

The infantilism of an 'ungovernable' Britain

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The UK has had six prime ministers since May 2010. In contrast, it had just four in the 31 years after Margaret Thatcher took office. Now the number seems set to rise to seven, as Keir Starmer, who won a huge majority less than two years ago, appears likely to lose his position as leader of the Labour Party. No wonder people call the country “ungovernable”. What has made British politics so capricious? What does this mean for the country’s future?

I would not claim that everything comes down to economics. People care about other things, too — immigration, crime, health, education and so forth. But a good economy — one with widely shared economic growth — is, I would argue, a necessary condition for political stability in a liberal democracy. The fundamental problem is that the UK has not had that for two decades. It is not alone in this. But the deterioration in its performance since 2007 has been enormous (as has been also true of other large European economies).

Put simply, a bad economy creates bad politics and bad politics create a bad economy. According to “The UK Productivity Slowdown” by Josh Martin, the slowdown in productivity growth began a year before the 2007 financial crisis. His conclusion is that in 1976-2006, trend annual growth in output per hour had been 1.9-2.1 per cent and, in the market sector, 2.2-2.4 per cent. The slowdown since then has been roughly 1.5 percentage points for the whole economy and 2 percentage points for the market sector.

This collapse in economic growth is the most important fact about British economics and politics. It has been made worse by the pressures of ageing and a succession of big shocks, from the global financial crisis to today’s closure of the Strait of Hormuz. It has in turn made politics a nightmare of fiscal pressures and “affordability crises”, without end.

When one looks at an uprising against yet another prime minister, the obvious question is whether the set of policy choices necessary for improving economic performance intersects with the set of policies any plausible government will be willing or allowed to implement.

Encouragingly, in a recent blog post, John Van Reenen, one of the UK’s leading academic experts on productivity and an adviser to Rachel Reeves, the chancellor, stated that “since Labour was elected in the third quarter of 2024, output per worker has risen by 2.4 per cent. This is an annualised rate of 1.6 per cent, which compares with less than 0.3 per cent . . . in the previous decade.”

Is this real or a flash in the pan? Is it even the result of Labour policies? I am sceptical on both points. But it is good news. Van Reenen himself ascribes it to fiscal stability, expanded investment in energy, transport, housing and R&D, and structural reforms, notably in

planning. I am again sceptical that the latter, in particular, has changed much in such a short period. But these are, at the least, perfectly sensible policies.

Yet the obvious question is whether they can be sustained or, in some cases, such as further planning reform, even implemented. After all, as Britain Remade has made clear, the UK can barely get anything built. On fiscal stability, the pressures have already become evident in Labour's debate. How nice it is to believe in a free fiscal lunch. But that has been eaten in the last two decades of crises. The yield on the UK's 10-year gilts is already the highest in the G7: on May 21, it was 1.116 percentage points higher even than Italy's. If the UK wants to spend more, it will need to tax more. While feasible, this will also demand substantial fiscal reform.

Look at the challenges more broadly. The UK needs to generate a virtuous circle between a robust and growing economy and a secure and stable polity. The former demands substantial and often difficult reforms. It will also require recognition of painful trade-offs, not least those of taxation and spending. To make any of these work, policies must be designed and then implemented over many years. This, in turn, will require a political stability that may prove unobtainable.

A particular challenge, in this context, is the rise of infantile populism — the view that if you want something badly enough, it has to be available. On the right, we saw this in the false promises of Brexit. On the left, we see this in the belief that price controls and ever-rising minimum wages are costless and the very idea of fiscal and monetary limits a dastardly capitalist plot.

When the grown-ups are politically discredited, as they mostly have been, who replaces them? Noisy infants, alas.