

THE CHOICES WE FACE

BUILDING
ECONOMIC
DYNAMISM:

Can the West Grow Again?

DAVID FROST



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“If things are left to themselves, it is my clear opinion, that a nation may slide down fair and softly from the highest point of grandeur and prosperity to the lowest state of imbecility and meanness, without anyone’s marking a particular period in this declension, without asking a question about it, or in the least speculating on any of the innumerable acts which have stolen in this silent and insensible revolution. Every event so prepares the subsequent, that when it arrives, it produces no surprise nor any extraordinary alarm. I am certain that if pains, and great and immediate pains, are not taken to prevent it, such must be the fate of this country.”

— Edmund Burke, *Letter to the Marquis of Rockingham*, 1775.¹

Virtually every Western economy is living through a period of slowing growth and, in some cases, actual stagnation. The prevalent explanation sees the problems as temporary, relatively recent, and caused by specific phenomena such as the COVID-19 pandemic, the Ukraine war, energy disruption, supply chain difficulties, and in the United Kingdom, Brexit. But, in truth, the problems go a long way further back. Since 2008, European G7 members and Canada have had growth rates of under a third (sometimes well under) the rates of the 40 years before that. Even Australia, one of the relative successes, has grown at only half its historical norm, and the United States at two-thirds. Something is clearly going wrong.

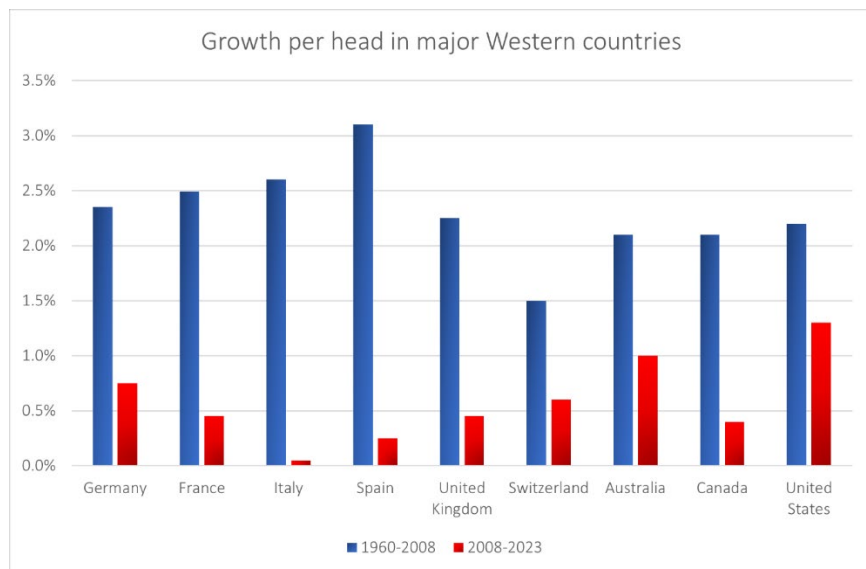


Figure 1. Source: IMF, GDP per capita, constant 2015 US\$, Indicator series NY.GDP.PCAP.KD.

For most, 2008 was indeed the inflection point, with the financial crash, and the problems stored up before that being the immediate cause. For some Europeans, joining the Euro, or efforts to join, caused slower growth from around the turn of the century. But of course, the real question is not “when” but “why”.

Every country has its own specific problems which were allowed to escalate in the “good” years. The United Kingdom, for example, suffers from low investment rates in both the public and private sectors, a particularly unproductive public sector in which productivity levels have not improved for 30 years, and a uniquely restrictive planning system which makes it very hard to build houses and infrastructure of any kind. France has long suffered from an expensive and seemingly unreformable pensions system, an inflexible labour market with high structural unemployment, and a large public sector with the consequent high tax burden. Germany suffers from low rates of innovation, an ossified industrial structure, increasingly degraded energy and transport infrastructure, and, of course, the persistent drag of trying to bring the old East Germany up to Western standards.

But behind all this are deeper challenges common to all Western economies and with which all have, to differing degrees, failed to grapple. While the problems manifest themselves in the economic numbers, they in fact stem not only from economic failings but also from a range of cultural and political factors which have themselves shaped what is possible to achieve economically. As a result, many Western countries have got into vicious circles in which the cultural, political, and economic problems are mutually reinforcing, making the underlying causes of the difficulties hard to identify satisfactorily, and making it hard to mark out a different direction.

This paper takes a step back to look more deeply at these underlying problems. It examines the causes of Western economic difficulties and sets out the choices we face in dealing with them. Making the right choices is crucial to whether the West, or at least major countries within it, will continue its relative decline or can forge a better path forward.

