



Regional Economic Development: Local Economy Briefing 28

## The 'Stupid' Economy

The UK economy is struggling to grow. Policy and political uncertainty is taking its toll on investment and trade. Employment is high but productivity is low. The economic conditions for output are gloomy, especially if the Union itself becomes threatened.

Monetary policy is over-accommodative and sterling is weak. Fiscal policy is loosening as politicians of all colours indicate an end to austerity. More inflation is coming, unless the slowdown turns severe.

The international environment is deteriorating too. President Trump's trade and other policies are making US growth soggy. The Brexit response is merely hiding deep-seated cracks in the EU.

But, in the long run, the market economy has a surprising ability to recover from short-term stupidity as long as incentives are not permanently damaged by an over-weaning public sector.

People and firms are motivated to innovate and be entrepreneurial. Inventive investment for future development can return, especially to address issues of demographic, technological and climate change.

Against this background, Dorset needs a Local Industrial Strategy that is robust and dynamic. It needs to encompass new ideas on protecting and enhancing social and environmental value whilst promoting higher productivity growth across a cluster of competitive industries.

And so, farewell to all that and good luck with the 'stupid' economy...

Professor Nigel F Jump, Bournemouth University, 30 September 2019