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The Sovereign Isle:

Lessons From the UK Economy for the EU's Future

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Summary

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The UK's recent political and economic trajectory offers valuable lessons not only for its own future but also for Europe's. While Brexit is often cited as the defining factor in the UK's challenges, the deeper story lies in structural economic pressures and how these have reshaped the country's political landscape. This policy brief examines the UK's key economic difficulties, how these have fractured the electorate and what implications this dynamic holds for Europe, particularly France and Germany, where mainstream parties face similar vulnerabilities. Greece's recent recovery is explored as a counter-example, illustrating how credible reform and institutional stability can rebuild both market confidence and political legitimacy.

Keywords Finance – Economics – UK – Brexit – Fiscal constraints – Debt – Deficit – Polarisation – Electoral fragmentation

Introduction

The UK's recent political and economic trajectory offers valuable lessons not only for its own future but also for the EU. While Brexit is often portrayed as the defining moment in the UK's recent history, this framing obscures the deeper structural pressures that have shaped the country's economic performance and political debates. Persistent productivity stagnation, regional disparities, the rising cost of living and fiscal volatility have exerted a sustained drag on the UK economy. These underlying economic realities have not only complicated the post-Brexit adjustment but have also fractured the UK electorate, eroding trust in traditional parties and amplifying populist and anti-establishment sentiments.

Understanding the interplay between economic performance and political stability in the UK is essential for Europe at the current time. Across the EU, key member states such as France and Germany are confronting parallel challenges: slowing growth, demographic shifts, the pressures of the energy transition and rising public scepticism towards established political actors. The UK's experience highlights how unresolved economic grievances can catalyse political realignment, weakening centrist coalitions and empowering challengers on both the left and the right.

This policy brief examines the core economic difficulties that have shaped the UK's recent evolution and analyses how these pressures have translated into political fragmentation. By distilling these lessons, I aim to illuminate the risks and opportunities for the EU's largest economies, exploring how proactive economic strategy, institutional responsiveness and political renewal can help Europe navigate its own moment of transformation.

The economic challenge

The productivity problem

Since the global financial crisis of 2008, the UK economy has entered an era of unusually weak productivity growth. According to the UK's Office for Budget Responsibility (OBR), over this period 'productivity growth has averaged ½ a per cent a year, its slowest average rate since the 1830s'.[1] This is compared to average growth in output per hour of 2.1% in the decade prior. What had once been a steady, if unspectacular, contributor to rising living standards has instead become a persistent drag, leaving the UK with its longest period of productivity stagnation since the Industrial Revolution. More striking still, this slowdown has been deeper and more prolonged than in any other major advanced economy, placing the UK at the lower end of the G7 productivity league.

At the heart of this stagnation lies a sustained deterioration in total factor productivity (TFP), rather than a simple lack of investment. TFP can be thought of as how an economy uses its inputs to generate income—if it can do more with less, it has a higher TFP. Countries with a higher TFP tend to be richer, with a sustained growth in income per person, such as Norway, the Netherlands and Switzerland.

It is the economy's diminished capacity to generate more output from existing resources that best explains the UK's malaise. Firms have invested less in innovation, skills and organisational upgrading, while weak diffusion of new technologies has compounded the problem.

A succession of economic shocks has further entrenched these weaknesses. The financial crisis scarred the banking system and curtailed the credit available to productive firms. Brexit introduced new frictions to trade and investment, disproportionately affecting the open, services-heavy economy. The pandemic disrupted labour markets and accelerated workforce exits, while the energy crisis exposed long-standing vulnerabilities in the UK's cost base. Taken together, these shocks appear to have weighed more heavily on the UK than on its G7 peers, not because they were unique, but because they interacted with pre-existing structural fragilities. The result has been an economy trapped in a low-productivity equilibrium. This has had profound implications for wages, public finances and, therefore, political stability.

Yet the UK's experience, while acute, is not entirely unique. Productivity growth has also slowed markedly across Europe, including in its two largest economies, France and Germany. In both countries, once-reliable productivity models have come under strain from demographic ageing, slower technological diffusion and rising regulatory and energy costs. Germany's export and manufacturing-led growth model has been challenged by energy price shocks and shifting global trade patterns, while France has struggled to reconcile productivity improvements with rigidities in labour markets and public spending pressures.

