HOUSE OF LORDS
Library Note

Economic Growth

This Library Note has been prepared in advance of forthcoming debates in the House of Lords on economic growth. Sections 1 to 5 provide an overview of the current Government's policies and announcements on promoting economic growth. Sections 6 and 7 summarise recent reaction and comment on the UK's economy, prospects for growth and policies to achieve growth, expressed by a range of observers and organisations.

Ian Cruse and Matthew Purvis
21 March 2011
LLN 2011/010

Table of Contents

1. Introduction

The Government has said that supporting economic growth is a priority. Shortly after the formation of the Conservative-Liberal Democrat coalition last May, the Government outlined its objectives:

> The Government believes that business is the driver of economic growth and innovation, and that we need to take urgent action to boost enterprise, support green growth and build a new and more responsible economic model. We want to create a fairer and more balanced economy, where we are not so dependent on a narrow range of economic sectors, and where new businesses and economic opportunities are more evenly shared between regions and industries.
>
> (HM Government, *The Coalition: Our Programme*, May 2010, page 9)

Since the Government took office the Department for Business, Innovation and Skills (BIS) has called itself the 'department for growth' (BIS website, 'About BIS').

In July 2010 BIS published a paper *A Strategy for Sustainable Growth*. This set out some of the challenges and choices the Government saw ahead, with a view to publishing initiatives at a later date. In the Autumn Forecast statement, George Osborne, the Chancellor, announced that a cross-government Growth Review had been created. He said it will "be a determined, forensic examination of how every part of Government can do more to remove barriers to growth and support growth opportunities". This ongoing review will be "an intensive programme of work, involving all parts of Government, using evidence provided by the business community and reporting by next year's Budget" (HC *Hansard*, 29 November 2010, col 533). The same day BIS and the Treasury (HMT) published a joint growth strategy, *The Path to Strong, Sustainable and Balanced Growth* (November 2010), ahead of a White Paper expected in 2011. In the foreword to the strategy, Vince Cable, the Business Secretary, and George Osborne set out the role of the Government:

> Government on its own cannot create growth. It is the decisions of business leaders, entrepreneurs and individual workers which build our economy.
>
> What the Government can do is provide the conditions for success to promote a new economic dynamism—harnessing our economic strengths, removing the barriers which prevent markets from supporting enterprise, and putting the private sector first when making decisions on tax, regulation and spending.
>
> (page 3)

A further paper, published by BIS the same month, identified four pillars "crucial to driving growth". These are:

1. Providing the stability business needs;
2. Making markets more dynamic;
3. Effective government that supports investment and growth; and
4. Supporting individuals to fulfil their potential.

> (BIS Economics Paper No 9, *Economic Growth: Executive Summary*, November 2010, page 3)

The paper further argued that “Growth needs to be more balanced; with a greater role for the private rather than public sector, investment rather than debt, and with all sectors and regions contributing” (*ibid*). In a speech to the Conservative Party spring conference in March, David Cameron promised the forthcoming budget would be a “budget for growth”. He said the Government:

> Are taking on the enemies of enterprise. The bureaucrats in government departments who concoct those ridiculous rules and regulations that make life impossible, particularly for small firms. The town hall officials who take forever with those planning decisions that can be make or break for a business—and the investment and jobs that go with it. The public sector procurement managers who think that the answer to everything is a big contract with a big business and who shut out millions of Britain’s small and medium sized companies from a massive potential market.

He added that due to the fiscal situation “there’s only one strategy for growth we can have now and that is rolling up our sleeves and doing everything possible to make it easier for people to start a business to grow a business”. He continued:

> Back small firms. Boost enterprise. Be on the side of everyone in this country who wants to create jobs, and wealth and opportunity.
>
> I know there’s an enterprise culture in this country.
>
> I know that we’ve got the people, the ideas, the talent, the energy to make things great.
>
> And I’m going to make sure this government does everything it takes.
>
> So I can tell you today, the Budget in a few weeks time will tear down the barriers of enterprise and be the most pro-growth Budget this government, this country has seen for a generation.
>
> (Conservative Party website, ‘David Cameron: Building a Better Future’, 6 March 2011)

Sections 2 to 5 of this Note outline some of the policies announced by the Government so far.

