# Peter McCormack and Tom Clougherty call for free market reform amid UK economic challenges



In a recent episode of his podcast, Peter McCormack engages in a compelling dialogue with economist Tom Clougherty, who serves as the Executive Director at the Institute of Economic Affairs. Their discussion centres around the multifaceted challenges currently confronting the UK economy, highlighting what Clougherty describes as a deeply flawed economic framework. He advocates for a reassessment of free market policies, proposing them as a pivotal remedy to the stagnation evident across various sectors.

Clougherty's insights come at a time when the UK grapples with mounting fiscal pressures, and he strongly posits that innovative strategies are crucial not only for stimulating growth but also for addressing the urgent fiscal hurdles affecting the nation. This conversation is part of McCormack's broader mission to illuminate complex economic issues while exploring potential pathways for significant reform. His previous explorations into the role of Bitcoin in fostering financial inclusion resonate with Clougherty’s advocacy for economic innovation, underscoring the intersection of traditional and emerging economic frameworks.

The conversation reflects a wider discourse within the UK regarding economic resilience and reform strategies, as the nation seeks viable solutions amid stagnation and inefficiency. This aligns with recent government initiatives designed to revitalise the pension system, which has long been criticized for its fragmentation and inequity. An ongoing push towards the consolidation of pension schemes aims to not only improve governance but also significantly boost investments in the UK’s productive assets—a necessary evolution, given that a mere 18% of pension funds are currently allocated domestically. Reforms proposed in the “Pensions Investment Review” focus on the necessity of enhancing the economic landscape while ensuring fairness across generations—a goal echoed in Clougherty's discourse.

This backdrop of reform is further supplemented by the agility of the UK’s Shadow Monetary Policy Committee, which has been scrutinising the Bank of England’s stance on interest rates. The Committee advocates for a reduction in interest rates to counteract the negative impacts of quantitative tightening—suggestions that have sparked mixed opinions among economists yet illustrate an engaged dialogue surrounding fiscal policy.

Moreover, the recent appointment of Keir Starmer as Prime Minister has injected a renewed focus on economic growth into the political arena. His government has unveiled ambitious reforms, including lifting bans on renewable energy projects and plans for a public banking initiative to bolster investments. However, these initiatives place him at the crossroads between delivering on comprehensive reforms and mitigating voter disillusionment borne from previous governmental failings.

While Starmer's government contemplates substantial reforms, there remains scrutiny from fiscal watchdogs such as the Institute for Fiscal Studies, which has urged Labour and Conservative parties to clarify their economic plans. The IFS has challenged the credibility of various proposals, suggesting that rhetoric around fully funded public services may not align with the fiscal realities awaiting the next government, regardless of which party prevails in upcoming elections.

In this context, discussions also emerge concerning the role of the Financial Conduct Authority (FCA) in bolstering economic growth. As articulated by FCA Chief Executive Nikhil Rathi, the regulatory body aims to ease barriers for investment and innovation, demonstrating a proactive approach to enhancing the UK's business climate. This includes notable proposals, such as removing the cap on contactless payments, which seek to foster greater consumer and business flexibility.

As the UK navigates these complex economic waters, the integration of innovative policies and strategies remains crucial not just for immediate recovery but for establishing a resilient future. Both McCormack's discussions and the broader political discourse reflect a dynamic landscape, ripe for reform and adaptation, to meet the pressing challenges that the UK economy currently faces.

### 📌 Reference Map:

* Paragraph 1 – [[1]](https://tradersunion.com/news/market-voices/show/307156-uk-economy-discussion/), [[4]](https://www.lemonde.fr/en/international/article/2024/07/18/in-the-uk-keir-starmer-wants-to-focus-his-mandate-on-economic-growth_6688044_4.html)
* Paragraph 2 – [[2]](https://www.ft.com/content/34d454ea-f4b8-4e49-8532-b9e666e5d396), [[5]](https://www.ft.com/content/e529148e-01b4-4fe9-af43-c8c54807c58b)
* Paragraph 3 – [[3]](https://www.ft.com/content/1836a2ae-57d0-473e-9605-ee82ca09d572), [[6]](https://www.reuters.com/world/uk/uk-financial-regulator-says-it-welcomes-focus-economic-growth-2025-01-17/)
* Paragraph 4 – [[4]](https://www.lemonde.fr/en/international/article/2024/07/18/in-the-uk-keir-starmer-wants-to-focus-his-mandate-on-economic-growth_6688044_4.html), [[7]](https://www.ft.com/content/ddd8658c-3eda-4544-ba14-d909ec225dc4)
* Paragraph 5 – [[5]](https://www.ft.com/content/e529148e-01b4-4fe9-af43-c8c54807c58b), [[6]](https://www.reuters.com/world/uk/uk-financial-regulator-says-it-welcomes-focus-economic-growth-2025-01-17/)
* Paragraph 6 – [[6]](https://www.reuters.com/world/uk/uk-financial-regulator-says-it-welcomes-focus-economic-growth-2025-01-17/), [[7]](https://www.ft.com/content/ddd8658c-3eda-4544-ba14-d909ec225dc4)

