

What does growth mean?

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A reader of this blog asked me recently in an email why the UK no longer seems to make things, and whether a country can really grow without a strong manufacturing base. It's a question that goes to the heart of economics, because it forces us to ask what we mean by growth.

For more than forty years, we have been told that Britain can thrive as a “service economy.” In particular, the idea that finance can drive our economy has been at the heart of government thinking; the City of London is supposedly the “Jewel in the Crown” of the UK economy. Rachel Reeves has said so in the last year. We were promised that the age of industry was behind us: that we could design, consult, and finance while others manufactured. It was supposed to be this that made us rich.

It has not worked out that way, or well. We have an economy that consumes more than it produces, imports more than it exports, and depends on inflating property and debt, as well as attracting the world's hot money, not least via our offshore tax haven satellites, to maintain the illusion of prosperity. The result is a country that has lost not only its factories but also its confidence in what real work and added value mean.

So, making things matters. But if we are to rebuild the economy, we must also broaden our understanding of what genuine growth requires. Real progress depends on the ability to *make, care, teach, and share*.

I have no doubt that manufacturing is not a relic of the past if what is made is needed, rather than a product designed to fulfil manufactured demand. Having made that assumption, manufacturing remains key to a resilient economy. When a country makes things that are important, it sustains networks of skill, design, and innovation. What is more, manufacturing generates multiplier effects that extend through supply chains and logistics into local economies. They provide apprenticeships, research, and stable work.

The disappearance of that capacity has left the UK dangerously dependent on imports. Worse, it has hollowed out the communities that once held industrial knowledge and

pride in productive work. That loss cannot be measured in GDP, but it can be seen in boarded-up towns and eroded self-belief. It can also be seen in the rise of the far-right. They feed on the sense of hopelessness that manufacturing decline created in too many places.

And none of this was inevitable. Successive governments chose to prioritise financial services over manufacturing. They dismantled industrial strategy, abandoned regional investment, and left the market to decide, which really meant letting the City decide. Finance became the supposed engine of growth, but it drove short-term speculation rather than long-term investment.

The resulting dominance of finance has distorted the entire economy. Capital that might have gone into productive industry has been poured into property and mergers. Share buybacks replaced research; bonuses replaced wages. Banks lent against land, and not innovation. Good ideas, talent and opportunities went to waste as a result.

The outcome is the low-productivity, low-wage, high-cost Britain we see today. We have a continuing trade deficit and too few companies with the scale and resilience to lead global markets. Even those that do manufacture often lack the finance to expand, because our banking system does not support long-term productive investment. Their sale to overseas investors has, in fact, become Labour policy. They call it foreign direct investment, but it's selling the future, however it is dressed up, creating insecurity as a result.

Reversing that requires deliberate action in the form of public investment banks, regional funding mechanisms, and tax systems that reward reinvestment rather than extraction. The state must act as a partner in rebuilding industry, not a bystander, and that is possible. It just requires that a choice be made.

All that being said, the reader's question invites broader reflection. If manufacturing is essential, is it the *only* source of growth? The answer is very clearly no. That is because growth is about far more than the production of goods.

Wealth creation also happens whenever we improve the human and social fabric of society. Teaching a child, caring for the sick, insulating a home, researching a cure, or tending to an older person are all activities that add real value. They expand our collective capacity to live well.

Yet neoliberal economics has long treated such work as a cost rather than an investment. GDP counts a new car but not the unpaid carer. It values financial churn more highly than clean air or well-being. This is the distortion we must now correct.

Caring, educating, and maintaining the systems that allow society to function are not secondary activities. They are what make all the rest possible. A country that neglects health, skills, and community cannot sustain either innovation or industry.

The aim, then, should not be to produce more stuff but to build more capability. Real growth is about enhancing our collective competence, including our ability to solve problems, to create, and to sustain life within the planet's limits. That means investing in the people and institutions that underpin both industry and care: schools, universities, hospitals, energy systems, and social infrastructure. These are not drains on the economy, but are its foundations. A hospital or a university is as much a productive asset as a factory. Each creates knowledge, employment, and long-term social capacity. Each requires investment that only the government can coordinate.

If we think about growth this way, the old division between public and private becomes meaningless. What matters is whether activity adds to our shared capacity to thrive and increase the possibilities for meaningful, sustainable life.

This redefinition of growth demands a different kind of state. The government must not just regulate the market but participate in building the economy. It should invest, coordinate, and plan for the long term. That requires:

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Industrial strategy, to rebuild manufacturing and energy capacity.

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Investment in care and education to expand the human capital that underpins innovation.

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Green transition programmes, to ensure that production and consumption stay within ecological limits.

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Reform of finance, so that money serves society rather than extracting from it.

Such a programme would restore the sense that the economy exists to serve people, not the other way around.

We should, then, reject both the nostalgic dream of recreating old industrial Britain and the neoliberal myth that services and finance can replace real production. What we need instead is an economy that values every form of work that sustains life, whether that be the engineer's skill, the social worker's care, the teacher's guidance, or the researcher's imagination.

Growth, in that sense, is not an end in itself. It is the process by which a society becomes more capable, more compassionate, and more sustainable. We still have the

people, the knowledge, and the creativity to do this. What is lacking is political imagination. It is time that changed. Manufacturing must be part of that story, but so too must the rebuilding of the social foundations on which all production depends.

Taking further action

If you want to write a letter to your MP on the issues raised in this blog post, there is a ChatGPT prompt to assist you in doing so, with full instructions, [here](#).

One word of warning, though: please ensure you have the correct MP. ChatGPT can get it wrong.

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