What Lies Behind Our Problems? What Caused Our Decline?

Fundamentally, much of the West has got into a vicious circle of decline. In short, the end of the Cold War removed the pressure to remain productive and to constantly demonstrate the superiority of the “Western model” of free markets and free nations. Complacency set in among our institutions and political and cultural elites, who bought into the “end of history” narrative. As a result, bad policy ideas were not subject to real-world counter-pressure, and the intellectual environment trended in a collectivist direction: an expansion of government, leading to centralisation, regulation, and other state interventions that undermined market competition. This in turn produced poor economic policy, causing poor economic outcomes and social conflict, driving the political environment further towards collectivisation and a technocratic approach to mitigating these consequences, and making economic policymaking worse still. This system now has its own internal dynamism, and, in many countries, it looks near impossible to break out of it.

Of course, the starting point of each country is relevant to how far this deterioration has gone. For example, the centre ground of economic and political debate in the United States was much further to the right than in Europe. Still, economic policymaking visibly started to deteriorate in the first decade of the twenty-first century. Europeans, by and large, started further to the left in their political and economic environments generally; built up high levels of debt and entitlements more quickly; saw this collectivist

economics feed into politics and the earlier growth of a populist trend in politics to both left and right; are still more corporatist in policymaking; and as a result face formidable challenges in finding a way out of their current difficulties.

The End of the Cold War Removes the Pressure to Stay Ahead

The Western economic and political vicious circle began, paradoxically enough, with the victory in the Cold War. The West's triumph meant that Western superiority came to be an axiom of policymaking: it no longer needed to be proved. Because Western models seemed to have no real competitors, it no longer seemed necessary to invest in and to maintain the economic and political arrangements that had produced success. Economic and political problems came to be seen as essentially technocratic in nature, with no debate over which "system" was best—which ideas were foundational to flourishing—and touches on the tiller were thought to be capable of keeping a modern free market economy on the road, without trade-offs and without dramatic costs. As Gordon Brown often put it in a phrase now indelibly associated with him, though the sentiment was widespread, it seemed possible to have an "end to boom and bust".

The consequence was a growing reluctance to accept costs and political pain. Gradually, it came to be seen as the job of the government to run the economy so as to avoid these things. The normal churn of a market economy and the periodic recessions that came with boom and bust were seen as unnecessary, even dangerous, phenomena. Across the West, crises and disruption gradually ceased to be seen as an inevitable part of normal life, to which even successful countries should adapt, but as events which could be avoided altogether with appropriate governance. If crises did nevertheless occur, governments should protect their citizens, doing whatever it takes to keep normal life unchallenging and undisrupted. Here lay the mindset that would eventually lead policymakers to keep interest rates super-low to avoid recessions, to prefer stasis and "do no harm" to risk-taking and change; and to make citizens fragile, ever more concerned about risks and danger, and ever more ready to call in the government for protection and support.

Bad Policy Ideas are Not Countered: The Intellectual Environment Starts to Go Collectivist

Once the guardrails were removed, and lacking a proactive defence for the virtues of a free, capitalist system, we drifted in a collectivist direction. Various pernicious

intellectual tendencies started to become apparent, all to some extent linked and mutually reinforcing.

One was the growth of “climatism” and the influence of a “sustainability ideology”, coming of age in the mid-2000s and driven by efforts to “save the planet”. The very top-down, government-directed methodology used to deliver carbon reductions—one that places restrictions and penalties on private enterprise and private life, rather than embracing the tremendous capacity that free individuals and free enterprise have to solve our most complex problems—has culminated in the net zero policy of recent years. This ideology has had the effect not only of putting major capital allocation choices in the hands of the state, but also of politicising an increasingly large number of the normal actions of day-to-day life. With increasing taxes and state-directed stipulations on driving, flying, disposing of one’s household waste, and much more, populations have grown psychologically used to having the state guide them to make the right decisions, rather than expecting to make their own choices. Gradually, we have come to see collective, government-directed activity as the only way of dealing with our political and economic problems.

