

Mais Lecture 2026

17.3.2026 - | Her Majesty's Revenue and Customs

On 17 March 2026, the Chancellor Rachel Reeves gave the Mais lecture at Bayes Business School.

Thank you, it's a privilege to be back at the Bayes Business School today.

I know that this is an anxious moment.

People aren't asking for the world.

Just the chance to build a good life; to choose how and where they wish to live, in a place where they can feel safe and proud of their neighbourhood.

To earn well, afford a decent home, and to sleep at night without worrying about the next bill.

That expectation is the basic promise on which democratic capitalism has always relied.

But for too many people, it hasn't felt true for a while.

The government's mission, this government's mission, is to correct that.

From me, as Chancellor, it requires three things.

It requires responsibility - to steward our public finances.

It requires fairness - so that when difficult choices must be made, working people know that their interests are at the forefront of my mind.

And it requires a plan to build prosperity.

Because our collective standard of living is determined not only by our success in keeping prices under control, but also by our ability to get incomes rising, expand opportunity, and build abundance where there is scarcity.

We can only do that with sustained, productivity-driven growth.

My argument is that growth today relies on an active and strategic state, working in partnership with business, to build prosperity that is secure and resilient in a fast-changing world.

The object is to turn around our medium-run productivity performance, and build an investment-led growth model for the UK.

That requires a break with the past, with the laissez-faire politics of the passive state, the fiction that a strong economy could be built on the success of just a few places, and with the instability [redacted political content].

Since 2024, we have been doing things differently, through that active and strategic state:

Delivering stability, to create the strong foundations for business to plan and invest;

Providing public investment, to derisk new opportunities, shape markets and crowd in private investment;

And implementing reform, to shape an economy that supports the creation of wealth, not its extraction.

Finally, I want to set out three big choices: the areas which I have identified the greatest growth and opportunities for the UK in the decade to come - and the action we are taking to grasp those opportunities.

Given the conflict in Iran, with economic implications at home and around the world, let me begin with that global context.

Two years ago, in my first Mais Lecture, I described the new 'age of insecurity', marked by the long fallout from the 2008 financial crisis and the seismic events that followed:

The global pandemic, war within Europe's borders, and now in the Middle East, energy crisis and disruptions to global trade.

These crises affirm the reality that globalisation, as we once knew it, is dead.

When I said so in 2023, I was criticised in some quarters, but I don't think today many people would deny it.

Each crisis has reminded us that ours continues to be an interconnected world, in which a country's competitiveness, openness to trade, and credibility on international financial markets remain critical;

But that easy optimism about global economic integration has faded, with shocks in one part of the world transmitted swiftly along fragile global supply chains, impacting prices and living standards here at home.

My conclusion was that we must build growth that is both secure and resilient.

Growth is the condition for secure and rising incomes, the revenues to support our public services, and a strong state able to safeguard its people.

But without security, growth is little more than a thought experiment, an abstraction which dissolves upon contact with the real world.

That insight underpins the strategy that I called 'securonomics'.

This is not a protectionist agenda, it's not a defence of incumbents threatened by truly dynamic markets, or a retreat to a naïve, twentieth-century statism.

Nor is it simply about having an 'insurance policy' - leaving our economic model pretty much unreformed, but paying a greater premium in case of shocks.

Rather, it is a necessary adaptation to the global economic context which every country must navigate:

A growth strategy which restores the delicate balance between flexibility and security for working people, attends to the strengths of our supply chains, and takes an active interest in where things are made, and who makes them.

In Iran, we are witnessing further symptoms of that age of insecurity, which are likely to put upwards pressure on inflation in the months to come.

But the actions this government has taken has put Britain in a more secure position than on the eve of the Ukraine conflict.

Inflation is lower, and we entered this moment with lower borrowing than the G7 average and the path of greatest deficit reduction amongst G7 economies.

In a dangerous world, we have invested in our national security, with the biggest uplift in defence spending since the end of the Cold War: an additional £5.6 billion this year, to upgrade our Typhoon fighter jets, launch new navy frigates, and build helicopters.

And today, we have announced that we are exploring a new mechanism, with the Netherlands, Finland and other EU and NATO partners, to collaborate on defence financing and procurement.

The aim is to collaborate to strengthen our collective security and resilience, by ramping up critical capacities, and getting the most out of every pound we spend on defence.

And our energy security plan is taking effect.