2. Domestic and International Stability

The Government has said that the foundation of balanced and sustainable growth is a stable economy. This is the first pillar of its strategy: “Past growth was too dependent on spending financed by debt—by both households and government. This was unsustainable and drove growing imbalances in the UK economy” (BIS and HMT, *The Path to Strong, Sustainable and Balanced Growth*, 2010, page 7). The Government aims to produce the “conditions for growth that are better balanced between the public and private sectors and between saving and consumption” (*ibid*). In this vein the Government has said it has taken action to:

- Reduce the deficit. This will provide business with the stability and confidence that underpins investment and helps keep long-term interest rates low;

- Ensure that fiscal and monetary institutions are independent, by setting up the Office for Budget Responsibility and reaffirming the Government's commitment to an independent Bank of England. This will help restore business confidence in the credibility and transparency of Government decisions; and
- Reform the regulation of the financial system, giving the Bank of England control of macro-prudential regulation and oversight of micro-prudential regulation, and tasking the Independent Commission on Banking to bring forward proposals for banking reform by September 2011. This will help the economy to be more resilient to future shocks.

(*ibid*)

David Cameron, in a speech to the CBI in October 2010, assured businesses that "The sharp tax rises and huge interest rates you feared, the uncertainty you felt—these are things you no longer need to worry about" (Number 10 website, 'PM's Speech on creating a "new economic dynamism"', 25 October 2010).

Internationally, globalisation has meant that the UK is ever more closely linked to the overall health of the global economy. The Government argue that it has been at the "forefront of action", playing an important role in the G7, G20 and EU to help build a "sustained global recovery" and a "rebalanced, open" global economy:

> This has included pushing for the successful implementation of the G20's Framework for Strong, Sustainable and Balanced Growth and reform of the international financial institutions, including the International Monetary Fund and World Bank, and of the financial regulatory framework through the endorsement of Basel III.
>
> (BIS and HMT, *The Path to Strong, Sustainable and Balanced Growth*, 2010, page 8)

3. Dynamic Markets

The second pillar of the Government's plan is to make markets more dynamic. The Government has said that stability itself is not sufficient for private sector growth, arguing that businesses and individuals are "the greatest engines of growth and employment". The Government's goal is to create "a dynamic business environment, driven by open and competitive markets" (*ibid*, page 9). Some aspects of this policy are summarised below.

3.1 Increasing Trade and Access to International Markets

The first aspect is the role of trade and increasing access to international markets. A BIS paper has said: "Trade and competition create incentives and opportunities for firms to benefit from knowledge transfer, improved management and innovation; all of which contribute to raising productivity" (BIS Economics Paper No 9, *Economic Growth: Executive Summary*, November 2010, page 4). The White Paper, *Trade and Investment for Growth* (February 2011, Cm 8015), sets out the steps the Government will take to do this. In a statement to the House of Commons Vince Cable explained the background to the White Paper:

> Britain makes up just 4 per cent of the global economy, and without aligning ourselves to faster growth elsewhere, we cannot hope to prosper. But to do that, we have to do better than in the past. In the past few decades, we have consumed too much and exported too little. While our competitors were sending manufactures across the globe, we were building a property bubble. Now, with Germany exporting more than three times as much as the UK, it is vital to turn the situation round.
>
> (HC *Hansard*, 9 February 2011, col 328)

A press release gives an overview of its provisions:

> Particular emphasis is placed on supporting small and medium enterprises (SMEs) to expand and export. The Government will:
>
> - Improve and expand the trade finance and insurance products it offers—boosting support for businesses who want to export, particularly SMEs—and bringing the UK broadly into line with the services provided in other countries;
> - Increase UK Trade and Investment's focus on emerging markets and launch a new online service offering access to sales leads around the world; a new online peer-to-peer exchange to enable companies to help themselves and help each other; and a new high profile award for companies which are ready to export, but need encouragement to take the next step.
> - Lobby European partners to radically improve the regulatory environment in the Single Market for SMEs—including exempting SMEs from unnecessary EU regulation such as certain accounting requirements.
>
> (BIS press release, 'Trade and Investment to Drive Growth', 9 February 2011)