Another such intellectual tendency was the doctrine of postmodern and relativist ideology that would later become known as “woke”. The proliferation of such ideas through the academy as well as their historic and philosophical origins has been detailed more thoroughly elsewhere. For the purposes of this paper, it was in the mid-2000s that “diversity” first became a familiar word in professional environments. Little by little, first in the United States, then in the United Kingdom, and then in the rest of Europe, there became established first a regime of group rights and then a postmodern vision of society—one not characterised by truth, meritocracy, and the primacy of the *individual*, but by past and current injustice and power relations between *groups*. Society came to be seen not as a collection of individuals with their own aspirations, unique talents, and personalities, but as a set of groups, defined by characteristics of “identity”, in which establishing membership (through “identification”) became the best way of securing rights and protections. This distorted the sense of one’s place in society as a free individual, and as a result, in the experience of many, the sense of belief in one’s agency and talents to take risk and succeed. This worldview was institutionalised through legislation, for example with the 2010 “Equality Act” in the United Kingdom; and was reinforced within wider culture and the marketplace, as businesses increasingly invested their resources in Diversity, Equity, and Inclusion (“DEI”) initiatives and other social agendas irrelevant to their primary business objectives.

Finally, we saw the decline across much of the West of a belief in the value and legitimacy of the democratic nation state, in the sense of a well-defined territory with generally common cultural and political assumptions. A postmodern suspicion of borders arose, coupled with the presumption that citizenship was entirely fungible—that anyone from anywhere in the world, whatever their cultural background or societal experience, could become a citizen of a Western country. This change began to sap away at the accepted Western sense of nationhood as the broadest expression of one's identity, held together by a strong sense of cultural solidarity. Many came to see the nation as little more than an "economic zone" devoid of a cohesive and positive identity and, simultaneously and consequently, a locus for identity politics and the politics of grievance. This trend has been strongest in Europe, where the European Union, built as it is on the post-war German view of the nation state as tainted, has created a politics that is now neither fully national nor fully transnational. But everywhere there has risen the view of the nation state as an unsatisfactory inheritance from the past, prone to nationalism, exclusivity, and bigotry, and destined to be replaced by international governance based on a global system of treaties and law.

Collectivism Produces Poor Economic Policymaking

It was inevitable that this mentality would lead to poor economic policy. The determination to shield voters from costs and risk, and to protect them from the consequences of poor decisions, led to policies which at first seemed manageable but ended by becoming both unsustainable yet hard to unwind.

Notable among these have been the following.

First, there are the consequences of the sustained policy of low interest rates and quantitative easing for the best part of 20 years. This results from central banks' and governments' repeated resistance to contemplating a downturn in response to an overheating economy. It began with the outworking of the tech crash in 2000, but was repeated dramatically with the 2008-9 bank collapses and the subsequent 2010-11 eurozone crisis, and then again through and after the 2020-1 pandemic. The effect of governments' gradual semi-socialisation of the financial system helped strengthen the mentality that "the government would always be there for you". If the government could bail out people as "guilty" as bankers, why could it not bail out everyone who ran into trouble?

The consequences have been malinvestment and a failure to shift resources from declining to growing sectors of the economy, as the low cost of debt keeps failing sectors alive. Huge asset price inflation—bubble gains to those lucky enough to be asset-holders early on in the process—is generating in many Western countries, major intergenerational tensions, as young people find that the social contract no longer functions as it once did. In many countries, housing inequality has become a burning political issue, reinforced by migration and the failure to build to accommodate a growing population.

Second is the failure to adjust politics to a low-growth environment. The lack of understanding that policy and intellectual trends were creating a static economy meant that policymakers and voters could be led to believe that growth was always just around the corner. As a result, expectations never adjusted to the new circumstances. Because there was no sense of crisis it was not possible to reduce spending on public services or on transfer payments (in fact the reverse has happened in most countries—and indeed it is often assumed that such expenditure will always increase as the population ages and becomes ever more reliant on health and care services). Increasingly pensions systems and future state liabilities are unfunded, causing an incipient crisis of confidence among the young as to whether the related commitments will ever be honoured for their generations. Here too are further causes of the growing intergenerational divide.

Third, the pervasiveness of climate ideology has resulted in a gradual decline in energy and electricity production—both absolutely and per capita, beginning in Europe but now happening more widely—a concomitant increase in costs, and hence a decline in energy consumption too, making it harder in Europe in particular to sustain energy-intensive industrial activity.

