

Consultation Paper 160

A THRIVING ECONOMY



Spring Conference
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Background

This consultation paper is presented as the first stage in the development of new Party policy in relation to the economy. It does not represent agreed Party policy. It is designed to stimulate debate and discussion within the Party and outside; based on the response generated and on the deliberations of the working group a full policy paper will be drawn up and presented to Conference for debate.

The paper has been drawn up by a working group appointed by the Federal Policy Committee and chaired by Julia Goldsworthy. Members of the group are prepared to speak on the paper to outside bodies and to discussion meetings organised within the Party.

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Comments should reach us as soon as possible and no later than 27 March 2026. Further copies of this paper can be found online at <https://www.libdems.org.uk/members/make-policy/policy-consultations>

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Introduction

The United Kingdom is an amazing country. It has one of the world's largest economies, with strong institutions, dynamic markets, and universal public services. As a country, we should rightly be proud of where we've come from – and optimistic about our future. This is the country that industrialised the world, built the modern welfare state, and ushered in the Internet Age via the World Wide Web. Time and time again, the British people have risen to moments of national endeavour to deliver progress for millions – at home and abroad.

It is clear, however, that this is another challenging period for our country. Falling living standards, constant cost-of-living pressures and rising inequality are the results of a seemingly inescapable doom loop of low economic growth. Communities, businesses and citizens have borne the brunt of a faltering economy that has lurched from crisis to crisis for much of recent memory, without a plan or long-term direction. All the while, financial pressure has built up on public services, meaning people are paying more and getting less, with critical public infrastructure crumbling. These economic pressures are straining the country's social fabric, with many communities feeling increasingly left behind, and divisive zero-sum politics and populism filling the vacuum.

Today's economic malaise has clear root causes. UK productivity, the key driver of economic growth, has lagged further and further behind many other major economies – most notably the United States and Germany – in part due to historic levels of underinvestment, both public and private. Uncertainty and crises, especially Brexit and Liz Truss's Mini-Budget, have put companies off investing at home. Small and Medium-Sized Enterprises (SMEs) struggle to scale in the UK, beset by high costs of doing business,

bureaucracy and skills shortages, meaning success stories too frequently move abroad. Meanwhile, in some essential markets, competition has fallen away and with badly designed regulation or over-stretched regulators, consumers and the nation have had a terrible deal.

Public infrastructure has been neglected too. Successive short-termist governments have failed to invest in essential capacity at home. This has left UK households and businesses especially vulnerable to record-high energy bills, and leaves critical energy, food and national security capabilities dangerously exposed to an increasingly turbulent global order. All of this is taking place on an unequal playing field – massive regional inequalities reflect an over-centralised state and financial system, despite huge growth potential across the UK. Meanwhile, entrenched intergenerational unfairness and a dysfunctional housing market disincentivise effort and hard work during critical periods. Where investment in physical infrastructure and economic capital has been neglected, support for the other foundations of a good life – including the natural, human, and social capital so crucial for future generations to thrive – has often also fallen short, reducing social cohesion and contributing to the hopelessness felt by too many today.

But it doesn't have to be this way. Achieving a better economic future that truly works for everyone will not be easy. But the existential economic challenges of our time, whether trade wars, changing demographics, the climate and energy transitions, or the rise of Artificial Intelligence (AI), also represent opportunities for those with the vision to go after them. The causes of the UK's economic struggles today are long-term, but they are not irreversible. Millions of people are crying out for a political party with a radical and credible plan to secure a thriving economy, in which everyone has a stake. Liberal Democrats are determined to be that party.

Our vision for a thriving economy is one guided by Liberal Democrat principles and values.