1 UK, OBR, *Forecasting Productivity*, Briefing Paper no. 9 (26 November 2025).

Since the pandemic, the US has led the way in rebounding productivity growth. The Bank of England's analysis suggests this 'may partly reflect reallocation of activity and labour towards more productive sectors and the strength of the US technology sector'.[2]

Trade disruption

The past need not be the prologue. Just as shocks can knock the economy off track onto a lower-growth path, they can also provide an opportunity to undertake necessary restructuring to rejoin the growth train further down the track. The UK managed to shunt itself into periods of higher productivity in both the 1860s and the 1960s; in the former by embracing the new world of steam power in manufacturing and railways and in the latter by riding the post–Second World War boom in general-purpose industrial technologies, such as petrochemicals and automotive manufacturing.

We are once again in the midst of a technological revolution, this time powered by greater computing power and artificial intelligence. At the same time, the great powers of the world are engaging in an arms race to secure an advantage from these new technologies.

This has come to a head with the new US administration, which is seeking to redraw economic interconnectedness along national security lines. The US Treasury Secretary Scott Bessent outlined this new approach in an opinion piece for *The Economist* prior to his elevation to the second Trump administration. He concluded, 'the lesson of global economic integration is that free trade is to some degree in tension with free markets' and therefore the US 'must adopt policies aimed at correcting the sources of imbalances in the international economy'.[3] Whilst this includes the use of tariffs, he argued that it also requires closer security ties between countries that share market access. In short, policy must be set such that 'the cost to remaining outside the perimeter would be high'.[4]

The redrawing of global supply chains by the US, driven as much by geopolitics as by economics, is no longer a theoretical exercise but an active project. For the UK, this moment presents an opportunity rather than a constraint. Brexit has already forced a painful but clarifying reassessment of Britain's place in the global

[2] Bank of England, *Financial Stability Report* (December 2025).

[3] S. Bessent, 'A Trump Adviser on How the International Economic System Should Change', *The Economist*, 23 October 2024.

[4] Ibid.

trading system. Having absorbed that shock earlier than many of its peers, the UK is better positioned to move first in redefining its commercial relationships. The recent trade agreement with India, while modest in scale, offers a glimpse of how Britain can begin to carve out a more agile and strategically minded trade policy.

Yet this recalibration was underway long before Washington's latest shift. The pandemic delivered a real-world stress test for globalisation, exposing the fragility of just-in-time supply chains almost overnight. Borders closed, flights stopped and governments scrambled to respond, in many respects producing a global 'no-deal' scenario that echoed the fears once associated with Brexit. Since then, disruption has become the norm rather than the exception. In this environment, clinging to old trading patterns is not an act of prudence but of complacency. Countries that fail to rebalance their economic partnerships now risk finding themselves dangerously exposed when the next shock inevitably arrives.

The cost of living

The consequences of this fragmentation are being felt directly by voters. The sharp rise in energy prices, persistent food inflation and the long-running failure to deliver affordable housing have combined to create a sustained cost-of-living challenge. For many households, this is not a temporary squeeze but a structural erosion of living standards, undermining confidence in both markets and government.

Central banks have been left to shoulder a burden they were never designed to carry. Interest rate rises can cool demand, but they cannot conjure a new energy supply, unblock ports or build homes. Inflation driven by external shocks and domestic supply constraints has therefore proved stubborn, exposing the limits of monetary policy when the real problem lies in capacity, resilience and reform. This is a challenge facing the UK and its European neighbours alike, as governments confront the reality that price stability cannot be secured by central banks alone.

The answer to the cost-of-living crisis does not lie in permanent subsidies or ever-greater state intervention, but in expanding supply and restoring economic resilience. That means securing reliable and affordable energy, reforming planning to increase the housing supply and using trade policy to diversify food and critical imports. Without a renewed focus on the supply side of the economy, inflationary pressures will remain embedded and voters will continue to, quite literally, pay the price.

Fiscal pressures

These supply-side challenges are unfolding against an increasingly unforgiving fiscal backdrop. After years of crisis spending and weaker trend growth, the UK now carries a high debt-to-GDP ratio alongside a persistent budget deficit. The result is a sharply reduced margin for manoeuvre. Financial markets, rather than ministers, have become the ultimate arbiters of Britain's economic choices, quick to punish any hint of fiscal indiscipline through higher borrowing costs.