We've lifted the onshore wind ban;

Invested in offshore wind in the Celtic and the North Sea;

Unlocked £90 billion in private investment in renewables;

Invested in a new era of nuclear power, at Sizewell C and at Britain's first small modular reactor at Anglesey in Wales;

And faced down opposition, at every level, to do it.

We are starting to see the results.

The UK imported 17 percent less gas in 2025 than we did in 2021, gas generation plays a reduced role in determining wholesale electricity prices, and our Contracts for Difference shield billpayers by smoothing price shocks for consumers.

This week, the Energy Secretary announced further steps to strengthen energy security, including making 'plug-in solar' panels available in the UK for the first time.

And from next month, the energy price cap will be £117 on average lower, thanks to action I took at the Budget.

We are working with our partners to secure oil and liquified natural gas transit through the Strait of Hormuz.

And it remains the case that the single best way to protect families and businesses from rising energy prices is a swift resolution to the conflict in the Middle East.

We have intervened already to protect the most vulnerable households reliant on heating oil.

And I remain in active contact with the Competition and Markets Authority to make sure that they have the necessary powers to crack down on any companies attempting to exploit this crisis for

excessive profits, whether on road fuel, heating oil or other essentials.

I did not plan to deliver this speech in this context.

But it affirms, rather than challenges, the philosophy that I outlined in opposition, and which has guided me in government.

In a more volatile world, there are always excuses to put off the hard work of reform, but we must focus on the causes, as well as the symptoms, of our vulnerabilities.

So this is not a moment to prevaricate, not to retreat to comforting old orthodoxies, but to press ahead: to build secure, resilient growth, guided by an active and strategic state.

This 'age of insecurity' affects every country, every continent, every trading bloc.

Each must adapt.

But the task at hand is to build on our strengths, not just to mimic other countries.

We are the world's second largest exporter of services, underscored by the ubiquity of our language, the historic strength of our institutions, and our openness to trade.

We have world-class creative industries and strong manufacturing specialisms, in pharmaceuticals, aerospace, and defence;

We've got an entrepreneurial culture;

Vibrant capital markets, in London and in other financial centres...

Universities that truly do lead the world;

And immense potential in the industries of the future, in life sciences, energy, and artificial intelligence - and we are backing those key sectors through our modern Industrial Strategy.

But there are obstacles too.

In my previous Mais lecture, I diagnosed the root of Britain's economic problems.

Underlying our living standards challenge, our public services challenge, and our fiscal challenge, is our productivity challenge.

Since the global financial crisis, the UK has experienced the sharpest slowdown in productivity growth in any G7 economy.

The major reason for that is our anaemic levels of investment.

Investment, intangible and tangible, is the essential input giving workers the best tools to do their jobs, discovering and applying new ideas, and building the infrastructure on which our whole economy relies.

For most of the last three decades, the UK has sat right at the bottom of the G7 league table for combined public and private investment.

For other economies, with other circumstances, raising domestic consumption may be the key

ingredient for growth.

But here, in Britain the fundamental challenge is investment, and the central economic imperative of this government is to build for the United Kingdom an investment-led growth model.

To do that, we are correcting three crucial failures of policy.

Let me take each in turn.

First was the persistence of an outmoded view - a doctrine of the passive state - holding that the best thing a government could do was stand aside and leave markets to their own devices.

That the state had no role in identifying areas of potential comparative advantage, in derisking bets on emerging industries, or in shaping and making markets.

The result was an imbalanced economy, ill-equipped for technological change.

Passivity did not even deliver a small state, as the political right imagined it would, but rather a highly centralised regulatory state, indifferent to the structure of the economy, lacking in strategic focus;

And so, easily swayed by any given interest group, many with legitimate cause, but which over time drove the steady accumulation of complex new regulatory barriers;

The state's capacity for productive intervention diminished, but its capacity to obstruct was greatly enhanced.

Second, was a belief that growth could be built on a narrow geographic base.

Everywhere I go in the UK, I see the talent, the vision and the ambition to be part of something, but I also see the barriers:

The legacies of deindustrialisation, the uneven distribution of opportunity, high housing costs, problems exacerbated by poor public transport - problems exacerbated by a highly centralised political system, which together conspire to block the agglomeration effects which can attract, and multiply investment.

Today, what most distinguishes Britain from our closest peers is the relative underperformance of our major cities outside London, compared to their European counterparts.

There are huge gains to be made if we can only close the gap: if we back Manchester, Liverpool, and Leeds to match - and overtake - Stuttgart, Turin, and Lyon.

