JCS
Private Secretary to Lord Vallance | Department for Science, Innovation and Technology| Personal

From: Peter Mandelson Personal
Sent: Thursday, July 25, 2024 10:08 AM
To: Vallance, Minister (DSIT) Personal
Subject: Economic change

Dear Patrick,

It was nice to see you last night. I am so pleased you are at DSIT. It is going to be a lean, mean department where you can make a real difference.

The new government is now trying to do on stilts what we attempted to do 1997-10. In the two bookends of my ministerial career, in 1998 and 2008, we tried to make a fundamental difference to the growth and productivity drivers of the UK economy, primarily by changing and strengthening the supply side of the economy – education and skills, transport and infrastructure, university expansion and getting the right business and investment environment – but latterly, too, by giving the government some skin in the game in bringing about investment in commercialising the UK's science and technology base.

The 1998 white paper *Building a knowledge-driven economy* set about replicating in Britain the west coast ecosystem of research/development/translation/commercialisation. It was based on principles of competition, collaboration and clusters of new technology-based industry around the country.

In 2008, we created the National Economic Council which met monthly in Cobr under Gordon's chairmanship to galvanise everything the public and private sectors could throw at saving and regenerating the UK economy following the banking crisis. This was what I was brought back from Brussels to do in government and the white paper *New industry, new jobs (Ninja)* set out how to do it.

I feel that Keir's government is trying to achieve a similar thing all over again but I am not aware of any granular attempt to work out how better to do so based on previous experience. You come closest to it but Michael Barber focused on public services not the economy (and will be relevant to other government missions) and I am not sure what Nick Boles brings.

The truth is that we did not pull off what we attempted to do. We made a difference, undoubtedly, but did we bring about structural change and fundamentally transform the underlying performance of the economy? No. The machinery and performance of the government was not up to that job. Although I could point to a number of things the Treasury allowed us to take forward in my department which I agreed with Alistair Darling we were not really all singing from the same hymn sheet or joined up in our thinking and actions and, most importantly, we did not have scale.

The only attempts since seem to be a mix of Greg Clark's short-lived challenges and the 'missions' approach you set out to the Prime Minister (Johnson ? Sunak ?) and then of course your vaccine task force. This was a very specific thing which Whitehall tends to do well when mobilised. I would love to think you are having success in making a second run but my fear is that Rachel's growth plan, Jonny's industrial strategy, Angela's planning and devolution reforms and DSIT's science drive are not really joined up. There are such big bets and trade offs to be made if wishful thinking is to be turned into meaningful, sustainable change. The work I have been doing for UUK on research and innovation has revealed to me that while we could always spend and invest more on science, we are not getting full economic value from what we are spending already and that UKRI, for all its strengths, hasn't the heft and punch to make the really big calls, notwithstanding Andrew Mackenzie's effective leadership.

In policy and narrative, as I said to you, the government is over reliant on building houses and energy infrastructure as the golden route forward. These can help but there are limits to their impact on the economy's underlying productivity, ability to generate new businesses, establish UK supply chains and increase exports.

We have started well in the UK in AI but I am less convinced we will finish sufficiently ahead. Ditto bioscience and quantum. The main reason is not government policy, relevant as that is, but the lack of really big UK private sector companies driving the necessary advance and competitiveness. Will the proposed Industrial Strategy Council make the transformative difference in deploying the business acumen, finance capital and human talent in the teams and networks of our universities and private sector ? The thinking so far would not suggest it.

Labour has, let's say, two terms to succeed. So far Keir's team has not prioritised policy (not surprising given how much else had to be re-built after Corbyn). And the No 10 policy team is not large or experienced. Pat at the Cabinet Office will have the right instincts but I am an afficionado of the Cabinet Office (I started there as Minister without Portfolio and ended there as First Secretary of State) and it is a light touch co-ordinator not a power house.

I know you will be thinking every day how to make a difference. I wish you all possible luck !

Very best
Peter

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