Fourth, an ever-growing regulatory framework and stifling planning laws have made it increasingly challenging for businesses to invest and expand. The National Environmental Policy Act (“NEPA”) in the United States has acted as a block to industrial investment, giving ammunition to over-zealous litigators and causing significant delays to industrial projects.² This has been even more the case in the United Kingdom, where the High Speed 2 (“HS2”) railway project is having to invest over £100 million to protect bats on a small section of the line, thanks to a stringent regulatory compliance burden that requires over 8,000 consents related to planning, transport, and the environment.³

Fifth, and finally, as markets gradually ceased to function well, policymakers increasingly took the view that the decisions of clever people could be an adequate substitute for the information conveyed by the price mechanism. The belief gradually became established that the state could, in principle, know best how to manage the economy—far beyond the legitimate purposes of national security and sovereignty—and could centrally plan the development of certain sectors over others well into the future. Similarly, there was growing reliance on the concept of depoliticised economic policymaking: the generalisation of the independent central bank model to other sectors of the economy, with the creation of super-powerful regulators only uncertainly directed by elected governments. The result of this shift in governance is that financial services regulation, media regulation, and budgets and fiscal policy are all managed increasingly technocratically, far from democratic accountability, and increasingly far from market forces too.

Zero-Sum Conditions, Division, and Stagnation

The gradual destruction of first the macro and then the micro economy, the clogging up of the arteries of Western economies, became visible to all after 2008. Countries recovered at varying speeds from the immediate effects of the crash, but none, even the United States, have sustained their pre-2008 performance. The lack of dynamism has shown up in the figures increasingly clearly, and in some cases there has been stagnation or even decline in GDP per head. With the exception of the United States, and to some extent Australia, Western economies are approaching zero-sum stasis, a situation in which gains for one group can only be made at the expense of another. This environment is ideal for lobbies of all kinds, for corporatism, for bureaucracies with blocking power, and for a decline in risk-taking and innovation.

Social and Economic Tensions Rising

The social consequences are also becoming clear. In most countries, there has been a growth in social conflict, whether it is trade union led, rural versus urban, or “elites” versus “deplorables”—as one would expect in a zero-sum society. Friction is increasing between groups defined by identity politics and between migrants and the existing population. In many countries, ethnic or political antagonisms have been imported (for example from India-Pakistan or Israel-Palestine) as the common civic bonds of democratic nation states start to fail and communalism and sectarianism start to

grow. And as societies grapple with the reality of unfunded pensions and other state liabilities, generational conflict becomes an ever more real prospect.

The political response in most countries has not been to seek to increase the size of the economic cake, but to blame market economics and “capitalism” for the failures, and to turn to other philosophies as the basis for distributing it more “fairly”.

Loss of Faith in Capitalism

It is hardly surprising that when opinion formers and policy makers have themselves lost confidence in the power of free markets and the value of economic growth, they do not seek to persuade others of them. Across the West there has been a failure to explain the causes of our discontents, to explain that the problems are caused not by capitalism, freedom, and markets, but by the *lack* of them. As a result, there is now little understanding of how the fundamentals of a free-market economy work, why prices are important, why incentives make a difference, or why high tax, spend, and regulation undermine effort and investment. There has been a collapse in confidence that free peoples can solve their problems without the involvement of government. This status quo, of course, suits elites, establishments, policymakers, and lobby groups of all kinds, for it gives them a role and greater influence in a society that is gradually ceasing to operate on market principles.

The consequence is the return of belief in socialism and communism as an ideology, especially among the young. In 2023, over 40% of all voters in Australia, Canada, and the United Kingdom, and nearly a third even in the United States, described socialism as the ideal economic system.⁴ It is fashionable to be a communist again, as the memory of “actually existing socialism” in the old Eastern bloc fades from historical memory.

Of course, such ideas have always been stronger in Europe and European-influenced countries, and many of us have been able to take comfort in the fact that, however much Europeans went off track, capitalism and economic freedom would always prosper in the United States. As the poll above shows, that is now changing and doing so rapidly. One of the worst and most worrying signs of our deterioration is the sudden attractiveness of economically and culturally far-left ideas in the United States. Unless this changes, we risk seeing the collapse of the “arsenal of good ideas” that has kept other Western countries broadly on the right track.

Decline of the “Free Space” as the Government Encroaches

In parallel, we also see a decline in the concept of a “free space” for individuals free of government. We may, indeed will, never get back to A.J.P. Taylor’s nostalgic description of pre-1914 Britain, a place where “a sensible, law-abiding Englishman could pass through life and hardly notice the existence of the state, beyond the post office and the postman”.⁵ But no country is even trying to return to this existence. The free space enjoyed by individuals for most of the twentieth century in free Western countries has been significantly closed off, a phenomenon which some call “soft totalitarianism”—that is, the seemingly growing acceptance that the state has the right to co-opt individuals into its publicly defined goals, or at least to require no public dissent, as opposed to the traditional vision that the state holds the ring for private individuals to freely pursue their own goals as they see fit.