And third, [redacted political content] after 2010, which further suppressed investment.

Austerity choked off demand, just when historically low interest rates offered a priceless opportunity to invest.

Brexit created profound uncertainty, raised new barriers to trade, and leaves Britain facing an additional danger today:

The risk that we find ourselves stranded between powerful trading blocs, as globalisation retreats.

Meanwhile, our unstable, stop-go cycle of capital investment - what I called the 'new British disease'

- drove up infrastructure costs and inhibited investment.

[redacted political content]

Now, it might feel daunting.

But in this changing world, Britain is not powerless.

We can shape our own future.

Our method is 'securonomics'.

That is built on one crucial idea:

An active and strategic state, working with business, can build secure and resilient growth;

Stepping up its role in expanding the supply side of the economy;

Making conscious and deliberate choices about the sectors in which we pursue, and in the capabilities we must protect or grow - an approach embodied in our modern Industrial Strategy.

The active and strategic state is guided by three priorities: stability, investment, and reform.

Stability is a basic precondition for secure family finances, business confidence, and business investment.

And so, in my first two Budgets, I raised taxes to restore stability in the face of an inherited £22 billion black hole in public finances, to provide a necessary cash injection for schools and hospitals on the brink, and to give us the buffer to withstand shocks.

Now I know that these choices were not universally popular, and they do have their costs.

But I don't believe we would be in a stronger place today if we had entered this latest shock with higher inflation, higher interest rates, and higher borrowing - or with collapsing public services.

I made those choices because they were necessary.

I made those choices because they were fair - because, while it is right that we should all contribute it is also right that those with the broadest shoulders pay the most;

Especially in an economy where, over time, the returns on what some people own have frequently outstripped the wages others earn.

And I made those choices too, to support the work of economic reform: taxing wealth more to shift the incentives within our tax system towards rewarding work, enterprise and investment, rather than the passive accumulation of wealth.

We have paired stability with public investment.

In my first Budget, I changed the fiscal rules that we inherited, so that government counts the financial benefits of investment and not just the costs;

Creating the framework through which I could increase public investment by more than £120 billion over the course of this parliament;

In housing, energy, and road and in rail, the essential building blocks for growth;

And in targeted investments in our industrial strategy sectors, unlocking private capital, in partnership with business, through UK Export Finance and our new National Wealth Fund.

Alongside stability, alongside investment, an active and strategic state must advance reform.

The status quo we inherited offered neither a truly competitive market economy nor an economy that gives a fair deal to working people.

An investment-led growth model depends on us changing that, with a supply-side social democracy:

To drive investment and dynamism;

Redress the distortive concentrations and inequalities of power that shield incumbents from market competition;

Take on artificial scarcities in land, labour, capital and in energy;

And shift the balance of market power towards workers, consumers, billpayers, and renters.

That includes adopting a new attitude to regulation.

The UK has a world-class competition regime - headed by our empowered, independent Competition and Markets Authority.

And I am not a believer in deregulation-as-ideology.

But where the evidence tells me that regulation is falling behind economic change, that regulatory frameworks are inhibiting competition, or when arbitrary complexity and duplication are getting in the way of productive investment - then I am a believer in regulatory innovation, regulatory rationalisation, and levelling the playing field.

The object of reform is to shape an economy that rewards productive enterprise and investment, not the accumulation of economic rents.

Let me set out what that means in four areas: land, energy, capital, and labour.

First, land.

We inherited a system of land use planning that was a direct obstacle to investment, effectively rationing homes and infrastructure, and ramping up the costs of development.

That approach has priced young people out of the housing market and hemmed in our most dynamic cities.

Two years ago, I promised that we would do what other governments have lacked the will to do - and grasp the nettle of planning reform.

We have done so: reintroducing and raising mandatory housing targets; opening "grey belt" land to development; stopping local planning committees from blocking growth; easing consultation requirements on major infrastructure, and there is much more to come.

Second, energy.

We inherited a system in the UK businesses paying some of the highest energy bills in Europe.

[redacted political content]

The action we are taking - on renewables, on nuclear, on reforming the grid - is changing that.

We will legislate to implement the Fingleton Review, to build nuclear faster, and - for business - we are expanding the supercharger discount from this April and launching our British Industrial Competitiveness Scheme from next year.

And there is much more to come.

Third, capital.

We inherited a capital system marked both by a failure to supply the capital to invest in growing businesses, and a failure to cater to domestic and international investors by nurturing investable propositions here in Britain.