Mr Cable explained to the House of Commons that to help SMEs engage more in trade the Government will "create several new schemes and extend one existing scheme, which will be launched in the coming months". These included:

> ...an export working capital scheme for those who are ineligible for the EEFG [Export Enterprise Finance Guarantee] scheme, offering export finance of more than £1 million; a bond support scheme under which the Government will share risk with lending banks on the issue of contract bonds; and a foreign exchange credit support scheme, which will support banks offering foreign exchange hedging contracts to SMEs by sharing credit risk.
>
> (HC *Hansard*, 9 February 2011, cols 328–9)

He went on to state that, in reference to the EU, the Government will "strongly support efforts to remove barriers to trade, particularly for SMEs, in fields such as e-commerce and low carbon products, and in professional and business services, for which there are currently an estimated 3,000 regulatory requirements" and will "also press for energy and agriculture liberalisation". The Business Secretary added "at the international level, completing the Doha round is one of our top objectives" and that the UK is committed to assisting "poor countries to take advantage of the opportunities presented by an open global trading system" (*ibid*).

3.2 Access to Finance

The second aspect regards financial assistance. The Government has said it wants to ensure businesses can access finance. A BIS paper said that a "lack of finance can constrain growth and hamper businesses' survival prospects", noting that as "the economy recovers from a deep recession, certain parts of the economy, especially SMEs, face particular challenges in accessing credit" (BIS Economics Paper No 9, *Economic Growth: Executive Summary*, November 2010, page 6). Following the results of a consultation, *Financing a Private Sector Recovery* (July 2010), the Government announced a package of measures in response:

- A new bank-led £1.5 billion 'Business Growth Fund' to provide equity finance to established SMEs who need capital to secure their plans for growth. The Government will also work with other parties, such as the European Investment Fund, to look towards increasing the scale of this;
- Support for the Enterprise Finance Guarantee (EFG) over the next four years to enable lending to viable small businesses that lack collateral or track record. The EFG scheme will provide up to £600 million of additional lending to around 6,000 businesses next year alone and, subject to demand, over £2 billion in total over the next four years;
- Increasing the Government's share of Enterprise Capital Funds by £200 million, which will enable investment into the equity gap of more than £300 million for early stage innovative SMEs with the highest growth potential; and
- Encouraging business angel groups and the Government's SME investment arm, Capital for Enterprise Ltd, to put together a bid to the Regional Growth Fund for a Business Angel Co-Investment Fund. If successful, this will support angel investments into early stage SMEs with high growth potential, particularly in areas worst affected by public spending cuts.

(BIS, *The Path to Strong, Sustainable and Balanced Growth*, 2010, page 11)

It also said the Business Finance Taskforce has committed banks to a number of actions, including the funding and implementation of a network of mentors to help businesses and a new transparent appeals process (*ibid*).

In February 2011, Mark Prisk, the Business Minister, said the following concerning Government attempts to improve lending to SMEs:

> The UK's five major banks have stated a capacity and willingness to lend £190 billion of new credit to business in 2011. This includes £76 billion of new lending to small and medium-sized enterprises (SMEs), which is a 15 per cent increase on the amount lent in 2010. Should demand from viable businesses exceed this amount, the banks will lend more.
>
> (HC *Hansard*, 28 February 2011, col 306W)

The Government has said it will "continue to review the competitive landscape in access to finance for SMEs as a priority" with particular consideration to "early-stage and venture capital investment" (BIS, *The Path to Strong, Sustainable and Balanced Growth*, 2010, page 12).