This shift became visible to all during the pandemic and the subsequent lockdowns. “Stay at home and trust the government to look after you” was in many ways the culmination of the trends of the previous couple of decades. Indeed, the lockdowns would probably not have been possible without the gradual, insidious collectivisation of Western life over this period. But equally important was the implicit message of “stay at home and don’t dare to dissent”, a message which for a time killed off normal political debate, and which has left a long-run legacy in the management of, and attitudes to, free speech.

In this world, taxes on well-defined externalities have gradually transformed in many cases into “sin taxes” on all kinds of activities disfavoured by government; the use by private individuals of private land and property is increasingly constrained; those receiving government money are thought to have ceded their right to dissent from state DEI ideology in the public sphere; and simple free speech by individuals is increasingly limited. Business, banks, regulators, publicly funded charities have all been gradually co-opted into enforcers, the apotheosis of which we saw in the actions against the Canadian truckers in 2022. There is a growing assumption that the state has the right to impose a degree of ideological conformity, at least in public, in return for operating in the public sphere. This is new in Western societies. It will make it harder to freely debate the direction of travel, and is bound to constrain entrepreneurialism, experimentation, and innovation.

A Sense of Managed Decline and Despair

All these factors have led us to where we are now in the West. Growth is declining, and, in some countries, we are starting to see actual degrowth. Energy, creativity, and risk-taking are weaker and often moving to elsewhere in the world. The loss of the driving power behind of our economies has weakened Western influence and already it is obvious that our foreign and defence policy is not consistent with our real power.

In many countries, a deep sense of resignation has followed. Politicians are mistrusted. Voters are increasingly doubtful that policymakers can master the problems they now face and, as a result, sense the best that is on offer is gradual, managed decline. This atmosphere generates the “permacrisis” that so many describe.

Are our problems really worse than in the past? Is the pessimism justified? Certainly, individual Western countries have faced something like this before, notably the United States and particularly the United Kingdom in the 1970s. In those cases, it proved possible, with the right kind of leadership, to dig a way out of the hole. What is perhaps different now is the sense of doubt about the whole Western model, and the fear that others with more authoritarian systems may be doing better, a sense that is reinforced by the quantifiable relative decline in Western power that comes as others start to catch up.

Restoring Our Belief in Market Economics and Reviving the Nation State: The Choices We Face

We can indulge in our continued pessimism—or we can try to find a way out. That is the choice before us. We should take strength from the fact that the decline of the West has been predicted many times before, yet we are still here, and for all our weaknesses we still have considerable power and considerable resilience. There are solutions available to us to forge a better path forward, but they must be grasped with determination and with the understanding that sacrifices and trade-offs are required.

We face three fundamental choices if we are to change the current trajectory.

First, we can continue to accept the status quo and follow a path of stagnation or decline, or we can choose to face up to reality and recognise that moving forward is not

only possible but necessary if we are to enjoy the rewards of growth, even though it will be difficult and painful: we are past the time for easy answers.

Second, we can choose, collectively as nations and individually as people, to discard our heritage and surrender our identity and responsibility to supranational organisations, or we can choose to recover our national inheritance and revalidate the democratic nation state as the best way to make the political choices which in the long run foster economic growth.

Third, and finally, we can choose to abandon confidence in the economic system that has been the source of prosperity and flourishing, or we can choose to recover and strengthen a belief in market economics, in the self-organising properties of a free society, without which growth is very unlikely to return.

Success depends on making the better choice at each stage. If we do not face our problems, we will never solve them. If we do not recover the nation state as the basis for politics, we will never re-establish the connection between politicians and voters or recreate the collective purpose and solidarity needed to carry through the difficult reforms that will be necessary to get economic growth going again. And if we lose our confidence in market economics, and come to believe that managed economies work better, we will never recover our dynamism.

Choice 1: Facing Up to Our Problems

Western societies have had 30 years of failing to face up to our difficulties. In the early post-Cold War period our problems were merely incipient. Since then, they have grown, and rather than facing up to them, we have each time put off hard decisions at the price of storing up problems. Large deficits, huge debt levels, crumbling infrastructure, and declining energy production are the results.