Because there can be no economic growth without successful private enterprise, we believe the role of the state should be collaborative, decentralist and enabling: to allow the market to operate freely where possible, and intervene where necessary, to ensure markets are fair, and to invest and take risks where free markets will not. Effective public services are also vital underpinnings to sustained growth. Everyone should have the opportunity to contribute to and benefit from economic success. Public services should support people in fulfilling their potential, investing in the future rather than firefighting crises, with no one disadvantaged because of where they live, or their background, age, gender or ethnicity. People should be encouraged to work hard, incentivised to innovate, and rewarded for their efforts. A thriving economy must also be a sustainable one. Economic growth needs to balance the needs of the economy, people and planet. And finally, we believe that strong, empowered communities will improve economic performance in every part of the country.

Liberal Democrats' economic vision is rooted in these values, which have guided us for almost 200 years. From helping to defeat the Corn Laws to opposing Brexit, we are a party of internationalists, who believe the UK thrives when it is outward-looking, while recognising that domestic strength and allied coalitions are needed to ensure resilience. We are the party that laid the foundations of the welfare state: Liberals rolled out the old age pension and free school meals, and conceived of the National Health Service. Throughout the twentieth century, Liberal thinkers and politicians were highly influential over economic policy. In the 1920s and '30s, John Maynard Keynes developed proposals to substantially increase government spending to mitigate the effects of low levels of economic activity and tackle unemployment. In government, Liberal Democrats lifted millions of people

out of paying tax altogether, established the British Business Bank to jumpstart investment into British start-ups, and as committed environmentalists, boosted clean energy and established the Green Investment Bank to support new climate technologies.

This consultation paper is the first step in developing a renewed Liberal Democrat economic strategy.

We believe that building a thriving UK economy today and for the future requires applying these principles to four critical areas, and proposing radical and credible policy solutions in each. They are:

- 1. Strengthening resilience in a turbulent world.**
- 2. Securing the talent and skills Britain needs to thrive.**
- 3. Making the UK the best place to build and grow a business.**
- 4. Creating a fair economy that works for everyone.**

These four crucial areas are explored in further detail in the sections that follow; the Liberal Democratic values that underpin them can be summarised as:

1. Internationalism – believing that the UK thrives when it is outward-looking, while recognising that domestic strength and allied coalitions are needed to ensure resilience.
2. Environmentalism – sustainable growth that balances people, planet and profit.
3. A Mixed Economy – with private and public sectors working in well-designed cooperation.
4. Community – valuing strong communities, social responsibility, and decentralisation.

5. Equality and Social Justice – spreading opportunity everywhere and to everyone.
6. Individual liberty – enabling every individual to make the most of their potential.

Questions:

- Q1 Are these the right four critical areas?
- Q2 Which of these key values is most important in Liberal Democrat economic policy?
- Q3 Are there other causes of the UK's poor productivity performance that need to be addressed?

1 Strengthening the UK's resilience in a turbulent world

1.1 The first responsibility of any government is to protect its country and its citizens. And today, the threats and challenges facing our country are many, interconnected, and – in some cases – have already arrived or are imminent. These range from competition with other countries over access to key raw materials such as rare earths, the retention of strategic manufacturing and agricultural capacity where we no longer feel able to rely on overseas supply chains, the challenges posed by climate change and the related issue of energy security. These global economic resilience challenges create economic and financial insecurity for businesses and households.

1.2 A liberal Britain must consider economic security in an era of fragmentation, without abandoning the openness that underpins its prosperity. Recent shocks and crises have exposed the UK's reliance on narrow sets of critical imports and its limited sovereign capacity in several strategic areas. But the UK is by its nature a highly open economy, with growth (and fiscal capacity) dependent on trade, investment and specialisation.

1.3 The overarching question is therefore not evaluating total isolationism versus total openness, but identifying where international dependencies pose *systemic* risk, which strategic economic capabilities genuinely require *sovereign* (or 'allied') control, and how trade strategy, industrial policy and public investment should be aligned around those priorities. Cooperation with like-minded allies such as the EU or Canada may enable the UK to achieve things it cannot by itself. Britain can capitalise on 2026's economic opportunities and make economic security

the foundation of growth, turning strategic capability into competitive advantage.