So we are opening access to capital through my Leeds Reforms, and by redirecting capital stuck in pension funds and in ISAs.

And we are lifting the barriers that block start-ups and scale-ups from competing with incumbents for investment, through our Regulatory Action Plan, our reformed listing rules, and a tax incentive overhaul.

And there is much more to come.

Fourth, our labour market.

We inherited an economy that disincentivised employers from investing in capital, facilitating a low-wage, low-investment equilibrium; made it riskier for workers to move jobs, yielding significant skills mismatches; and made it harder for too many people to work at all.

Our Employment Rights Act is about dignity, security, and fairness for working people; creating a labour market with genuine two-way flexibility; and it is about rebalancing the incentives on employers not to fire and hire, but to retain and train.

Work should always pay, and so we have increased the National Living Wage and reformed Universal Credit.

But there's more to do.

Youth unemployment of over sixteen percent is far too high, and we will not leave a generation to languish without prospects.

So we've made a record investment in training and in apprenticeships; launched our Youth Guarantee and announced a new £3,000 Youth Jobs Grant; and - as we await the report of the Milburn Review this summer - there is more to come.

By the end of this parliament, we must have built a welfare system materially different from the one we inherited, to support people to find work and to thrive in work.

A secure and resilient economy cannot permit insecurity and in-work poverty.

A high-skill economy cannot afford to neglect the health and education of its people.

And a dynamic economy cannot tolerate deep inequalities of opportunity.

We inherited an economy marked by those injustices and those inefficiencies.

And we are changing it – strengthening human capital and restoring social justice.

Because of my tax choices made in my first budget, last June I could allocate an additional £50 billion per year to our public services by the end of the spending review period.

We are beginning to see the results:

NHS waiting lists at their lowest levels in three years; more than half a million kids, and their parents, benefiting from 30 hours of free childcare; and, from next month, the two-child limit will be gone for good, lifting almost half a million children out of poverty.

Much done, much more to do.

That is our plan – stability, investment, and reform.

I won't pretend that the last eighteen months haven't been without their challenges.

There have been arguments we had won on principle before the election, about fiscal responsibility, growth, and careful prioritisation, which I have found must be fought and won, over and over again, to persuade people in practice.

And I have experienced a government the justified impatience for change – and at the same time the limits of what we can be done and controlled from the centre, when it is businesses, workers, local leaders who innovate, create jobs, and drive change.

But I've also seen close-up the real appetite, in the private sector, in the public sector, in local government, for real change.

And we have made progress, with the fastest growth of any European G7 economy in 2025.

But we need to go much further.

We are in this for the long haul.

Embracing an active and strategic state means accepting government's responsibility for influencing the shape and the trajectory of future growth.

So I am making three big choices – on the greatest growth opportunities for Britain in the decade to come: the areas in which an outside difference can be made by concerted government action.

My first big choice is a direct response to the failures of the past:

To go for growth not in just a few parts of Britain, but to give Britain's regions the chance to push ahead and shape their own destinies.

That is about fairness – about being a country where every citizen can achieve, succeed, and contribute to our national prosperity, no matter what their parents do, where they grow up, or where they choose to settle down.

But it is also an economic imperative.

In an unbalanced Britain, we all lose out: our most dynamic areas constrained, with high housing costs, while too many parts of Britain go with their potential untapped, lacking reliable transport connections, denied the agglomeration benefits that come with them, and struggling in turn to attract investment.

I know that people are sceptical.

They feel they've heard it all before, and had little to show for it.

I've been a Leeds MP for sixteen years - I get it.

For decades, politicians have paid lip service to regional potential;

Making and then unmaking new institutions, new elected posts, new agencies;

Announcing new infrastructure projects with great fanfare.

But they've lacked the will to give regional leaders the means to shape the destiny of their places and their people.

We are doing things differently.

First, by rooting our plans firmly in the realities of economic geography.

I want every part of Britain to do well.

A few cities shouldn't have the monopoly on good work, the wealth that comes with it, or the pride in their local place.

All four nations, and every region, has something to contribute, and a claim to a fair share in UK-wide prosperity.

Each part of Britain can carve out its own niche in industries crucial to the UK's prosperity and security, drawing on the skills of their workforce, their existing industrial strengths, and the natural assets on which they are built.

That's why we stepped in to assure a future for shipbuilding in Belfast, car manufacturing in the West Midlands, and steel at Port Talbot and in Scunthorpe - and the Business Secretary will publish the government's steel strategy on Thursday, to secure a long term future for British-made steel.