But because there has been no unmanageable system-wide crisis, the realities of our situation are not visible to many citizens and voters. Low growth, declining incomes, high levels of social conflict—all these have come to seem the normal facts of existence rather than what they are—the evidence of deep pathologies. Hardly anyone has lived in a genuinely flourishing society. In his brilliant book, *Mass Flourishing*, Nobel Prize-winner Professor Edmund Phelps writes:

“There is no longer in America or in Europe a sense of what mass flourishing was like. Nations with brilliant societies a century back, say, France in the Roaring Twenties, or even a half-century ago, say, America in the early sixties, have no living memory of wide flourishing. Increasingly, the processes of a nation’s innovation... are seen as a pain that upstart materialist societies were willing to endure to increase their national income and national power, but that we are unwilling to endure any longer.”⁶

The situation is aggravated by the fact that, even now, relatively few Western citizens visit parts of the world where growth and flourishing are more in evidence. In the slowdown of the 1970s, the social decay in the United States and the economic collapse in the United Kingdom were outliers. One only had to go to France or Germany, or indeed Japan, to see societies that were visibly doing better. Now the pathologies are widespread across most Western countries. To get a stronger sense of the contrast, one must visit many of the dynamic hubs of East, South-East, or South Asia where flourishing and dynamism are much more apparent—but few do. More, perhaps, go to the Gulf, and it is noteworthy that, anecdotally at least, Westerners are beginning to contrast the rapid transformation of the Gulf states with the stasis in their own societies.

Here lie the glimmers of hope. In my view, many Western citizens do understand that something is going wrong, even if they are not able to articulate exactly what or why. I believe that many will respond to leaders who tell them the truths about the situation and are honest about the fact that getting out of the difficulties will involve pain—and that ignoring the problems will result in more pain in the longer run. We may sense this in the growing wish for politicians who demonstrate “authenticity”—honesty about what they think, rather than packaged leaders sticking to agreed and tested lines. A wish to grapple with ideas may be seen in the turn away from the mainstream media and the growth of longform podcasting and videos. A genuine political opportunity exists for leaders who can show they understand the problems and can articulate a plausible, if difficult, way out of our problems.

So that is the first choice we face. Can we collectively, as societies, find it in ourselves to face up to our problems, recognising that moving forward is not only possible, but necessary, if we are to enjoy the rewards of growth? Or do we turn away, indulging in palliatives, telling ourselves that everything is fine, but knowing in our hearts that we are making things worse by postponing tackling our difficulties? Will leaders step forward who can be both honest about the problems and paint a picture of the solutions?

Choice 2: Reviving Our National Inheritance

The democratic nation state, a defined collective community with a meaningful *demos*, is the best way so far found to manage politics and economics peacefully within a defined political community. As Roger Scruton opened his great pamphlet *The Need for Nations*:

“Democracies owe their existence to national loyalties—the loyalties that are supposedly shared by government and opposition, by all political parties, and by the electorate as a whole. Wherever the experience of nationality is weak or non-existent, democracy has failed to take root. For without national loyalty, opposition is a threat to government, and political disagreements create no common ground.”⁷

The decay of the nation state as an idea over the last 50 years in the West has not been replicated in the rest of the world and has not been replaced in the West by any equally successful political model. Rebuilding it so that the nation state once again becomes the basis for democratically legitimate politics, based on a real sense of “us”, is now an urgent task if the connection between policymakers and citizens is to be re-established. The European Union, in particular, must decide whether it can make the leap to being in itself something like a genuine state, on the basis of a genuinely European *demos*, or whether Europeans’ goals are best fostered through repatriation of powers and more policy competition between states. The current situation, neither one nor the other, is damaging to democratic accountability and hence to the effort that is needed to restore dynamism.

None of this requires complete ethnic or cultural homogeneity. What it does require is a *demos*—a population enough of whom put their country and their fellow citizens first, with a common sentiment of belonging and a common sense of allegiance to a territory, borders, and a government which is democratically legitimate and perceived to work effectively. All these things are now weaker across the West than 30 years ago.

This weakness matters because such nation states are the most effective framework for economic growth yet discovered. States with strong cohesion and a strong sense of purpose are best placed to bear the costs—the churn and change—of economic dynamism. States with a strong democracy and a strong connection between the voter and political class are best placed to create clear channels of accountability and to bring to bear an effective policy mandate. States which have lost their political *raison d’être*

and not replaced it with anything else, which have ceased to believe their future will be better than their past, lose their dynamism and eventually start to decline.

Changing this situation means taking on two broad tasks. The *first* is rebuilding the central features of the Western state model. It means reforming state machinery such that it can deliver the wishes of elected politicians and does not have an agenda of its own. It means getting borders and migration under proper control so that the nation is based on a defined area into which access is controlled on the basis of agreed principles. And it means spending properly on the core tasks of government: defence, a court system, fighting crime, and more so that citizens can be confident that the state can properly protect them.