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## Bibliography

1. <https://tradersunion.com/news/market-voices/show/307156-uk-economy-discussion/> - Please view link - unable to able to access data
2. <https://www.ft.com/content/34d454ea-f4b8-4e49-8532-b9e666e5d396> - The UK pension system has long been fragmented and inequitable, with pensioners falling into disparate groups such as public sector workers with secure pensions, beneficiaries of older defined benefit (DB) schemes, and younger, private sector workers reliant on riskier defined contribution (DC) plans. Additionally, the system fails to enhance economic productivity due to its risk aversion and lack of investment in UK productive assets—only 18% of pension funds are invested domestically. Recent government initiatives are moving in the right direction, aiming for consolidation of pension schemes, increased investment in productive assets, and higher savings rates. Key proposals include merging smaller pension schemes to achieve economies of scale and improve governance, thereby fostering more domestic investments for economic growth. The government's "Pensions Investment Review" and "Workplace Pensions: A Road Map" outline these reforms, with legislative backing through the upcoming pension schemes bill. The reforms seek not only better retirement outcomes but also economic revitalization, particularly after years of stagnant productivity and wage growth. Ensuring fairness and universality across generations and sectors is a long-term goal. While challenges remain, these reforms could establish a more coherent and effective pension framework, marking a significant economic achievement.
3. <https://www.ft.com/content/1836a2ae-57d0-473e-9605-ee82ca09d572> - The Institute of Economic Affairs' Shadow Monetary Policy Committee (SMPC) has regularly met to replicate Bank of England's (BoE) decision-making on interest rates since 1997. These meetings follow a set pattern: analyzing global economic conditions, UK's inflation, and growth, then suggesting a borrowing rate. July's meeting stood out as the SMPC proposed a face-to-face engagement with BoE Governor Andrew Bailey to influence the bank's policies. This proposal reflects the BoE's interest in diversifying its external inputs following the Bernanke review. The SMPC has a diverse membership, ranging from monetarists to those with contrasting views on interest rates, mainly concerned about the high rates and quantitative tightening. They have called for significant cuts in interest rates and ending quantitative tightening, emphasizing its negative economic impact. The SMPC draws mixed opinions and skepticism regarding its affiliations and impartiality, yet members assert their advisory role is entirely pro bono and unconnected to any partisan agenda.
4. <https://www.lemonde.fr/en/international/article/2024/07/18/in-the-uk-keir-starmer-wants-to-focus-his-mandate-on-economic-growth_6688044_4.html> - Keir Starmer, the new British prime minister, wants to prioritize economic growth as he takes office, replacing a 14-year Conservative government. Since his appointment on July 5, he has emphasized the need for swift action and reform, unveiling 40 bills for the upcoming year. Key initiatives include liberalizing planning permission, lifting the ban on onshore wind turbine construction, and creating a public bank to support renewable investments. Additionally, he plans to renationalize the railways and abolish hereditary peers in the House of Lords. Starmer aims to reset relations with the European Union while adhering to budget constraints inherited from previous Conservative regimes. However, he faces the challenge of delivering on his promises to avoid voter disillusionment.
5. <https://www.ft.com/content/e529148e-01b4-4fe9-af43-c8c54807c58b> - The Institute for Fiscal Studies (IFS) has criticized both the Labour and Conservative parties' plans to improve public services in the UK, calling them "essentially unfunded." Despite claims that their tax and spending plans are "fully costed," the IFS argues that both parties have evaded difficult economic choices. Paul Johnson, IFS director, asserts that whoever wins the upcoming election will eventually need to raise taxes, cut spending, or borrow more, leading to higher debt. Labour is expected to win the election, but the IFS questions the feasibility of its plans, especially their claims of economic growth and fully funded public service improvements. Both parties promise ambitious spending on the NHS, education, and other services without allocating new funds, implying potential cuts in unprotected areas. The IFS also criticized other parties, like Reform UK and the Green party, for making unattainable tax claims and contributing to misleading political debates on public finances.
6. <https://www.reuters.com/world/uk/uk-financial-regulator-says-it-welcomes-focus-economic-growth-2025-01-17/> - Britain's Financial Conduct Authority (FCA) has announced plans to collaborate with the government to support economic growth. This follows finance minister Rachel Reeves' directive for regulators to eliminate barriers to growth, foster a supportive regulatory environment for investment and innovation, and focus more on growth than risk management. FCA Chief Executive Nikhil Rathi expressed willingness to take greater risks and align with the government's growth mission through to 2030. Proposals include enhancing capital investment, accelerating digital innovation, and easing regulatory burdens for startups. Notably, the FCA is considering removing the £100 cap on contactless payments to increase flexibility for businesses and consumers.
7. <https://www.ft.com/content/ddd8658c-3eda-4544-ba14-d909ec225dc4> - Rachel Reeves, the UK shadow chancellor, will emphasize the importance of economic stability in her upcoming Mais lecture, advocating for consistent and reliable growth if Labour wins the next general election. After recent upheavals such as Brexit, the Covid-19 pandemic, and the Ukraine war, Reeves seeks to avoid further disruptions. She plans to reform planning and employment laws while maintaining a stable growth environment and strengthening institutions like the Office for Budget Responsibility and the Treasury. Reeves contrasts her approach with that of former Prime Minister Liz Truss, who aimed to radically reshape economic institutions. Reeves supports many of the current financial reforms and intends to incorporate a new emphasis on growth within the existing budget and spending processes.