This constraint is no longer theoretical. Politicians across the political spectrum have been shaped by the experience of Liz Truss's short-lived premiership. The market reaction to her inaugural 'mini' budget triggered severe turbulence in the gilt market, forced the Bank of England to intervene and ultimately brought her time in office to an abrupt end after just 49 days. What many policymakers had once treated as a distant or abstract force was revealed to be immediate and unforgiving.

For the current Labour government, this episode has loomed large. Chancellor Rachel Reeves has responded by placing significant weight on the authority of the OBR, operating on the assumption that adherence to fiscal rules validated by OBR forecasts is the price of market credibility and therefore political survival. Yet this stance has generated unease within her own party. The co-leader of the left-wing Tribune faction of the Labour Members of Parliament, Louise Haigh, has criticised what she describes as 'excessive deference' to an institution she argues has 'morphed into a gatekeeper of orthodoxy'.[5] Ironically, Liz Truss believed it was this perceived economic orthodoxy that delivered her downfall, which suggests that jettisoning the OBR is not the solution. Taken together, this illustrates the narrow path policymakers must now tread between disregarding institutional constraints and allowing them to crowd out political judgement altogether.

For all the debate, the underlying fiscal constraint cannot be wished away. It collides directly with political reality. An electorate battered by falling real incomes and deteriorating public services is demanding visible change rather than restraint. Yet the scope for large-scale fiscal intervention has largely evaporated. Unlike previous downturns, there is no credible path to spending-led relief that does not risk a rapid loss of market confidence. The tension between what voters expect and what the public finances can sustain has become a defining feature of the UK's economic landscape. It is now a central challenge for any government seeking to restore both growth and trust.

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5 L. Haigh, 'The Fiscal Straitjacket Facing Labour Must Be Broken', *LouiseHaigh.org.uk*, 8 September 2025.

This collision of fiscal and political pressures sharpens the case for reform over redistribution. With borrowing constrained and taxes already high, growth becomes not just a desirable outcome but a fiscal necessity. The challenge is to rebuild credibility with the markets while offering voters a plausible route back to rising living standards through higher productivity, stronger investment and a more resilient economic model. Failure to resolve this tension risks locking the UK into a cycle of low growth, high debt and deepening public disillusionment.

The UK is not alone in confronting this collision between fiscal reality and political expectation. Across the EU, governments face a strikingly similar set of constraints, even where debt metrics differ on paper. High inflation, weak growth and rising borrowing costs have combined to expose the fragility of Europe's post-crisis economic model.

France illustrates the political dimension of this challenge. Despite maintaining market access and avoiding an acute financing crisis, France is operating with a large structural deficit and a rising debt-to-GDP ratio. Successive governments have found themselves hemmed in by an electorate deeply resistant to reform, particularly in labour markets and pensions. Emmanuel Macron's second term in office has seen five prime ministers in four years—six if you count how Sébastien Lecornu tried to resign but was then reappointed within a matter of days. Efforts to restore fiscal credibility have repeatedly triggered political backlash, underscoring how narrow the path has become between consolidation and social unrest. French prime ministers have had to resort to the constitutional mechanism of Article 49(3) to ram through budget votes, having been unable to secure a legislative majority. Fiscal space may still exist, but political space is increasingly scarce.

Germany, by contrast, enters this period with a lower debt burden and a long-standing reputation for fiscal discipline. Yet even Europe's largest economy is discovering the limits of prudence without growth. The collapse of cheap Russian energy, underinvestment in infrastructure and legal constraints on borrowing have tightened the screws on Berlin's economic model. Within days of taking office, Chancellor Merz was forced to set aside long-held commitments to fiscal orthodoxy, as pressure mounted to accelerate defence spending in response to a rapidly deteriorating security environment. The result is a government struggling to finance the energy transition, defence commitments and industrial renewal without breaching its own fiscal rules and, more importantly, alienating voters accustomed to stability.

The lesson for both countries mirrors that of the UK. Fiscal credibility alone is no longer sufficient, but neither can governments spend their way out of structural weakness. Across Europe, constrained public finances simply do not meet the expectations of electorates demanding security, affordability and opportunity.