Achieving this in current circumstances requires us to take on the *second* task: to re-establish and re-legitimise a discussion about Western values, about the kind of cultural and societal norms that suit Western states, as a more explicit basis for policymaking. That will involve, in many cases, being choosier about immigration, both as regards numbers and source countries, with a greater focus on the likely values alignment of immigrants. It will also involve an explicit revalidation of the value attached to Western civilisation and the particular version of it established in each country, with a greater focus on properly teaching history and proper appreciation of our cultural, literary, and scientific achievements. It is also likely to involve a reappraisal of the contribution of Judeo-Christian values and heritage to that civilisation.

So, this is the second choice we face. Will we continue on the current path of weakening Western nation states from within and without? Or can we step back from the globalist and internationalist values that have done so much to weaken the democratic nation state as an arena for politics, without putting anything better in its place?

Choice 3: Restoring Our Belief in Market Economics

The third choice involves getting serious about economics again, dropping fantasy ideas and returning to tried and tested ones: that is, to return to free markets, economic freedom, and a smaller state as the basis for delivering a recovery in growth rates and wealth creation.

Western countries must choose to resist the tendency to be post-liberal in economics, to believe that the stronger state required to re-establish an effective democratic nation state is also the right tool to direct prosperity and growth. The stronger nations

and governments advocated above cannot themselves deliver prosperity: all they can do is establish the right framework for free human action. The empirical evidence is that a lower tax burden together with, crucially, a less intrusive state and the different attitude to government that normally (if not always) goes with that, produces higher growth over time. Unless we can be honest about this, Western wealth and power will simply not recover.

This is not to say that there can never be intervention in the economy or that we can never soften the results of the market. Nor is it to say that economic policy cannot be drawn up with an eye on non-economic goals—for example, national security needs for vital goods, or on supporting the family. It obviously should be. But it does mean that, other things being equal, the best policy is to liberalise, to have the best possible business environment so as to generate investment and growth, to trust in openness and competitive forces to reinforce it, and to accept that such an environment requires accepting a degree of turbulence, of churn and change, of disruption in society. That churn and change is best mitigated by doing all we can to create a strong society that can support the necessary adjustments; not by restricting that change or by endlessly committing the state to pay up to mitigate its consequences.

The specific prescription will vary country to country. But overall, there needs to be a huge attempt to reverse the economic collectivisation and regulation that has dominated the past 30 years, and to move away from the belief that “government knows best”. There needs to be a determined attempt to end deficit financing; to shrink the size of the state and taxation levels; to recreate incentives for entrepreneurs; to reverse the net zero policy and produce cheaper, more abundant energy; to remove the vast corpuses of legislative regulation that now dominate economic activity in Western countries; to intensify competitive forces in the economy and to dismantle corporatist “blobs” backed by the state; and, in many countries, to rebuild and renew infrastructure of all kinds and build housing. There will need to be reductions in welfare transfer programmes over time—which will be a hard political sell as these programmes are no longer paid only to the poor, but go a long way up the income scale. To generate the necessary momentum, it may be required to look more seriously at encouraging ways for individuals to opt out of public services and their acquired transfer rights in return for a reduction in the tax burden.

Generating the necessary political consent for such a programme will be difficult. We are unlikely to achieve it unless voters are convinced it is necessary (the first choice we face) and unless we have begun to recreate the democratic connection between politicians and voters and the sense of solidarity needed to forgo immediate gains in

the wider interest (the second choice). And above all, it will need politicians who are willing to explain why these steps are necessary and who can stick to their guns.

So that is the third choice. Can we be serious about economics, honest about the evidence, determined in reversing the economic drift of recent decades? Can we restore our confidence in market economics, which has been the bedrock of our prosperity and flourishing? Or will we continue running deficits and running up debt, paying ourselves today from tomorrow's resources, boosting the forces that create ossification and stasis?

Conclusion: Our Mission for Growth

The right answers to these three choices, taken together, amount to a prescription for a form of politics and economics which one might term “markets and nationhood”—a determined effort to re-establish meaningful national democracies with a genuine common sense of history, community, and solidarity as the basis for reforms which lead to economic growth.

The problem is that for the last 30 years, politics in Western countries has been conducted between two different versions of international progressivism and social liberalism: one conventionally considered to be to the “right”, involving international economic institutions, trade liberalisation, and multinational business; and one conventionally on the “left”, involving a high degree of redistribution and “woke” politics. Both, crucially, have involved high levels of migration.

This cycle could now be coming to its end and the focus of politics across the West shifting to a much greater focus on culture, nation, and social conservatism. The risk is that this takes an economically damaging form. The concern is that political movements which are rightly mindful of the importance of preserving these non-economic bonds between citizens are excessively tempted by a belief that only state action can achieve this, and that capitalism and markets are part of the problem, not the part of the solution.

