

The short run prospects for the UK economy will continue to depend on the final settlement on exit from the EU. We have analysed each of the possible exit doors since May 2016 and, although the long run response of the economy will still depend on the final deal, the chronic uncertainty that has enveloped decision-making has meant that the UK economy will be some 2-3% smaller than it would otherwise have been by the end of this year.

We not only live in interesting times but also perilous ones. The weaknesses of the post-war consensus on macroeconomic control was laid bare by former Deputy Director of this Institute, Christopher Dow, in the 1960s with the subsequent implosion of demand management in the 1970s.

It can be argued that we are now living through a near break-down of the liberal rules-based consensus that dominated the subsequent period of policy making. The implosion this time has not yet fully worked itself out.

Rules for countercyclical monetary and fiscal policy have not been sufficient to lay the foundations for a sustained growth in living standards or a perception that such a return to growth is around the corner. Growth in other and distant parts of the world has not only imparted a disruptive shock to advanced economies such as the UK but also changed fundamentally the relative importance of the UK in the matrix of world power.

The effects of the 2007–8 financial crisis, at which the UK found itself at the epicentre, have been controlled but much of the scarring remains in a manner suggested by former Institute researcher, Sig Prais. Whilst jobs have been created and standards of living have been stabilised, the lack of investment has left the country in need of social and enabling capital and has meant that the economy has not been projected onto a particularly dynamic trajectory. Economic performance has continued to be moribund and lacking in any great dynamism. The failures have built up resentment towards both expert and political classes.

Put simply, the correction of short-term macroeconomic policy in the 1980s and 90s did not translate into the correction of long-term economic problems. The special collection of papers and our first ESRC Festival of Social Science (over the course of 4th to 9th November) on the problems faced by Britain that go beyond Brexit provide an agenda for the reform of the British political, economic and administrative landscape that will help secure a more robust future for the peoples of these islands.

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