The political impact

Traditional parties lose support

The electorate is already voting with its feet. Traditional parties are being left behind in the dust as voters stampede towards the promised land of populists on both the left and the right. This trend began in the wake of the financial crisis but has accelerated since the pandemic. The combined vote share of the two main German parties, the centre–right Christian Democratic Union of Germany/Christian Social Union in Bavaria (Christlich Demokratische Union Deutschlands/Christlich-Soziale Union in Bayern, CDU/CSU) and the centre–left Social Democratic Party of Germany (Sozialdemokratische Partei Deutschlands), fell below half of the electorate in 2021 and declined further in the latest federal election.

With less than half the electorate supporting the ruling coalition, its mandate to govern is under pressure. This situation has been exacerbated by the immediate u-turn undertaken after the 2025 election by CDU/CSU leader Merz. Despite running on a platform of fiscal prudence, he jettisoned decades of his own commitment to tight debt rules and reformed the constitutional debt brake to increase defence spending. Moreover, he did so at speed, by reconvening the lame-duck parliament that had just been voted out of office, fearful that the one-third of seats won by the extreme parties of the left and the right would veto a constitutional change. Voters are unlikely to be reassured if their wishes are steamrollered in this way. The ruling coalition has subsequently seen its support decline further in opinion polls, shedding six percentage points within a year of the election.[6] Merz is taking a big gamble that his own voters will ultimately back his decision and that those who have veered to the extremes will return.

[6] *Politico*, ‘Germany—National Parliament Voting Intention’.

Voter perception

Hopes of a natural centripetal force are likely to founder. Populist and nationalist rhetoric is gaining traction across the G7 amid economic insecurity. The electorate is fragmenting. With huge economic change comes political change.

It started with the global financial crisis, when the public began to question whether their own money was safe in the bank. Taxpayer-funded bailouts of those banks then led to an anti-establishment backlash. Leaders who portrayed themselves as outsiders standing up for the common man were rewarded, whether firebrand Alexis Tsipras in Greece, the Eurosceptic Nigel Farage in the UK or the reality TV star Donald Trump in the US. France's Emmanuel Macron created a whole new party that propelled him to the presidency on the promise of fresh ideas, despite having served as finance minister in the previously discredited government of François Hollande.

Then along came a global health emergency, which created a new political cleavage: authoritarian versus libertarian. Those who had baulked against the establishment were confronted by the fact that the state and only the state, had the power to intervene in a crisis of such a scale. Whether paying furlough money to locked-down workers or delivering vaccines across the population, the state became the main actor. While Brexit had been delivered on the alluringly simple mantra of 'Take back control', the pandemic raised the additional question of who was taking back control? Was it the individual and, as such, were vaccine mandates and lockdowns a restriction too far? Or was it Parliament, whereby government rules must be obediently followed without question?

The success of Boris Johnson in the UK's 2019 general election gave way to a splintering of his voters across the new divide. The Political Compass test helpfully clarifies this by using two axes: left versus right and authoritarian versus libertarian.[7]

The introduction of the authoritarian-versus-libertarian cleavage ultimately paved the way for Boris Johnson's defenestration amid various scandals. Authoritarians could no longer break bread with libertarians once the architect of the lockdown rules had himself been fined by the police for breaking them.

Inflation crystallised these splits. For millennia, it has been the touchpaper that has ignited political change, whether as a result of the Roman emperors devaluing denarii or Marie Antoinette's indifference to the consumption of brioche.

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[7] *PoliticalCompass.org*, 'Test'.

Today's episode is no different in its political consequences. In an era of weak productivity and anaemic growth, distributional questions have moved to the fore. When the economic pie is not expanding, public attention inevitably shifts to who is receiving a share of it, inflaming latent tensions over the role of immigration in the economy. Survey data across advanced economies suggest this dynamic is already underway: in the UK, the cost of living and the economy consistently rank as the dominant concerns, but immigration has risen sharply in salience since 2022, now cited by a majority of respondents as a key national issue.[8] Similar patterns are evident across Western Europe, where majorities in countries such as Germany, France, Denmark, Spain and Italy agree with the scenario of 'a large decrease in the number of new migrants allowed to come into the country'.[9] In all of those countries except Spain, a majority backed the even tighter immigration scenario of 'admitting no more new migrants and requiring large numbers of migrants who came to the country in recent years to leave'.[10]