1.4 Liberal Democrats will always advocate for an international rules-based order, but we also understand that this is an era of great power competition. The UK is a mid-sized state, and given the changes we are seeing in the international scene, we will need an adaptable approach and mindset. The British economy must be able to meet the scale of this challenge – and capitalise on the strategic economic opportunities that emerge.

1.5 The ecological and climate crises pose a significant threat to the UK's economic resilience. Oxford University research from 2024 suggests that unabated environmental disruption could reduce UK GDP by up to 7% by 2050 and cause a 12% loss when compounded with nature degradation. Key sectors like agriculture, infrastructure, and finance face high risks from extreme weather, including flooding, drought, and heatwaves, leading to increased operational costs and potential systemic instability. According to the Climate Change Committee, over one-third of railway and road infrastructure is at risk from flooding, which is expected to rise to around 50% by 2050, alongside risks from heat-related damage like buckling rail. Existing Liberal Democrat policies to address the ecological and climate crisis are set out in Policy Paper 140, *Giving Consumers a Fairer Deal* (covers utility infrastructure), Policy Paper 156, *Tackling the Nature Crisis* and Policy Paper 160, *People and Planet*.

Questions:

Q4 Geopolitics and global trade - Europe: UK trade relations will need to be adjusted to reflect geopolitical realities while encouraging growth. The UK is geographically allied with Europe and the Liberal Democrats are at the forefront of calls for greater economic and defence cooperation with the rest of Europe. We've called on the UK government to negotiate a bespoke customs union with the EU for most goods, excluding agriculture. We also called for the UK to take full part in the Security Action For Europe defence financial assistance scheme, but negotiations collapsed in late 2025. What more can the UK do to re-engage with EU initiatives to boost growth and our economic and defence security?

Q5 Geopolitics and global trade - the USA: In response to Trump's tariff war, other similar countries have variously responded with economic measures, including reciprocal tariffs, 'Buy Local' campaigns, changing their trade (import/export) balance, or diversifying through new trade deals. Liberal Democrats have been at the forefront of calls to "Buy British" and for a new "economic coalition of the willing". Other countries have identified strategic opportunities, such as recruiting scientists from the US as the country turns its back on vaccines, or paying relocation costs for entrepreneurs. What should a liberal response look like? What other measures should Liberal Democrats consider?

Q6 Geopolitics and global trade - China: Britain needs to make critical political decisions regarding China: what are we willing to rely on China for, and what are we not – especially in energy, critical infrastructure, and in IT (cloud, social media platforms, and AI)? Where should the UK draw red lines on data (holding, storage, access) particularly for government, critical services, and sensitive research? When should we accept cheap imports as good for living standards, and when might we see it as a risk or unfair

competition – like dumping in steel, cement and other strategic inputs? And should the answer change by sector and by stage of production?

Q7 Defence 'dividend' and spillovers: The National Security Strategy 2025 identified the opportunity for a defence 'dividend', through the renewal of industrial communities and jobs. How can we ensure that higher defence and security spending rebuilds UK industry and jobs while delivering wider benefits across the economy?

Q8 Strategic start-ups and adoption by incumbents: What policies are needed to ensure strategic start-ups can start, scale and remain headquartered in the UK, and what obligations or incentives should apply to larger firms to integrate innovative start-ups into supply chains (standards, testbeds, integration funding, partnering requirements)?

Q9 Government procurement: Existing Liberal Democrat policy calls on the government to direct state procurement to boost the defence sector and to support food security by requiring public sector organisations to buy British in the first instance. To what extent should government procurement be seen as a strategic capability rather than just value for money, in this context?

Q10 Innovation financing and demand signals: Given the role of private finance (especially growth-stage venture capital) in driving innovation, where can the government signal clear demand (mandates, long-term offtake contracts, advanced market commitments, strategic co-investment)? For instance, can the National Security Strategic Investment Fund (NSSIF) model be applied to other critical sectors?