But this “right on culture, left on economics” approach is a false trail. If there is anything we can be certain about in economics, it is that high-tax, high-spend policies and a strong government hand in directing business do not generate prosperity. Believing that

they do is to buy into the belief that the state can solve every problem. Yet it is this collectivist belief that, as I have explained, is at the heart of many of our difficulties.

Rather, the correct position is “Right on culture, Right on economics”. It must be stated clearly: a strong and effective government is needed to rebuild our nations in the way I have described, but it is not the right tool to direct and control the economy. It is the right tool to re-establish a meaningful nation state, the space in which free economic actors and free individuals can control their resources and deploy them for their and the common good. We need stronger and more effective states to achieve this; we certainly do not need bigger ones; rather we need states that can hold the ring and do what only states can do.

The curiosity perhaps is that, while it is possible to find proponents of both free markets and of a strong cohesive nation state in all our nations, they are still rarely found together as a policy prescription from a single person or institution. Indeed, free markets and a strong state are often seen as actually contradictory, even philosophically antagonistic, positions by many. This paper is devoted to debunking that conclusion. Just because free markets are best for the economy does not mean that a hands-off approach is appropriate in the institutional or cultural areas. You *can* be an economic liberal with a strong belief in free markets, while believing in the free, independent, democratic nation state; while supporting border controls and low immigration; while doubting there can be a free market in values or that any social development is valid; while believing that history and tradition matter to a country’s success; while thinking it is better if decisions are taken within a country’s borders rather than outside them; and while believing that fostering the family and social cohesion can be valid purposes for a government. Unless we can achieve this synthesis, the West will not recover.

Getting back onto the right path will certainly now be very difficult. It will require making a series of correct choices, many of which will be unpopular. But there is no point in taking measures which cannot solve our problems just because they are the only ones which seem politically possible. The task for governments and politicians is to define and explain the measures that *can* solve our problems and then work to make them politically acceptable.

Much of this will be about defining and communicating a new vision for the future of Western democracies. Parts of the West are currently enmired in gloom. Many seem to believe that decline is inevitable. This view is profoundly damaging to our future and is one which our politicians and leaders must find it in themselves to resist.

To make the right choices possible, our leaders now need to paint a different picture of how we can create flourishing societies once again, and how that might feel. These would be societies in which national democracy had once again become meaningful, in which voting genuinely changed things, and political promises could be delivered. They would be societies where citizens once again expected that their children would have better lives than their own: happier, more fulfilling, wealthier, healthier. They would be societies in which demography had started to recover and there would be more children around, because people had regained their faith in the future. They would be societies in which people understood that the economic cake could grow and that a rising tide could lift all boats, and in which social conflict was much reduced. They would be societies of abundance, not grim accommodation to the environment: cheap, easily available energy, easy travel, and growing leisure enabled by growing productivity. They would likely be societies enjoying an artistic and cultural efflorescence, just as other flourishing societies have in the past. And they would be societies in which people enjoyed freedom: the ability to make their own choices, to pursue their own goals, to choose how they wanted to live their lives.

Above all, these would be societies in which the West was once again an exemplar to the rest of the world, a living demonstration of what free economies, free politics, and free peoples could accomplish when allowed to do so.

All of this is still possible. We just have to make the right choices.

¹ Eds. Harold J. Laski, *Letters of Edmund Burke: A Selection* (OUP, 1922), p. 200 (letter of 23 August 1775).

² Nikki Chiappa, Ted Nordhaus, Alex Trembath, and Elizabeth McCarthy, "Understanding NEPA Litigation", *Breakthrough Institute*, (2024), https://thebreakthrough.imgix.net/Understanding-NEPA-Litigation_v4.pdf.

³ Neil Lancefield, “HS2 Ltd spending more than £100m on bat ‘shed’, says chairman”, *The Independent*, October 6 2024, <https://www.independent.co.uk/news/uk/natural-england-buckinghamshire-london-people-birmingham-b2643125.html>.

⁴ Jason Clemens and Steven Globerman, “Perspectives on Capitalism and Socialism Polling Results from Canada, the United States, Australia and the United Kingdom”, *Fraser Institute*, (2023), <https://www.fraserinstitute.org/sites/default/files/perspectives-on-capitalism-and-socialism-polling.pdf>.

⁵ A.J.P. Taylor, *English History 1914-45* (OUP, 1965, paperback edition 2001) p. 1.

⁶ Edmund Phelps, *Mass Flourishing* (Princeton University Press, 2013), p. viii.

⁷ Roger Scruton, *The Need for Nations* (Civitas, 2004).



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