That is why our National Wealth Fund is investing in power in Orkney, in critical minerals in Cornwall, and in building a global clean energy super-cluster in the North, spanning Northumberland, Teesside, and Humberside.

It is why we are investing too in the social infrastructure that binds our communities, to turn the tide on neighbourhood decline, through our Pride in Place programme - and in the places that drive local prosperity, through our Growth Mission Fund.

We must be clear-eyed, however, about where the biggest growth rewards lie in today's world.

In a modern service-based economy, dense, interconnected city regions are the fundamental geographic unit for attracting investment, stoking innovation, and sustained economic success.

Too often, in political debate, concerns about political geography distract from the realities of economic geography, feeding the dangerous misconception that we must choose between our towns and our cities.

I want brilliant, dedicated people in Wakefield, in Rochdale and Barnsley to succeed.

They should not have to uproot themselves to do so.

There is no reason why they cannot live close to home, a short commute from a good job, if we invest in the tram, in the rail and train infrastructures and crowd in new investment, new opportunities and new wealth, diffusing outwards from growing cities into their surrounding towns.

There is another convenient political misconception that must be taken head on:

That this is a zero sum game where opportunity, that wealth and investment for one part of the country means another must miss out.

An overheating south east and an underperforming north are two sides of the same coin, and we are all poorer for it.

So we are backing London, our services superpower - with arrangements to strengthen and unlock package housing development in the capital to be confirmed in the coming days.

And to open up the expansion of our most dynamic cities and raise up new communities, we will build a new generation of new towns.

This week we will be taking the next step and consulting on the plans for the next wave of new towns.

But at the centre of our plans for regional growth are two critical regional growth corridors, already home to world-leading research institutions and dynamic firms.

First, we are backing the Oxford-to-Cambridge Growth Corridor to unleash the potential of our science and technology powerhouses, and the towns and cities between them:

Investing £2.5 billion in East-West Rail;

Fast-tracking new reservoirs, in Oxfordshire and Cambridgeshire;

Backing the expansion of Luton Airport...

And providing over £500 million for transport in Oxford, housing in Cambridge, and in a new Cambridge Innovation Hub.

We have already announced a consultation on a Development Corporation for Greater Cambridge - and I can today announce that we will consult on a Development Corporation for Greater Oxford too.

I am doubling the government's initial £400 million commitment in Cambridge, making over £800 million available for upfront land acquisition and infrastructure to support these cities to grow.

In both corridors, I want to see deals done quickly,

But where landowners are intransigent, or insist on unreasonable demands, we are ready to acquire land using compulsory powers - either directly, or by standing by local leaders - and I have asked

the Housing Secretary to crack on with the work needed to deploy these powers in parallel, so no time is wasted.

That's a crucial pillar in our plan for investment and growth.

But alone it is not sufficient.

The north of England has waited for far too long, for a government that matches warm words with concerted ambition .

If we can bring the productivity of the city regions of northern England just to the national average, and if we do that the prize is an economy £40 billion bigger.

To make that happen, we are investing in the Northern Growth Corridor, home to nine million people, spanning Liverpool, Manchester, Bradford, Leeds, Sheffield, and York:

To strengthen Liverpool's position as a hub for life sciences, digital and tech;

Make Leeds' expanded Northern Square Mile a destination for global financial services;

Establish South Yorkshire as a modern industrial heartland in manufacturing and defence;

And make Manchester a "global growth cluster" in life sciences, advanced manufacturing and digital technologies;

Including through the government's new Manchester Digital Campus - which I can confirm today is going ahead, moving power and people outside of London.

These are commitments backed with real capital and supported by my decision to rewrite the Treasury's investment rules - so that all our towns and cities get a fair hearing.

In July, I announced the biggest ever investment by a British government, in transport links within our city regions:

£15.6 billion for new trams, new train stations and new bus routes, better linking Bury with Manchester;, Washington with Newcastle and Sunderland; and Rotherham with Sheffield;

And better connecting those cities with the Transpennine Route Upgrade, and our commitment to Northern Powerhouse Rail - the spine of the Northern Growth Corridor.

Our new approach means genuine partnership with mayors and local leaders.

But spending differently at the centre is not enough.

It is no coincidence that Britain is one of the most politically centralised of advanced democracies, and one of the most geographically unequal too.