Q11 Domestic investment: How can domestic investment be directed to help deliver security at home? Is there a case for a National Security or a National Infrastructure ISA and how could this idea be made most effective?

Q12 Resilience and Climate Change: What measures, building on existing party policies, should Liberal Democrats propose to ensure that the UK is more resilient in the face of the challenges posed by climate change and the ecological crisis?

Q13 Resilience and the individual: What policies should we pursue to help individuals become more resilient to future economic shocks?

Q14 Resilience of institutions: Aspects of the institutional fiscal and monetary framework of most liberal market economies, which have been seen as fairly uncontroversial, such as an independent central bank, have come into question. How should Liberal Democrats respond?

Note: *There is a policy working group on International Security working in parallel and their consultation will also touch on some aspects of this issue, especially defence issues.*

2 Securing the talent and skills Britain needs to thrive

2.1 The UK is one of the most successful knowledge economies in the world. From building the steam engine to the jet engine, from the discovery of penicillin to the creation of the primary Covid-19 vaccine, and from the invention of the television to the World Wide Web and significant contributions towards the creation of VR, the UK's success in innovation is deeply rooted in our history and national psyche – and absolutely critical to the future, especially future growth.

2.2 Today, the UK is ranked sixth in the Global Innovation Index 2025 with London ranked in the top 10 of the world's largest innovation hubs. The 'knowledge economy' – based on innovation, ideas, patents, and data – is growing quickly, with breakthrough technologies in AI and quantum computing advancing rapidly too, with the UK well placed to capitalise. The knowledge economy also embraces high-value services, such as legal and accountancy services, management consultancy and insurance. Our universities are key drivers of innovation and are a globally recognised strength of the UK economy. The creative industries employ about 2.4 million people and contribute about £25 billion net to the UK trade balance.

2.3 Nevertheless, significant challenges remain. As the National Institute of Economic and Social Research has said: "Britain has never been more educated, yet skills mismatches, regional divides, and graduate overqualification threaten productivity". There are shortages in some important skill areas. Geographical 'clustering' in knowledge-intensive industries leads to striking regional disparities in economic performance, and this in turn leads to a tendency for many skilled and ambitious people

to gravitate towards the more successful areas, sucking out the talent that less well-off regions will need to thrive in the future. There is a lack of both private and public investment in skills relative to competitor countries.

2.4 Other problems in the UK labour market include levels of economic inactivity and large numbers of young people not in employment, education or training (NEET). The rise in economic inactivity (people who are not working and not looking for work) is mainly because older workers have left and not returned to the workforce. After the initial pandemic shock, the UK was the only developed economy where inactivity levels kept rising, and this has not been fully reversed today. Meanwhile, 950,000 16-to 24-year-olds are NEET, compared to 800,000 before the pandemic hit. This is a major concern – as being NEET at a young age increases people's chances of being unemployed or in low paid work later in life. Those with the lowest qualifications dominate the group. Liberal Democrat policy paper 159 *Opportunity for All* sets out our proposals to tackle these problems in the labour market, including: a proposal for a Lifelong Training Grant (initially £5,000 for adults to spend on education and skills, with plans to increase it to £10,000, delivered in instalments at ages 25, 40, and 55, to fund training and courses throughout life); making Skills England truly independent of government, led by industry, and given a remit to work with the Migration Advisory Committee; and ringfencing the Apprenticeship Levy.

2.5 Supporting British residents to succeed must remain the first priority. However, an internationally successful economy with world-leading sectors also requires attracting top talent from around the world to supplement the domestic workforce. This requires pro-growth policies for international students and graduate retention. It also depends on an immigration and visa system that prioritises key skills and recognises overseas qualifications.

In addition, employer recruitment and sponsorship processes, integration and settlement support, and the UK's overall competitiveness in attracting top global talent all need to be addressed.

