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To help grow prosperity, let's focus on people and not places – such as towns

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Stian Westlake describes it as the "Strange Death of Tory Economic Thinking". Conservatives have ceased telling an economic story about why they should govern, and how. Sure, there's still the odd infrastructure announcement, or tax change. But, since Theresa May became leader, the governing party has shirked articulating a grand economic narrative for its actions.

This is striking and problematic. From Macmillan to Thatcherism to deficit reduction, the party's success has coincided with having clear economic agendas, gaining credibility for taking tough decisions in delivering a shared goal. But, arguably, deficit reduction masked a secular decline in interest in economics. David Cameron and George Osborne, remember, wanted to move on to social and environmental issues until the financial crisis and its aftermath slapped them in the face.

Now, with the deficit down, economics is in the back seat. Fiscal events are low key and economic advisors back room. To the extent the dismal science is discussed, it's as a means to other ends, or a genuflect to "Karaoke Thatcherism."

In short, I think Westlake is right: the Tories do not have an economic story and, post-Brexit, it would be desirable if they did. So we should thank both him and Sam Bowman (formerly of the Adam Smith Institute), who have attempted to fill the vacuum. In a rich and interesting new paper, the pair set out to diagnose our key economic ailments and develop a Conservative-friendly narrative and policy platform to ameliorate them, even suggesting reform of the Right's institutions and think-tanks in pursuit of the goals.

Such an effort deserves to be taken seriously, though not everyone will agree with their starting premises. It is assumed, for example, that Conservatives believe in markets and want to maintain fiscal discipline, which bridles against recent musings from Onward or thinkers such as David Skelton.

But, again, the key economic problem they identify is incontrovertible: poor economic growth. Weak productivity improvements since the crash have been both politically and economically toxic, lowering wages, investment returns, and necessitating more austerity to get the public finances in structural order. And the nature of modern innovation, arising from clusters and intangible assets, means that growth that is experienced isn't always broadly shared.

Their agenda's aim then is to achieve both concurrently: maximize the potential of the economy by taking policy steps on planning, tax policy, infrastructure, and devolution, to increase investment levels, allow successful cities and towns to grow, and to connect "left behind" places to local growth spots through good infrastructure. None of their ideas are crazy. Indeed, I would support the vast majority of them.

And yet, something bothered me about their narrative. In line with the current zeitgeist, they too discuss "places" and their potential, as if towns and cities are autonomous beings. My fear is this focus – shared by those who want to regenerate "left behind" areas – creates unrealistic expectations about what policies can achieve in a way that undermines a pro-market agenda. Importantly, it warps what we should really care about: "left behind" people, not left behind places.

A people-centred narrative recognises that just as firms fail in the face of changing consumer demands and global trends, so high streets, towns, cities, and even regions will shrink too. As Tim Leunig once said, coastal
and river cities that developed and thrived in a heavy manufacturing, maritime nineteenth century world might not be best placed to flourish in a service sector era of air and rail.

A true pro-market policy agenda would admit -and that's ok. Or at least, it should be, provided we understand that raising growth and sharing prosperity requires adaptation, not regeneration. That means removing barriers for *people* either to move to new opportunities or have control to adapt their situations to ever-changing circumstances. This might sound Tebbit-like ("get on your bike"), but really it's just saying policy must work with market signals, not against them.

Today though, interventions actively work in a sort of one-two-three punch against inclusive growth and adjustment. First, we constrain the growth of flourishing cities. Tight land use planning laws around London, Oxford, and Cambridge contribute to very high rents and house prices, and prevent these places benefiting from growing to obtain thicker agglomeration effects.

This contributes to the "left behind" scandal, but not in the way people imagine. When rents and house prices are higher in London and the South East and we subsidse home ownership or council housing elsewhere, it's low productivity workers from poor regions that find it most difficult to move given housing cost differentials. As a result, they get locked into poorer cities and towns that would otherwise shrink further. That's why Burnley, Hull and Stoke are the most egalitarian cities in the country, whereas prosperous London, Cambridge and Oxford are the most unequal, even as inequality between regions has intensified.

Having restricted people's mobility through bad housing policy, we then impose one-size-fits-all solutions and subsidies which dampen market signals further. National minimum wages, fiscal transfers, national pay bargaining, and more, might be designed to alleviate hardship, but they deter poorer regions from attracting new businesses and industries by trading on their market cost advantages. Then, to top that off, we compound the problem further by centralising tax and spending powers, preventing localities from prioritising their spending and revenue streams to their own economic needs.

Now, as it happens, Bowman and Westlake's policy agenda is perfectly compatible with assisting "people" rather than "places," precisely because it's market-based. They advocate planning liberalisation, a flexible right to buy, and stamp duty, all of which would improve labour mobility. They prioritise infrastructure spending based on benefit-cost ratios, making investments more profitable with sensible tax changes, and devolving more transport power to regions and localities. All, again, will help facilitate areas adapting to changed economic conditions, rather than reviving Labour's failed top-down regeneration attempts.

But pitching this as a city and town agenda still risks creating the false impression that the net gains from “creative destruction” nevertheless can be achieved without the destruction, and that all places can thrive in the right policy environment.

One can understand why they framed it in this way. Their aim is to persuade the party and its MPs of their platform. Anti-market commentators would call them fatalistic and “abandoning” places if they acknowledged the downside, as if facilitating more free choice amounts to design.

Successful past Tory economic narratives, though, willingly acknowledged hard truths. Deficit reduction entailed tough choices to curb spending. Thatcherism entailed making the case for letting inefficient industries fail. If a new Tory vision is serious about raising productivity growth and spreading opportunity for *people*, it will have to confront the inevitable market-based adaptation for some *places*.

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