While local leaders are asked to plan for the long term, to be accountable for regional outcomes, the fiscal reward for local economic success flows straight to the Exchequer.

We need to change that - to liberate our regions from stifling Whitehall orthodoxies.

So I am announcing today an innovative approach to public financing to address viability gaps that hold back growth projects in our cities.

The new City Investment Funds will use an additional £2.3 billion of funding, focused on major city regions in the North and in the West Midlands: giving established regional leaders control over long-term, self-sustaining capital; theirs to generate returns from, theirs to invest, backed by a commitment to business rates retention.

But we must go further.

I can tell you today that I have asked my officials to work with mayors and businesses, to develop a roadmap for future fiscal devolution, to be published at this year's Budget.

This will set out plans to give regional leaders control of a share of some national taxes which have, for too long, been allocated by central government.

They will look at income tax, alongside other taxes, with reforms initially targeted at those places that have the greatest capacity to deliver them, and the greatest potential to benefit.

This is not about new taxes and it's not about higher tax rates – I will not ask taxpayers to pay more.

Reforms will be fiscally neutral, focused on sharing and retaining a portion of existing revenues, with the proceeds of growth benefiting the places that generated that growth, while managing volatile receipts both for local areas and for the Exchequer.

These reforms will represent a permanent transfer of power and resources – not another exercise in local ambition frustrated by central government control – with taxpayers able to see what is being delivered with their money, and to hold local leaders to account for the results.

What I am describing is a genuine break with the past.

A generational opportunity for Britain's regions to make their own future.

That brings me to my second big choice.

Every day, our world's horizons are extended a little bit further by innovators, creators, and entrepreneurs.

I want the builders of tomorrow's world to build that world here.

The UK is in a position of real strength, with world-leading universities, deep research capability from Edinburgh to the West of England – backed by record R&D investment strategically targeted at frontier technologies, and one of the most vibrant AI start-up ecosystems anywhere outside the United States.

Every major AI lab is either establishing or expanding here in the UK. UK AI startups raised £6 billion in venture capital last year and, just 3 months into 2026, they've already raised more than half of that figure again.

AI is the defining technology of our era:

Not only a general-purpose technology with the potential to transform productivity across the entire economy, but also an "invention in the very method of invention", rewriting the rules of innovation and idea creation.

Breakthrough technologies have always emerged where innovative businesses and entrepreneurial government have worked together, from the internet to semiconductors to biotechnology.

That principle, of partnership between private enterprise and an active, strategic state, must guide us today, to ensure the growth and productivity gains from new technology are realised in the UK to the benefit of working people.

I understand people's anxieties about the implications of these technologies.

But the choice is this:

We can bury our heads in the sand and leave it to other countries - whose values may differ from ours - to shape and to own this technology.

We can leave it to the market alone, and let the balance of risk and reward be determined by a super-wealthy few.

Or we can chart our own path, where an active and strategic state protects British interests through AI sovereignty, with absolute clarity about where growth will come from and who will benefit, harnessing and shaping new technology in our common interest.

I want to be absolutely clear about what our strategy is.

First, to build sufficient compute to protect our interests and avoid excessive dependencies on others.

Second, to establish our foothold and compete fiercely in the areas where we have real strengths, such as AI applications, AI chip designs, cyber security.

Third, to maximise the value added by AI to the wider economy and the public sector through accelerated adoption.

And fourth, most importantly, to equip working people with the tools that they need to maximise the rewards and minimise the risks.

So first, on compute.

Here, our focus has been to ensure the UK has sufficient data centre capacity, to protect sensitive data, ensure resilience from global shocks, and support domestic adoption.

But data centres are not an end in themselves.

What matters more is that we identify and pursue those parts of the supply chain where we can win the global race, marrying a clear-eyed assessment of our comparative advantage with precise analysis of where sovereign capabilities can give us in Britain maximum leverage.

So second: competing where we can win.

The object, in a competitive world, is that we can't own the whole stack, any more than it can be to isolate ourselves from global technological advances.

But my starting point is that, as AI becomes fundamental to our economies, a thriving domestic AI sector is a critical part of our own national resilience.

And so we won't build a sovereign wall to shelter behind, but rather, a sovereign edge: backing strategic national champions and making sure that internationally competitive companies start, scale and stay here in Britain.

We should already be proud of our record.

We are the birthplace of businesses including Deepmind, Wayve and Arm.

Deep tech businesses like these are how we'll establish a critical foothold in the AI value chain, protecting British interests by ensuring that British companies are at the frontier of global AI development.