These pressures are compounded by fiscal constraint. Inflation already functions as an implicit tax on households, eroding purchasing power and savings. At the same time, governments facing high debt and limited borrowing capacity are seeking to extract more from taxpayers to stabilise the public finances. The result is a cumulative burden of higher prices layered on top of higher taxes, in an environment where growth has failed to deliver rising living standards. The political consequences are already visible. Across Europe, elections over the past decade have seen significant gains for challenger parties campaigning on the cost of living, migration and fiscal sovereignty, while traditional centre–left and centre–right parties have struggled to retain their historical vote shares. In this context, it is unsurprising that voters are increasingly holding established parties responsible for the current economic settlement and are searching for alternatives that promise a different trajectory.

Reform versus Green

In the UK, the Conservative Party has entered a period of acute fragmentation. The 'One Nation' tradition of centrist conservatism has weakened, yet no coherent neo-Thatcherite project has emerged to replace it. After 14 years in government, the party was struggling to deliver for either its centrist or market–liberal constituencies, leaving it ideologically hollowed out. This collapse was reflected in result of the

8 UK, Office for National Statistics, *Public Opinions and Social Trends, Great Britain: December 2025* (23 January 2026).

9 *YouGov*, 'YouGov Survey Results' (2025).

10 Ibid.

2024 general election, when the Conservatives were reduced to 121 seats and 23.7% of the vote, their worst performance in nearly two centuries. Meanwhile, the Liberal Democrats captured 72 seats, including 59 directly from the Conservatives, particularly in affluent southern England. At the same time, Reform UK secured over 14% of the national vote despite emerging into the national consciousness only two years prior, demonstrating the extent and speed of right-wing voter fragmentation. The Conservative Party now finds itself compressed between a resurgent liberal centre and a populist right. Until one faction within the party reasserts ideological and organisational dominance, the Conservatives risk remaining trapped between competitors who each speak more clearly to distinct segments of their erstwhile base.

The Labour Party, despite winning its second-largest parliamentary majority in history in 2024, with over 400 seats and a majority of around 170, faces its own internal tensions. Sir Keir Starmer campaigned on a platform of 'change', yet the constraints of the public finances and his deliberately technocratic approach have produced a policy agenda that often appears incremental rather than transformative. Labour's historically modest vote share of around one-third of the electorate, the lowest ever for a post-war majority government, underscores the fragility of its mandate in the fragmented political landscape. Parliamentary rebellions and policy retreats have already illustrated the limits of centralised control within the party, particularly on welfare, taxation and business policy, where internal divisions between fiscal caution and redistributive ambition remain unresolved. The UK chancellor of the exchequer was left in tears[11] in the House of Commons after her planned welfare reforms had to be gutted moments before a key parliamentary vote, reducing her fiscal space further rather than repairing it. Even with the government watering down the plan, its working majority fell by more than half from 165 to 75.[12]

As with the Conservative governments before it, Labour now faces the same dilemma of reconciling electoral promises with fiscal discipline under the intense scrutiny of the markets, institutions and its own parliamentary caucus.

With the vote share for the two main parties having collapsed from a combined 58% in the 2024 general election to just 34% in the opinion polls by the start of 2026, the Conservatives and Labour are no longer setting the national tempo. Instead, Reform UK has been consistently topping opinion polls for almost a year and the Green Party has surged into fourth place after electing a new,

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11 *BBC,* 'No 10 Backs Chancellor Rachel Reeves After Tearful Appearance at PMQs', 1 July 2025.

12 K. Whannel and B. Wheeler, 'Government Wins Vote on Watered-Down Welfare Bill After Concessions', *BBC*, 1 July 2025.

social-media-friendly leader, Zack Polanski. Where Reform has made hay on an anti-immigration platform, the Greens appeal to those looking for social and environmental justice. Interestingly, when it comes to the economy, both advocate for a role for the state. Both Farage and Polanski have called for the nationalisation of at least some private enterprises—the former of UK steel producers and the latter of water companies. The left–right economic divide is not a straight line but a circle that ultimately meets at either extreme.