3.3 Planning

Planning is the third aspect of the Government's strategy to increase market dynamism. BIS have said that the "Government wants to ensure that, in the future, planning is flexible and responsive to business needs, values development, supports towns, cities and rural areas, facilitates competition, and does not impose disproportionate costs on business" (*ibid*, page 12). Vince Cable told an audience at Mansion House in March 2011 that thousands of small planning decisions "add up to a huge missed opportunity for the economy. And sometimes obstruction prevents the transformative economic opportunity from taking place: the retailer that regenerates the town centre, or the international headquarters that instead decides to head elsewhere. That is why the government is bent on planning reform" (BIS website, 'Trade and Industry Dinner Speech, Mansion House', 3 March 2011).

The Government published a White Paper, *Local Growth: Realising Every Place's Potential*, on 28 October 2010 (Cm 7961). The White Paper's goals have been summarised in the Government's growth strategy. They are to:

- Create a Major Infrastructure Planning Unit to deliver a fast-track, democratically accountable planning process for nationally significant infrastructure projects;
- Create a presumption in favour of sustainable development in a way that supports economic growth;
- Incentivise housing growth through a New Homes Bonus to encourage local authorities and communities to be more supportive of local housing growth;
- Reform the Community Infrastructure Levy to make it a more powerful incentive for local communities to support growth through funding for infrastructure;
- Fundamentally reform and streamline national planning policy and guidance, and prepare and present to Parliament a simple and consolidated national planning policy framework covering all forms of development; and
- Introduce a new duty that will place a statutory obligation on local authorities and public bodies, crucial to effective plan-making, to cooperate. This duty will further support the delivery of effective cross-boundary strategic planning.

(BIS, *The Path to Strong, Sustainable and Balanced Growth*, 2010, page 12)

3.4 Regulation

The role, volume and type of regulation on business represent the fourth part of the Government's strategy. The Government's growth strategy argues that "overregulation damages business: every hour filling in forms is an hour not spent running and growing a business". The paper sets out the action that the Government has already taken in this area:

- Introduced a 'One In One Out' system to minimise new burdens, and sunset clauses to ensure that neither regulation nor regulators will continue to exist beyond their useful life. The Regulatory Policy Committee of independent experts now advises Government on the quality of Impact Assessments to help improve the analysis of costs and benefits before decisions on new regulation are taken. A tough new Cabinet Committee has the remit of reducing regulation;

- Taken action to reduce the disproportionate burdens imposed by health and safety regulations on business accepting all of the recommendations put forward by the Prime Minister's Adviser on Health and Safety Law and Practice;
- Announced that each relevant department is reviewing the employment law for which they are responsible to ensure maximum flexibility, protect fairness and promote competitiveness; and
- Committed to reduce the total regulatory burden on the house building industry over the Spending Review period in order to help increase housing supply and support UK house building.

(BIS and HMT, *The Path to Strong, Sustainable and Balanced Growth*, 2010, page 13)

In his Mansion House speech, Vince Cable explained:

> In the past, Whitehall has rewarded people for coming up with new regulations, and never for scrapping them. While "One in one out" is gradually changing this culture, I acknowledge that this is so far stemming the flow rather than reversing it. Another useful step forward has been the steps we have taken to stop 'gold plating' EU regulations and fight damaging regulatory impositions from the EU like the Working Time Directive. Working within Europe at an early stage is a labour the fruits of which will show over the long term.
>
> Above all, we are working to achieve the aims of regulation in a less burdensome way. For example, we inherited an Equality Act that in some ways is useful, by streamlining a mass of existing rules and laws. Without in any way compromising our clear belief that equality is not just right but good for business, we are, for example, not pursuing mandatory gender pay reporting but are developing a voluntary approach.
>
> (BIS website, 'Trade and Industry Dinner Speech, Mansion House', 3 March 2011)

3.5 Innovation

The fifth aspect refers to innovation and research. The Government has stressed its importance to increasing market dynamism, particularly as the UK "performs well in international rankings of the quality and quantity of research, but is considered to perform less strongly in terms of successfully commercialising it". A BIS paper identifies the key challenges in this area, which are to: "Maintain and improve the attractiveness of the UK as a destination for R&D-based foreign investment"; "Make the UK the most attractive destination for the best researchers"; "Increase the economic impact of the research base"; and "Equip the workforce with the STEM [science, technology, engineering, maths] skills required" (BIS Economics Paper No 9, *Economic Growth: Executive Summary*, November 2010, page 7).

