

Why trust in our governance and institutions matters for the economy

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Latest research by Damien Lyons Lowe of Survation presented at a recent 'Best for Britain' event suggests that trust in politicians in the UK is one of the lowest in the world. Indeed, data from the 2024 Edelman Trust Barometer showed that among developed countries the UK is in last place alongside Argentina and Japan with just 39% for the general population trusting in their respective NGOs, Businesses, Governments and Media. For the UK, this was a 4-point drop over the previous twelve months.

A drop in trust seems to also coincide within numbers of people apparently believing in conspiracy theories. But even without that, the various scandals such as Partygate, the latest goings at the SNP and constant revelations about alleged misbehaviour of MPs cannot be helping. Neither are the attacks on institutions – for example on the Bank of England accused of 'groupthink' in its interest rate decisions and of poor forecasting record which has led to Ben Bernanke, formerly head of the U.S. Federal Reserve conducting a review whose critical report has just been published. Or the Office for Budget Responsibility (OBR) which produces the economic and fiscal background and basement of budget measures and of those incorporated in other fiscal events and which was ignored briefly by Liz Truss with disastrous consequences during her short prime ministers- but which is still attacked for being "too influential". Or the criticism of the judiciary (see the Rwanda bill passage problems at present), or of the public sector overall- or for that matter civil servants for whom a London Evening Standard front page headline a few days ago asked: Why are civil servants so lazy!

So it is interesting that looking back the correlation between trust in government and economic performance is not that clear. Yes it is true that trust took a hit from which the Conservatives seem not to have recovered when the Liz Truss /Kwasi Kwateng mini budget threatened to sink the economy. But during the depths of the pandemic with lockdowns and GDP falling sharply early on, trust was retained though of course that could simply have been the result of the government (or in fact the taxpayers) subsidizing jobs and keeping businesses going..

But clearly economic perceptions of competence – and being told the truth over economic issues- must matter. If not, why then the rise in services that now 'fact check' all pronouncements by politicians to do with data. And why is one of the main questions in polling surveys still about who and which party is trusted more on the economy. The current government certainly acts as if it does believe that what matters most is 'the Economy, Stupid'. Tax giveaways have recently been the name of the game. Indeed the IFS now calculates that given the rolling 5-year nature of the fiscal rule for reducing the debt to GDP ratio, there may well be an extra £12b headroom for the Chancellor, Jeremy Hunt, allowing him to go for a further 2% cut in the NIC rate before an expected autumn general election. The IMF in its latest World Economic Outlook, while warning of the need for fiscal restraint in the current rather uncertain economic and geopolitical environment, pointed out in a recent study that governments' tend to spend more and tax less' in election years – and 2024 is the year when the countries holding or having held elections already this year represent some 49% of the world's population.

But after the elections in the UK and after any new government enjoys its (likely to be) brief honeymoon period with the electorate, some serious thinking will need to take place in relation to the damage done to the institutions and therefore trust in government here. Some is justifiable-: too many changes creating too much uncertainty is a perennial problem. Reviews to

correct wrongs take too long to get started and then too long to come to any meaningful closure. Look at the contaminated blood scandal which still rumbles on or the Post Office scandal which has gripped the nation. Or the state of our waters, the NHS, the late delivery of our post, the closure of branches, the state of our roads and trains. And the worries about whether regulators are really doing the right thing.

Much to be done. But attacking institutions for political gain reduces the quality of our governance. Surely 'if it ain't broke, don't fix it', but focus instead on what really matters in restoring trust.

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