Voters have been attracted by fresh ideas from these two new parties, with the proposal of wealth taxes from the Greens and the restriction of benefit payments to immigrants from Reform. Both policies emphasise how inequality and fairness are the salient issues for the British public. And yet neither party has yet articulated how to solve the central problem of stimulating productive growth whilst wrangling with the financial markets' constraint on painful debt/deficit dynamics.

Lessons for Europe

The centrifugal forces within a fractured electorate create challenges for existing parties but also present a clear opportunity for the centre–right parties across Europe. They are best placed to position themselves as the credible, responsible voices in the room when it comes to reassuring the financial markets. As the experience of the UK and other advanced economies has shown, fiscal credibility is no longer a technocratic nicety but a precondition for political viability. In an era of high debt, fragmented electorates and volatile capital markets, governments that fail to anchor expectations risk swift and destabilising market reactions.

For centre–right parties across Europe, this environment plays to their traditional strengths: an emphasis on sound public finances, institutional credibility and the primacy of growth-driven prosperity over debt-fuelled redistribution. Yet credibility cannot rest on austerity rhetoric alone. Voters who have endured a prolonged cost-of-living squeeze are sceptical of abstract fiscal targets unless they are paired with a convincing growth strategy. *The task is therefore twofold: reassuring markets that fiscal discipline will be maintained, while persuading electorates that such discipline is compatible with rising living standards.*

The fragmentation of party systems across Europe reinforces this imperative. With mainstream parties commanding historically low vote shares, fiscal missteps can quickly become existential political events.

A *first lesson* is that *institutions matter*. Independent fiscal councils, credible fiscal rules and central bank independence have moved from being technocratic luxuries to political shock absorbers. The UK's OBR, Germany's debt brake and the EU's Stability and Growth Pact are now undergoing reform and serve a similar function: anchoring expectations when political pressures push towards fiscal expansion. Defending and modernising these institutions should be a priority. This does not mean freezing policy ambition, but ensuring that ambition is delivered within frameworks that maintain market confidence. The alternative outcome, where discretionary fiscal policy is unconstrained by credible oversight, has repeatedly proven destabilising.

A *second lesson* is that *growth is the ultimate fiscal strategy*. Europe's fiscal challenges are not simply the result of profligacy; they are the consequence of a decade of weak productivity and anaemic investment. Without higher trend growth, even the most disciplined fiscal stance will struggle to stabilise debt ratios, while electorates will continue to experience stagnating living standards. This strengthens the case for a supply-side agenda: accelerating planning and permitting for housing and infrastructure, deepening capital markets to mobilise private investment, removing barriers to new technology, securing affordable energy and leveraging defence and digital industrial policy to crowd in private capital rather than crowd it out. Fiscal discipline without a growth agenda is politically unsustainable; a growth agenda without fiscal discipline is financially unsustainable.

Third, *political economy matters as much as economics*. Fiscal frameworks and institutional credibility must be communicated not as technocratic constraints but as enablers of prosperity and social stability. Voters are increasingly sceptical of rules that appear to bind governments without delivering tangible improvements in living standards. The narrative must link fiscal responsibility to concrete outcomes. Lower borrowing costs lead to more private investment, delivering better public services and stronger capacity to respond to future shocks. The German debate over the debt brake, the French struggle with pension reform and the UK's post-Truss fiscal recalibration all illustrate that credibility must be paired with a persuasive account of how discipline translates into opportunity. For example, governments could explicitly link adherence to fiscal rules with commitments that savings from lower debt-servicing costs will be redirected towards visible priorities such as infrastructure, skills and innovation. A fiscal framework presented not simply as a constraint but as the mechanism that frees resources for investment could help demonstrate how stability today supports prosperity tomorrow.

Winning the argument

It is hard for the parties who presided over the current malaise to make these arguments. Voters simply do not believe them. From Italy and the Netherlands to the UK and France, incumbent parties have seen vote shares collapse, coalitions fragment and challengers gain ground. While the pandemic response was often necessary and broadly supported at the time, its long shadow of high debt, inflationary pressures, weakened public services and lingering distrust in institutions has reshaped voter attitudes in ways that traditional parties are struggling to navigate.