For that, Britain must be the place where you can employ the best talent, access the right finance, and be supported by cutting-edge regulation.

We have a world-leading talent regime, with competitive visas and enterprise management incentives.

And we will back workers who want to move firms, by placing clear limits on the use of non-compete clauses which inhibit innovation and dynamism.

On capital, we reformed the mandate of the British Business Bank and put £5 billion behind British start-ups; we will launch our Sovereign AI unit next month, with a £500 million commitment for starting and scaling AI businesses; and we're making government the first customer for innovative technologies through our procurement rules.

We want public procurement to become a launchpad for scale-ups — not a cheque for global incumbents.

We are exploring new ways to procure innovative solutions to priority problems in areas like defence and health, and we will not be agnostic about where things are made and who makes them.

Instead, we will stand behind British business and British bidders, providing guidance on how national security exemptions should be applied in critical sectors including in AI.

And we are using procurement to give us a head-start in quantum computing.

Though our advance commitment, we have pledged to procure up to £1 billion of quantum computers from the first UK companies to successfully make them at commercial scale, firing the starting gun on a global race and making sure the UK is at the front of the pack.

And if regulation is to keep pace with technological change and support AI innovation, then we can't just tweak the rules but think about regulation in whole new ways.

And so the Business Secretary will soon legislate for our new Growth Labs, modelling a bold new approach to regulation, with the power to make rapid, temporary amendments to regulation to safely test and prove application of new tech.

So here is my message to every entrepreneur looking to build a new AI product: come to the UK.

We will back your experiment, to push the bounds of possibility and to get your product, your creation, off the ground.

The third pillar of our AI strategy is adoption.

We want Britain to achieve the fastest rate of AI adoption of any country in the G7.

The AI productivity dividend is how our leading sectors will stay ahead of their competitors - and

how small, medium and large business will grow.

So we're backing AI adoption through our AI for Science Strategy and our funding for adoption in AI Growth Zones including in North Wales and in Lanarkshire.

And we are applying AI in the public sector too: supporting diagnostics in healthcare, creating personalised teaching plans for our young people, and reducing admin for care workers so they can spend more time with their patients.

Later this year, I will convene business leaders for an AI Adoption Summit, bringing together leading tech firms with companies ready to adopt and scale AI to grow their businesses.

And fourth, jobs.

People want good jobs that pay well.

And they want the same for the next generation too.

I know people are worried that technological change might threaten those things.

I understand that.

So let me say this.

Every part of our strategy on AI is aimed at ensuring that our people have a share in the prosperity that AI can create, through new and better jobs through better more personalised public services.

To achieve that we must equip people with the skills right across the whole of Britain to navigate and succeed in this transition, whether they work in a job that will be changed by technology, or if they work in a new job created by new technology - or whether they run a small business and want the benefits of reduced paperwork, streamlined accounting, or smarter marketing.

That's why we've announced our ambition to upskill as many as ten million workers through our AI Skills Boost campaign; committed £27 million to help employers fill or create tech jobs; and it's why we've launched AI scholarships at our universities.

And I can today announce that, building on the example of the AI Security Institute, we are setting up a new AI Economics Institute.

That institute will draw on world-leading expertise to closely monitor the impact of AI on our productivity and on our labour markets.

That institute will support us, as our economy changes, to act swiftly and appropriately to make sure that working people are made better off, not losing out, from this transition.

There will be bumps in the road as we navigate these changes

But leadership is not waiting for perfect certainty.

It is about facing the risks openly, building the right safeguards, and moving forwards with confidence - with the technologies of the future invented, built and deployed here in Britain and working people across our country reaping the benefits.

Let me turn now to the final of my big choices.

In this age of insecurity, the economic, political, and military strength of our country will rest on strategic alliances: fleet-footed and pragmatic, where values and interests align around particular issues, and building the deepest partnerships, where common interests, common values, and economic gravity align.

Our fate as a country is inescapably bound with that of Europe.

That is true, because of our shared history and our shared values, the friendships and the common culture that extend across borders and endure over time.

And it is true because of our common interests - on trade, on economic security, and our collective security against Russian aggression.

We must continue to work together, given the ever greater premium on solidarity and collective effort in our defensive relationship.

I welcome the steps we've taken so far - and we will look carefully at any options to allow our participation in the EU's efforts to make a 90 billion euro loan to Ukraine.

Economic resilience in an uncertain world cannot be about turning inwards.

