If May is serious she’ll ditch Osbornomics
Mariana Mazzucato and Michael Jacobs

The PM’s inequality speech could have been lifted from Ed Miliband. But it’s what she does that counts.

theresa may’s one substantive campaign speech before taking office as PM was striking in highlighting the need to address inequality, low productivity, excessive executive pay and the lack of an industrial policy in Britain. These are not problems caused by the EU or immigration, but by longstanding structural issues with the economy left unattended by previous governments.

in his final statements as chancellor, George Osborne made the extraordinary claim that the economy is in a strong condition to face the uncertainties of Brexit. the opposite is the case. Fiscal austerity – even with interest rates at rock bottom – has drained demand. Business investment has not returned to its pre-financial crisis trajectory. And companies are obsessed with short-term returns, not long-term investment and innovation. While executive pay has soared, in the eight years since the crisis real wages have suffered their sharpest decline since records began.

May’s speech acknowledged the need for a radical change of direction.

Reform of finance is vital, to boost investment and to rebalance the economy towards manufacturing and exports and disadvantaged regions. But this requires a shift of focus, from the quantity of finance to its quality. Long-term, strategic and “patient” capital is needed. With the government able to borrow at close to zero interest, a state investment bank should be set up to create demand and support innovation. To drive up employment and wages, austerity has to be reversed, with public spending driving demand.

This is not only about infrastructure but providing a new direction and vision to transform production, distribution and consumption in more sustainable ways. A market-shaping framework understands that wealth is created by the private and public sectors, and the rewards need to be shared as much as the risks. Inequality is as bad for prosperity as it is corrosive to society.

And if growth is not low carbon, it cannot be sustained at all. The inclusion of “industrial strategy” in the name of the reformed business department is promising if it signals a true integration of policy. It could even become the basis for a green transformation of the economy rather than, as some fear, a downgrading of climate change.

We will find out if May means what she says in the weeks ahead. So far it does not look reassuring, with the government’s reaction to the ARM sell-off suggesting no substantive change in direction. ARM is a reminder of the long-term public investment in technology the UK used to make, not a reason to celebrate that the country remains “open for business”.

Globalisation and technological change create huge challenges for economies, but they are not uncontrollable forces of nature. it is time to make different choices, and show that capitalism can be remade.