The strategy document says that in order to "protect incentives for entrepreneurship and innovation" the Government has already announced "an independent review of the UK's intellectual property (IP) framework" to identify barriers to growth in the IP system. Additionally, to further its ambition "to be the most technology-friendly government in the world", the Government is:

- Making the Technology Strategy Board the prime channel through which the Government will incentivise business-led technology innovation and providing it with over £200 million to establish a network of Technology and Innovation Centres to help commercialise new and emerging technologies;
- Introducing a new Entrepreneur Visa; and
- Launching a new 'peer to patent' system which draws on the expertise of people across the globe to help maintain patent quality.

(BIS and HMT, *The Path to Strong, Sustainable and Balanced Growth*, 2010, pages 13–14)

3.6 Competition and Corporate Governance

Finally, the Government has also indicated it will reform competition regulation by merging the functions of the Office of Fair Trading and the Competition Commission. This "will create a more aligned and streamlined competition regime" (BIS Economics Paper No 9, *Economic Growth: Executive Summary*, November 2010, page 5). Additionally corporate governance is currently the subject of a review:

> The Government has launched a review into corporate governance to investigate issues including the problems of short-termism, investor engagement, directors' remuneration, and the economic case for takeovers. This will be one of the Government's priority areas over the coming months.
>
> (BIS and HMT, *The Path to Strong, Sustainable and Balanced Growth*, 2010, page 14)

4. Investment and Growth

In the context of its broader plans for deficit reduction, the Government has said that public spending needs to be channelled into the right areas. George Osborne, the Chancellor, explained this in the Spending Review statement: "when money is short, we should ruthlessly prioritise those areas of public spending that are the most likely to support economic growth" (HC *Hansard*, 20 October 2010, col 951).

4.1 Infrastructure

Investment in infrastructure represents one aspect of this support because it is "vital for economic growth". The Government believes that although the UK has a "well developed infrastructure network" much of it is now becoming outdated (BIS Economics Paper No 9, *Economic Growth: Executive Summary*, November 2010, pages 6–7). Through the National Infrastructure Plan the Government's strategy is to "unlock some £200 billion of public and private sector investment over the next five years". The Government has said it will reform the electricity market, set up a Green Investment Bank and will also:

- Improve private sector investment models, encouraging new sources of capital and exploring options to reduce the cost of capital, including the potential for extending the Regulated Asset Base model, reporting in spring 2011;

- Ensure that the economic regulation regime is fit to deliver the investment needed to meet future challenges. The Government will develop a common set of principles for economic regulation to be published by the end of the year with clear actions for implementation by the time of Budget 2011. By summer 2011 the Government will publish what further action is necessary to ensure the regulatory framework for infrastructure networks is fit for purpose;
- Reduce the costs of construction, recognising that the UK is one of the most expensive countries in Europe in which to build infrastructure. The Cost Review, led by Terry Hill, will report by the end of 2010; and
- Work with the sectors engaged in delivering infrastructure to identify barriers to innovation and efficient operation of supply chains, reporting in spring 2011.