Resilience comes from the diversity as well as the proximity of our supply chains, and the common values which support our trading relationships.

This government is already making significant progress on our relationship with the European Union on agrifood, electricity, emissions trading, and Erasmus.

But Brexit did deep damage.

Recent independent studies indicate its GDP impacts could be as much as eight percent.

It has meant higher costs for businesses, and therefore for higher costs in our shops. It's meant , shrinking markets for UK exporters, and our strategic industries exposed, as protectionist barriers rise.

Deals with India, the United States, and other allies are extremely welcome and beneficial.

But no trade deal with any individual nation can outweigh the importance of our relationship to a bloc with which we share a land border, with which our supply chains are closely intertwined, and it accounts for almost half our trade.

There is also a strategic imperative for deeper integration between the UK and EU - in our shared need for greater economic resilience.

So my choice, the choice of this government, is not to turn back the clock but to look towards a new and stable, future relationship.

As the Prime Minister has said: where it is in our national interest to align with EU regulation, we should be prepared to do so - including in further areas of the single market.

The principles we apply when we judge our national interest are crucial, so let me tell you exactly what they are.

First - that a decision to align should mean higher growth and investment, more jobs and consumer

benefits for the long term.

Second – that the future direction of policy should be sufficiently stable and compatible in terms of values and objectives.

And third – that the UK's economic and national security and resilience should be preserved or enhanced.

When those principles are satisfied, alignment should be forward looking and durable, providing the certainty that businesses on both sides need to invest and grow.

Now there are areas in which regulatory autonomy may be necessary – for sectors with unique characteristics or strategic importance for the UK.

But that should be the exception, not the norm.

To get this right, we must work more closely with businesses, both here and across Europe.

But when the economic gains exceed the costs, the trade-off is worth making.

The prize is considerable.

Costs of doing businesses reduced for UK and EU companies;

New opportunities to export, to each others' markets;

New experiences – for travel, for work and study – for our young people;

Scale-ups gaining access to deeper pools of capital and talent;

Greater choice for consumers, both in the UK and the EU, helping to bring down prices and inflation;

A more resilient and more efficient energy system across Europe;

And a deeper, more integrated defence industrial base among close allies, to repel common threats – all this within a stable economic framework that allows us to keep building the relationship without constant renegotiation of the basic terms.

Let me say this directly to our friends and allies in Europe.

This government believes that a deeper relationship is in the interests of the whole of Europe.

We bring real strengths to that partnership:

Our science base.

Our deep and liquid capital markets.

Our capabilities in defence and security.

Our research institutions and our universities.

These can be sources of collective European strength.

The alternative is more costly, and less secure.

Both the UK and EU are taking measures to improve the security and resilience of key sectors.

We both face the same challenges such as overcapacity and higher tariffs, which is distorting global markets.

If we are to enhance the competitiveness of European industry in the face of global competition then we must work together, remove barriers between us and avoid collateral harm between trusted partners.

It is in Britain's and in Europe's collective interest to respond to global challenges as a partnership, strengthening our global competitive advantage.

The truth is this.

Britain's future prosperity will not be built in isolation, but through partnerships with those who share our interests, share our values, and share our ambitions.

And no partnership is more important than that between the UK and our European neighbours

This will require us to make, and win, the political arguments.

And believe me, I am up for it.

Because I believe, absolutely, that closer alignment is the right course for Britain - a course chosen as a sovereign nation, a course chosen in our national interest.

Two years ago, in this lecture hall, I said that despite the challenges, I was an optimist about our ability to rise to them.

And despite further challenges that have come our way, I remain an optimist.

An optimist about the capacity of an active and strategic state to drive investment and to drive growth.

An optimist about the dynamism and enterprise of British business.

An optimist about the talent, commitment and ingenuity of working people in every part of our United Kingdom.

Our mission - to unlock that talent, that commitment, that ingenuity, to pair economic success with security and social justice.

No one ever said it would be easy.

Nothing worthwhile ever is.

And while I have heard plenty of criticisms of this government's policies, what I have yet to hear is a credible or compelling alternative plan.

Our method - the active and strategic state, to build an investment-led growth model for Britain.

And our plan - stability, investment, and reform:

To make Britain the place where the industries of the future are created;

Where the technologies of the future are developed;

And where the jobs of the future are secured - all built on the foundation of economic security.

That is our mission, our plan, and our method:

From investment, growth.

From growth, national renewal.

<https://www.gov.uk/government/speeches/mais-lecture-2026>