For large segments of the electorate, mainstream parties are now associated with lockdowns, emergency spending and the subsequent cost-of-living squeeze, even when global shocks beyond national control drove these outcomes. The result is a scepticism that traditional political actors can deliver credible solutions to economic and social discontent. Voters who feel poorer, less secure and more constrained than before the pandemic are increasingly willing to experiment with alternative political forces. Even if their pay keeps pace with inflation, immigration is contained or growth stutters back to life, many voters will not forgive or forget how they came to be in their present precarious position.

This scepticism is reflected in polling across advanced democracies. In the UK, only 27% of respondents reported high or moderate trust in the national government in 2023, below the OECD average.[13] Trust has significantly deteriorated over the last decade. Between 2014 and 2024, the proportion of people with low to no trust in Members of Parliament rose from 54% to 76%, according to the British Election Study.[14] Across the EU, only around one-third of citizens say they trust their national government,[15] highlighting a widespread crisis of confidence in domestic political institutions.

This creates a significant and enduring political challenge. A widening perception gap separates macroeconomic performance from lived experience and closing it will be difficult. Improving aggregate indicators alone will not guarantee political stability or a return to the parties of the centre. Voters respond more powerfully to the everyday realities of their lives. The think tank More in Common conducts regular focus groups to determine societal attitudes. Its UK Executive Director, Luke Tryl, flagged up one particular comment which 'encapsulates why people feel so frustrated . . . it's not always the big things, it's as simple as not being able

[13] OECD, 'Government at a Glance 2025: United Kingdom' (19 June 2025).

[14] UK Parliament, 'Trust, Public Engagement and UK Parliament' (21 May 2025).

[15] EU, *Standard Eurobarometer 103 – Spring 2025.*

to afford to get fish and chips as an occasional treat'.[16] Small pleasures matter when the electorate is disaffected.

Extreme parties have found it fruitful to plough the furrow of disillusion. More in Common's survey found that supporters of fringe parties were more likely than any other voters to agree with statements that suggest the UK as a country has become less cohesive. For example, 76% of Reform voters and 82% of Green voters agree with the statement 'The British government is rigged to serve the rich and influential', compared to 51% of Conservative voters and 39% of Labour voters; similar proportions were reflected for the statement 'The UK feels divided these days'.[17] Parties of the centre cannot afford to ignore these narratives simply because they are uncomfortable. Rebuilding trust requires appealing not only to reason but also to emotion and identity.

Mainstream parties must therefore articulate their agendas in language that resonates politically as well as economically, linking competence and credibility with a compelling account of fairness, security and opportunity. Without such a narrative, even well-designed policy programmes risk being drowned out by more emotionally resonant but less constructive alternatives. Siren calls to cultural anxiety cannot be ignored. If voters feel unsafe, treated unfairly or ignored, then mainstream parties must engage with what is driving these sentiments rather than fall back on parroting failed policies of the past.

Competing with populist economic narratives therefore requires translating sound policy into clear messages that voters can support, such as:

- *Stability protects households.* Governments should explain fiscal credibility in terms voters recognise: 'When government loses control of borrowing, mortgage rates rise and businesses stop investing. Keeping the public finances stable protects your job, your savings and the cost of your home.'
- *Growth raises wages.* Rather than discussing productivity in the abstract, the message should focus on living standards: 'The only lasting way to raise wages is to grow the economy. That means building more homes, investing in infrastructure and backing innovation so businesses can create better-paid jobs.'

16 L. Tryl (@LukeTryl), X post, 11 June 2025, 9.04 pm.

17 *More in Common,* 'The State of Social Cohesion' (9 January 2026).

- *Work and contributions are rewarded.* The message should reinforce the social contract: 'If you work hard, pay your taxes and play by the rules, the system should work for you—not just for those at the top.'
- *Opportunity must reach everyone.* The message should address territorial inequality directly: 'Opportunity should not depend on your postcode. Investment in transport, skills and local industry should ensure that smaller cities and towns share in national prosperity.'
- *People, not policy, matters.* The government should explain that it can only do so much and so it uses public investment to unlock private investment: 'Government cannot and should not build the economy alone. Its job is to create the conditions that allow businesses to invest and people to reach their potential.'

But before winning minds, politicians must also win hearts. They must employ empathy but not sympathy. They should admit where they have gone wrong in the past and accept voter concerns, but draw a line: 'the institutional order has failed but must be reformed rather than destroyed to enable us to move forward'.