(BIS and HMT, *The Path to Strong, Sustainable and Balanced Growth*, 2010, page 15)

4.2 Tax

A second aspect is tax. The Government aims to create "a more competitive, predictable and simpler tax system" (BIS and HMT, *The Path to Strong, Sustainable and Balanced Growth*, 2010, page 17). BIS has said that "despite UK Corporation Tax being at historically low rates, the headline rate has become less attractive in recent years, as other countries have consistently cut rates" (BIS Economics Paper No 9, *Economic Growth: Executive Summary*, November 2010, page 6). Measures to reform the tax system were published in *Corporate Tax Reform: Delivering a More Competitive System* (November 2010). In the Autumn Review statement, George Osborne told the House of Commons:

> We propose to make the UK an even more attractive location for international business and investment by reforming the outdated and complex rules for controlled foreign companies. We have seen a steady stream of companies leaving the UK in recent years, and this Government, unlike the last one, are not content to sit by and watch our competitiveness leach away and our corporate tax base be undermined.
>
> (HC *Hansard*, 29 November 2010, col 532)

Mr Osborne also announced a change in the tax treatment of intellectual property. From April 2013 a lower 10 per cent corporate tax rate will be levied on profits from newly commercialised patents" (*ibid*, col 533). In February 2011, Mark Prisk, the Business Minister, summarised the other tax changes made so far in a written answer. He said the Government was reducing "the small companies' rate of corporation tax to 20 per cent from April this year and committing to cut general corporation tax to 24 per cent by 2014, one of the lowest rates in the G20" (HC *Hansard*, 28 February 2011, col 213W).

4.3 Procurement

The third aspect is what the Government itself buys. BIS argues that current public sector procurement "leaves businesses wasting too much time on form-filling and searching for contracts. It works against a competitive market by locking dynamic and innovative SMEs out of many Government contracts" (BIS and HMT, *The Path to Strong, Sustainable and Balanced Growth*, 2010, page 16). The Government has said it is introducing various measures to increase contracts given to SMEs (targeting 25 per cent of contracts) and using procurement as a "lever" to support innovation in new technologies (*ibid*).

5. Individuals, Labour Markets and Skills

The final pillar of the Government's growth strategy relates to education, skills and jobs. The Government argues that "achieving sustainable growth will ultimately be dependent upon maximising the potential of the labour force", which in effect "means both creating the incentives for people to enter employment, and helping ensure that people have the skills they need to maximise their productive potential" (BIS Economics Paper No 9, *Economic Growth: Executive Summary*, November 2010, page 8).

The Government argues it has "embarked on a programme of radical reform to create a welfare system that rewards work, and an education system which encourages achievement and drives social mobility at every stage" (BIS and HMT, *The Path to Strong, Sustainable and Balanced Growth*, 2010, page 18). These reforms include: "Improving the skills of young people through school reforms"; "Expecting all young people to participate in education and training for longer"; "Improving skills of workers through expansion of adult apprenticeships", "the creation of a £50 million fund to help SMEs train lower skilled employees and support collective employer-led initiatives"; and "Encourage a more competitive and diverse higher education sector through reforming funding". The Government is also "improving incentives to work" and "removing barriers to job creation" (*ibid*, page 19).

On 7 March 2011, Vince Cable and Minister for Skills, John Hayes, launched the £50 million fund to "help business develop the skills they need". The accompanying press release said:

> The Growth and Innovation Fund (GIF) will deliver targeted help for employer groups to overcome barriers to growth within their sectors and industries. The funding could deliver new training to boost innovation and productivity, enable industries to set new professional standards, or support new or extended National Skills Academies.
>
> BIS will invest up to £50m per year in partnership with businesses, whose investment alongside Government could deliver a total of up to £100m a year.
>
> (BIS press release, '£100m Investment in Skills to Drive Growth', 7 March 2011)

With regard to apprenticeships the Government is on record as stating that "Apprenticeships are at the heart of the system that we will build" (BIS, *Skills for Sustainable Growth: Executive Summary*, November 2010, page 7). BIS has said that the Government will "expand the numbers of adult Apprenticeships available by up to 75,000 by 2014–15 leading to more than 200,000 people starting an Apprenticeship each year". This would be funded by an increased investment of up to £250 million over the spending review period and additionally "there will be investment of £605 million in 2011–12 and an indicative budget of £648 million in 2012–13". The programme will also be changed in terms of qualifications and access (*ibid*).