2.6 Innovation and discovery also require investment. So alongside attracting talent, Liberal Democrats want to strengthen the UK's reputation as a place where entrepreneurs, investors and highly mobile high net worth individuals want to do business and invest – this is picked up in the next chapter. Alongside having a closer relationship with Europe, developing and adopting successful policy measures that unlock and attract talent, are one of the most readily available levers to achieve and accelerate economic growth.

Questions:

Q15 Lifetime skills strategy: What other proposals (beyond those in Policy Paper 159) could help tackle the skills gap and incentivise and support businesses to invest in skills? How do we build a coherent set of pathways with clear progression ladders (school-led, college-led, work-led, university-led, mid-career (re)training), flexible to the future economy? What novel initiatives e.g. national competitions, public resource campaigns e.g. the BBC, museums and specialist educational institutions (e.g. STEM at National Mathematics and Science College) could unlock priority skills?

Q16 Economic inactivity: What are the different interventions required to tackle economic inactivity amongst over-50s, non-graduate NEETs and graduate NEETs?

Q17 Regional Policy: How can we ensure we get the right skills in the right places? What are the barriers to labour mobility, such as housing costs, and what should we do about them?

Q18 Workplace matching: How can the UK better align education with real-world demands of business and industry? How can workforce development be built into all jobs, allowing for specialism and skill transferability? How can schools ensure students become world-ready, not just exam-ready?

Q19 Priority/strategic sectors: How should business and government work together to increase public and private investment in skills, such as in Industrial Strategy priority sectors, or in high-growth areas like AI and quantum? Is there a role for the government in setting 'moonshot' missions to target focus areas? Could the military play a wider role, given its reputation in upskilling?

Q20 Global talent: What would make the UK more competitive in attracting and retaining global talent, including students, researchers, entrepreneurs, and priority-skills workers? How should the UK prioritise, and what role should immigration play in hard-to-fill lower qualification roles such as social care, agriculture, and prison officers etc.?

3 Making the UK the best place to build and grow a business

3.1 Entrepreneurs, employees and investors, operating in free and open markets are an engine of growth and prosperity. The Liberal Democrats believe in enterprise, reward for effort and an economy where success comes from innovation, hard work and fair competition.

3.2 But for businesses based in the UK, high costs of doing everyday business (including employment, property and compliance costs, business rates, high energy and other input costs), perverse tax ceilings, red tape, and the complications around taking on new apprentices and employees, are all major barriers to growth.

3.3 The self-employed and micro businesses are a significant segment of the UK's labour market, reflecting flexibility, entrepreneurial ambition, and significant economic potential for UK plc. But many face insecurity, limited access to finance, and inconsistent treatment within the tax and welfare systems, as well as an often overwhelming set of reporting and administrative obligations.

3.4 Family businesses represent another under-recognised strength of the UK economy. They remain the cornerstone of the UK economy but face an uncertain future following recent changes by the government to Agricultural Property Relief and Business Property Relief. Access to finance and skills policies must recognise the different needs of family businesses that are looking to grow and transition their business ownership to the next generation.

3.5 All types and sizes of businesses are held back by inadequate infrastructure investment in transport, housing, energy and digital networks. This reflects low levels of investment, both public and private, over-centralisation of decision-making and planning and regulatory barriers.

3.6 The UK's broken trading relationship with Europe continues to be a drag anchor on economic progress. The Conservatives' disastrous trade deal is wrapping British businesses up in red tape – holding them back from selling into Europe and costing our economy billions in lost exports. Liberal Democrats have set out a four-stage roadmap to putting Britain back at the heart of Europe (see Policy Paper 144 *Rebuilding Trade and Cooperation with Europe*). We have called on the Government to negotiate a new deal with the EU, forming a new UK-EU Customs Union by 2030 at the latest.