The Greek example

If this feels a Sisyphean task, consider that Greece has already led the way.

In the aftermath of the global financial crisis and the eurozone debt crisis, Greek voters turned to an insurgent, anti-establishment leadership under Alexis Tsipras and the Coalition of the Radical Left—Progressive Alliance (Syriza), reflecting a deep disillusionment with traditional parties. Yet within a decade, Greece had returned to its centre–right New Democracy (Néa Dimokratía) party under Kyriakos Mitsotakis, following a period of painful fiscal adjustment, political fragmentation and economic reform. The country entered the pandemic with improved institutional credibility and a more resilient fiscal position, enabling it to navigate subsequent shocks with greater stability.

Greece's macroeconomic turnaround has been striking. Unemployment fell from a peak of over 27% during the crisis to below 10% by 2024.[18] After more than a decade in junk-rating territory, the country regained investment-grade sovereign status with an upgrade from Standard & Poor's in October 2023, supported by sustained primary surpluses, falling debt ratios and institutional reforms. Public debt has declined by

[18] *TradingEconomics.com*, 'Greece Unemployment Rate'.

more than 40 percentage points of GDP since its 2020 peak,[19] while the government posted a primary budget surplus in 2022.[20] In 2026 the European Commission forecasts that the budget balance will reach 0.3% after taking into account the impact of a small fiscal expansion, which is 'designed to alleviate cost-of-living pressures and provide support to lower- and middle-income households, families with children, pensioners and residents of small villages'.[21] Other governments can only dream of having the fiscal space to reach such a variety of voters at the current juncture.

Greek government bond yields have compressed sharply relative to those of peers, at times trading below those of Italy and narrowing spreads with German Bunds, reflecting renewed market confidence. The banking sector, once synonymous with systemic collapse, has now returned to profitability, significantly reduced non-performing loans and attracted deposits, signalling restored financial stability.

Most significantly, Greece has enjoyed an extended period of centre–right political stability. The legacy New Democracy party secured a landslide victory in the 2019 parliamentary election, winning an outright majority of seats in parliament on almost 40% of the vote and renewed that mandate in June 2023 with a decisive parliamentary majority, consolidating Mitsotakis's reform agenda. The government's political programme centred on attracting investment, accelerating the digital transformation and restoring state capacity. As Mitsotakis put it in a December 2025 speech, 'the nation once seen as the "black sheep" of bankruptcy is now rising to the top . . . fiscal consistency is a prerequisite for improving credibility . . . in combination with bold reforms, it can go hand in hand with dynamic growth'.[22]

The experience of Greece shows there is a path ahead that does not condemn economies to persistent political and economic instability. Mitsotakis secured public support by prosecuting a clear and disciplined message: Greece would be open for investment, committed to reform and reliable in delivery. Having broadly delivered on this agenda, the government has been rewarded with renewed electoral support and restored market confidence. Greece illustrates that institutional credibility, reform momentum and political stability can be mutually reinforcing. Electorates will ultimately reward governments that combine competence, growth and clarity of purpose.

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19 *Reuters*, 'Moody's Upgrades Greece to Investment Grade on Strong Fiscal Recovery and Stability', 14 March 2025.

20 Greece, Ministry of Finance, *Stability Programme 2023* (Athens, April 2023).

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Conclusion

In a fragmented political landscape, parties that can combine institutions that anchor expectations, reforms that expand productive capacity and a narrative that connects fiscal prudence with everyday prosperity will be best placed to reassure markets, regain voter trust and shape Europe's economic trajectory over the coming decade.

The UK's experience serves as both a warning and a roadmap for Europe's mainstream parties as they confront a similarly constrained and volatile political economy. Communicating how stability translates into tangible improvements in living standards will be essential to rebuilding durable political coalitions. The task is therefore not simply to defend fiscal orthodoxy, but to adapt it to an era of voter scepticism and geopolitical uncertainty.

Events in Greece over the past decade illustrate that political and economic fragmentation is not an inevitable end state. By confronting the challenge of tight public finances, acknowledging acute voter anxiety and embracing the opportunities of our technological age, mainstream centre parties can once again emerge as a vibrant and successful political force.

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