If Theresa May is serious about having an industrial st...

Published: January 13, 2026, 11:51 am

Theresa May's new government is to have an industrial strategy, or so she claims. I hope so, but I'll need convincing. So let me offer so me ideas on what I think this might mean.

An industrial strategy means picking winners and losers. It does not mean throwing money at business and hoping some if it will stick. It means quite positively choosing the sectors, and on occasion, the specific activities that a government thinks will best suit the nation's purpose.

It also means that innovation is directed. Whilst pure research can rarely be directed innovation can be because it develops existing ideas and improves their usefulness. Innovation tends to be much more expensive than research.

And an industrial is about much more than industry per se. It is also about providing the right environment in which industry can operate.

Taking just those three ideas it is fairly obvious that an industrial strategy requires dramatic change in the UK.

First it demands an end to low tax for all business strategies in the vague hope that these might stimulate some growth. There is no proven evidence that such an approach works to achieve anything other than growth in corporate tax piles, a rise in inequality and tax avoidance as people incorporate in the small business sector.

Instead an industrial strategy requires direct investment, targeted loans and, when appropriate, subsidies. Whatever Brexit agreement we reach these should be possible: other EU countries manage them. But, and it's an important but, ministers had better be ready for some failures because they will happen. In that case making sure the investment portfolio has some diversification without losing focus would be wise.

But, and I repeat the point, low tax is not an industrial strategy.

Second, the policy has to be sustainable. Call it green if you like. But if this strategy does not reflect the need to keep resources in the ground and carbon out of the atmosphere then it will be going nowhere. We do not need to subsidise the failures of the past.

Third, the strategy has to very clearly be seen to respond to real people's need. This means it has to deliver a wide range of jobs in a significant spread of geographic locations. It has also to support small and medium business opportunities as well as very large enterprises. And it has, very clearly, to be seen. There can be nothing timid about this.

Fourth if innovation is to be directed funding for universities is required. But so too is funding for students. And a chance for them to take risks has to be provided.

Universities face losing considerable research funding as a result of Brexit. This needs to be replaced or an agreement for the UK to continue participation in these EU programmes from outside the EU needs to be resolved now. If it is not innovation will collapse.

As importantly, the fees based approach to student funding has to go. We are stifling the chances of young people who go to university with these fees and burdening them with debt so high that few will be willing to take any risk to innovate in the future. If we are to have an industrial strategy then we must invest in the people who will deliver it and that means cheap or even free education to undergraduate level, at least, and selected subsidy thereafter. Nothing less will do and we can afford it: these debts might be crippling but the economy actually affords tthe cost of our young people's education now in real time already. Student debt does not change that: it is just an intensely harmful exercise in government balance sheet engineering.

And fifth, of course the Uk needs new infrastructure to support such a strategy , whether it be social, industrial, technology, health care and pensions. Unless the infrastructure that lets risk taking happen, because the risk within basic needs is met, then no industrial strategy will succeed because the national outlook will be risk averse. A government that does not provide a social and technological safety net creates, by default but inevitably and even appropriately, risk averse people. It is not chance that some of the highest rates of innovation and entrepreneurship are to be found in social democratic Scandinavia: people there can afford the risk of innovating because the state supports them to do so.

In summary, we can, of course, have an industrial strategy in the UK. But to be effective this must be something very much more than bailing out Port Talbot and ensuring Airborne stays in the UK after Brexit, whatever the significance of those issues. An industrial strategy demands a whole newly integrated approach to government, society and planning for the future.

Is that what Theresa May is really offering? Time will tell.