3.7 One of the UK's major strengths is its position as a global hub for entrepreneurship and innovation. The UK is often described as a 'start-up capital of the world', particularly in sectors such as technology, life sciences, and financial services. Access to talent, strong universities, and a respected legal system all underpin this success. However, this strength is undermined by a persistent weakness: too many businesses start in the UK but fail to scale up or stay. While early-stage funding is comparatively accessible, scale-up capital is harder to secure, and growing firms often face rising costs and regulatory complexity just as they attempt to expand. Frequent shifts in government priorities, taxes, rules and funding pots create a stop-start investment environment, raising policy uncertainty just when firms need predictable, long-term conditions to commit capital and scale.

3.8 As a result, successful UK start-ups are frequently acquired by overseas firms or relocate growth activities abroad, limiting long-term domestic investment and productivity gains.

3.9 One of the most important challenges for the future of the UK economy is the development of AI. AI raises issues such as potential job displacement, ethical concerns over privacy and inherent bias, and security risks. AI also has the potential to transform productivity and living standards, and the government has a role in education and enlightened regulation to release our entrepreneurs to become a world centre for the application of AI.

3.10 The taxation system is one of the most important factors conditioning the performance of the economy and one where the government most directly interacts with business. The current tax regime has a number of features that hold back growth or disincentivise healthy market dynamics. Just to mention a few examples, Business Rates impose a heavy deadweight cost on firms that want to expand, modernise or simply operate from high-value locations; by heavily penalising transactions rather than ownership, Stamp Duty locks people into homes that no longer suit their needs, distorting labour markets and worsening skills mismatches; and the anomalous 60% marginal income tax rate on earnings between £100,000 and £125,140 is a disincentive to entrepreneurship and aspiration. A serious programme of tax reform can play a vital role in delivering long-term higher economic performance.

3.11 Overall, the UK has the seeds for business success, but for them to come to fruition, we need to find ways of increasing public and private investment, boosting infrastructure, lowering the cost of doing business, simplifying and more fairly enforcing regulation, supporting scale-ups,

building a more coherent partnership between government and enterprise and having a coherent overall framework for business taxation.

Questions:

Q21 Reset the government-business relationship: How can the government make policy more *reliable* for investors and founders (stable roadmaps, fewer U-turns)? How do we build a pro-competition, pro-worker, pro-consumer business compact that is recognisably liberal? How could this work across different levels of government (e.g. UK, Scottish/Welsh Governments, Mayoral Combined Authorities, councils)?

Q22 Increasing investment: What policies would increase both public and private sector investment in the UK?

Q23 Core costs of doing business: Which costs are most damaging to growth (energy, premises/business rates, finance, compliance, skills, trade friction)? Which sectors face the sharpest cost shocks today (hospitality, care, retail, manufacturing, tech) and how can they be supported urgently and long-term? What are the fastest 'friction removals' that don't just shift costs onto workers/consumers/the environment?

Q24 Tax reform: How can business taxes be credibly reformed to encourage activity and drive wider economic growth? How should business rates/property taxes be reformed to back high streets, investment and productivity? Which thresholds and complexities most deter firms from growing (VAT, audit thresholds, reporting cliff-edges)?

Q25 Trade, exporting and customs costs: Liberal Democrats are committed to a UK-EU Customs Union as part of our four-stage plan to put

Britain at the heart of Europe. In the immediate future, which targeted alignments or mutual recognition would most reduce friction for goods and services exporters?

Q26 **Business diversity, including family firms and the self-employed:** How can the government support succession, investment and long-termism in family businesses? What would a fair, simple deal for the self-employed look like on tax, security, and access to training? How do we help all businesses adopt the most productive tech and management capability, not just frontier firms?

Q27 **Innovation, reliefs and R&D commercialisation:** What is missing in the UK's R&D-to-commercialisation pipeline for strategic sectors? Where can tax reliefs drive productive firm growth? How should Innovate UK / Catapults / ARIA be designed to back deployment and scale that reflects long-term demand?

Q28 **Funding ladder and capital markets:** What gaps exist across the 'funding ladder' and how do we plug them? How can pensions/ISAs/retail investment and public markets better support UK scale-ups staying headquartered here? How do we ensure capital access across the whole UK, not just London?

Q29 **Regulation and competition:** How do we ensure regulation supports entry and innovation, rather than protecting incumbents? What should a tougher competition policy look like for dominant platforms? How do we improve regulator accountability while keeping regulatory independence credible?

Q30 The opportunity of AI: How can we ensure that the UK is able to ensure benefits of AI impact the real economy, whilst ensuring that it reduces rather than exacerbates inequality? How can AI and technology resilience be assured in a world where big tech firms and economic nationalism is the norm? How do we support sovereign AI and technology capability?

Q31 Other measures: Are there any other measures we should be considering to achieve our goals?

4 Creating a fair economy that works for everyone

4.1 For too many people, the UK economy is not working. The past few years have been unfair, and things haven't got better – incomes have flatlined while essential bills have become more expensive, inequality has grown, and public services haven't improved despite taxes rising. People are paying more for less, and consumers often feel ripped off at every turn – with the UK's regulators failing to keep up, contributing to a growing feeling that the rules facing ordinary people don't apply to big companies.

4.2 There are clear regional disparities in wealth and poverty across the UK. Some regions have seen their traditional industries hollowed out and have not managed to replace them successfully with new types of business activity. Such areas usually suffer from worse infrastructure, skills levels and access to capital than more prosperous areas, and it is very difficult for them to 'pull themselves up by their bootstraps'. The economic picture varies within regions too, with high- and low-income areas often bordering each other, and disparities within England's North and South often as pronounced as those between them. The old 'North-South divide' is more likely to be a 'North-North and South-South' divide.

4.3 This unevenness has produced an economy, and particularly a housing market, that has enriched some, while leaving many others, especially younger generations, struggling to build wealth and increasingly, even economically inactive. This partly reflects an uncertain job market, where AI's impact is still unknown, but which carries opportunity if grasped actively by the government to help create a fairer economy.

4.4 For many rural and seaside communities, from the Highlands and Islands to parts of South West England, high energy costs and associated fuel poverty, weak transport links, and seasonal trading patterns often translate into lower levels of economic activity. At the same time, the UK's property tax regime, Green Book infrastructure assessment methodologies, and local government funding allocations, have failed (despite some well-intentioned revisions) to account adequately for the higher costs of sparsity, as well as the upside from potentially transformative local investment outside of cities. This remains unresolved and potentially troublesome, as asymmetric mayoral-based devolution accelerates.

4.5 This inequality is not only regional but is also reflected in widening gaps in income, wealth, health and wellbeing between rich and poor across the country.

Questions:

Q32 Living standards: Does the UK's fiscal framework reward policies that can drive growth? How can living standards form an explicit part of the UK government's policy priorities?

Q33 Cost of living and essential bills: What mechanisms could be used to cut the price of essential bills? How can energy bills be lowered further, building on existing Liberal Democrat policy? Could pricing reform lower the cost of essential energy and water consumption while encouraging conservation? How can input pricing transparency be used to lower final supermarket food prices, while supporting UK farmers and growers?

Q34 Regional imbalances: How can devolution improve outcomes? How should greater local planning, transport and taxation capacity be used to

support neglected areas? What other initiatives might make a real impact on growth in poorer regions?

Q35 Rural and seaside growth strategies: How can the government recognise the unique challenges faced by rural and seaside communities? Are the UK's systems for allocating money fair (local government finance, formulas, competitive bidding, cost-benefit analysis mechanisms)? In hospitality and tourism hotspots, how can local authorities retain control of changes in their areas and regulate influential global platforms (Airbnb, Booking)? How can local transport investment unlock untapped community opportunity?

Q36 Inter-generational and wealth fairness: How can barriers to opportunity for young people (whether in education, work or training) best be addressed? How could older beneficiaries of asset-price rises be encouraged to give back to younger generations? (Next Generation Fund with tax benefits/inheritance reform?) How can those who leave areas where they grew up be encouraged later to give back to their hometowns?

Q37 Financial inclusion: How can the UK implement the recommendations of the 2025 Financial Inclusion Strategy¹? What is the appropriate balance of incentives and requirements for financial decision-making? Can the UK legislate to bring in fairer banking, more accessible credit and CDFI options in local communities? (Community Development Financial Institutions are specialised financial organisations that provide loans, and financial services to underserved markets, entrepreneurs, and individuals overlooked by traditional banks). Where can digital services and education play a role, including for the youngest (e.g.

¹<https://www.gov.uk/government/publications/financial-inclusion-strategy/financial-inclusion-strategy>

child bank accounts)? How can debt advice be joined to wider questions of financial inclusion and planning? How can basic investment be made more accessible for low-income people?

Q38 Consumer rights: How can we ensure improved accountability and redress in cases of widespread consumer harm? For instance, are regulators properly resourced to take a proactive approach to consumer harm? How can contracts and subscriptions be made simpler, more transparent, and fairer?

Q39 Public sector innovation: How can public sector productivity be raised to deliver improved outcomes and opportunities for all? How can the quality of public sector services be sustained and improved in a constrained fiscal environment? How can innovation be accelerated and deployed? Does the third sector have a role to play in delivering and innovating public services?

Annexe: Remit

This working group's main aim is to develop a clear and distinctive Liberal Democrat narrative on why the UK economy has been performing so poorly, how to turn it around, and how to make sure everyone feels the benefits of growth equitably.

Though economic growth is not an end in itself, boosting productivity and getting the economy growing strongly and sustainably is critical for improving people's living standards and wellbeing, expanding opportunity, and raising money to spend on public services and defence.

Following all the economic turmoil of the financial crisis, Brexit, the Covid pandemic, the Conservatives' financial mismanagement and Labour's growth-suppressing budget – and in the face of international turbulence and technological disruption – the Liberal Democrats have a crucial role in promoting a fairer, more inclusive economy that supports both social welfare and wealth creation.

This group will have regard to our 2024 general election manifesto, as well as more recent events, and seek to develop an economic narrative that the party can communicate widely to help elect as many Liberal Democrats as possible – especially at the next general election.

As part of developing this overarching narrative, the group will consider our approach to:

- Creating economic security in a turbulent world, including using economic and industrial policies to ensure our:
 - National security.
 - Food security.

- Energy security.
- Resilience against future disruption, including artificial intelligence, climate change and pandemics.

(The group will likely want to consider the implications for resilience targets, supply chains, skills and sector mix, such as the balance between a knowledge-economy, manufacturing, tourism etc.)

- Ensuring sustainable and equitable growth across all parts of the UK, including through:
 - Empowering regions to drive sustainable growth.
 - Retaining our global status as a hub for financial and professional services.
 - Investment in infrastructure to improve productivity and deliver the transition to net zero.
 - Supporting entrepreneurship, start-ups, and small and growing businesses.
- Economic policies as a driver of empowerment and social cohesion, including:
 - Improving the economic empowerment of and 'economic ladder' for individuals, including workers, freelancers, contractors and small business owners.
 - Creating a liberal, compelling and unifying vision for the 'skills mix' through education, training and immigration policies.
 - The role of social identity, culture and belonging in local economic growth and regeneration policies.

This is a strategic paper so will inevitably cover each of these items at a high level. The Federal Policy Committee will consider following up with more detailed papers on issues identified by this working group, such as one on support for start-ups, small and growing businesses, entrepreneurs and the self-employed.

The group will draw on the recently adopted Policy Paper 158, *Science, Innovation & Technology*, as well as forthcoming papers on *Opportunity and Skills* and *Town Centres and High Streets*.

The group will take evidence and consult widely both within and outside the party. A policy paper of no longer than 10,000 words should be produced for debate at Autumn Conference 2026. Prior to that a consultative session should be held at Spring Conference 2026, and a draft policy paper should be presented to the Federal Policy Committee by June 2026.

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