The Government has also announced the creation of New Enterprise Allowances. The Number 10 website explained that:

> The aim of the New Enterprise Allowance is to focus on business ideas with the potential for expansion, and, as such, will contribute more widely to private sector growth as well as to reducing unemployment...
>
> The New Enterprise Allowance will help unemployed people who want to start their own business. It will be available to people who have been claiming Jobseeker's Allowance for more than six months. It will provide access to business mentoring and offer financial support of up to around £2,000, including a weekly allowance for up to 26 weeks and access to a start up loan. In order to become eligible to receive the financial support, the applicant will have to demonstrate that their business idea is viable.
>
> (Number 10 website, 'Government Focused on Growth and Job Creation', 5 January 2011)

Finally, the Government has said it aims to create "the conditions that enable every place to reach its growth potential and that allow people to access opportunities regardless of where they live" (BIS and HMT, *The Path to Strong, Sustainable and Balanced Growth*, 2010, page 19). In the Budget in June 2010, the Chancellor announced a regional employer National Insurance Contributions holiday. This would apply to new businesses in 'target' regions that are dependent on public sector jobs for employment.

The Local Growth White Paper sets out the Government's strategy for local authorities, businesses and communities to "drive growth in their own area". This includes:

> - Shifting power to local communities and business, giving business, local authorities and other partners such as universities the responsibility for and ability to drive local economic growth, through the creation of local enterprise partnerships, 24 of which have already been approved;
> - Enabling tax increment financing (TIF) to allow local authorities to borrow against growth in their local business rates. Details of how TIF will be implemented will be considered in the Local Government Resource Review to be undertaken early in 2011;
> - Releasing the private sector, through the £1.4 billion Regional Growth Fund to stimulate private sector expansion throughout England and improve access to the opportunities which growth brings, in particular to those areas and communities that are currently dependent on the public sector. This will help to enable them to make the transition to sustainable private sector-led growth and prosperity.
>
> (*ibid*, pages 19–20)

In a statement on the publication of the White Paper, Vince Cable told the House of Commons:

> The measures set out in the White Paper complement the other measures the Government are taking to support growth and job creation through infrastructure investment; support for education and skills; improvements in competition; and support for research and innovation. This needs to be joined up with locally led

> action to improve the environment for business, and we are today putting in place the tools for this to happen.
>
> (HC *Hansard*, 28 October 2010, col 482)

6. Opposition Reaction

On 14 March 2011, Labour Leader and Shadow Chancellor, Ed Milliband and Ed Balls held a press conference in which they set out Labour's views on how best economic growth could be supported. They argued that the speed and scale of the cuts outlined by the Coalition Government went "too deep and too fast" and were "choking off growth, increasing unemployment and making it harder to reduce the deficit in the long term". Instead, they called on the Government to repeat last year's bank bonus tax to raise £2 billion. This, they maintained, could provide £1.2 billion to fund the construction of more than 25,000 homes across the country, which would generate 20,000 jobs and several times more in the supply chain, and up to 1,500 construction apprenticeships. It could also be used to establish a £600 million fund for youth jobs, helping 90,000 young people into work, and to boost the Regional Growth Fund by £200 million. In addition, they also called upon the Government to reverse the proposed VAT rise on petrol.

There have been several debates about the Government's strategy and policies to support economic growth in the House of Commons. The Government's Local Growth White Paper was debated on 28 October 2010, its policy for growth on 11 November 2010, its Skills Strategy on 19 January 2011, and BIS's record on supporting growth on 2 February 2011. The Trade and Investment White Paper was debated in the House of Commons on 9 February 2011 and repeated the same day in the House of Lords.

7. Commentary

The remainder of this Note will consider commentaries on the UK economy and its growth prospects, but also wider reaction to the Government's proposals, ranging from think tanks and trade unions to business and other interest groups.

7.1 International Monetary Fund (IMF)

In November 2010, the IMF published its assessment of the UK economy. On the question of growth, the IMF concluded:

> Economic recovery is underway in the UK. After six quarters of deep recession, the economy started growing again in late 2009, led by a classic turn in the inventory cycle. More recently, private final demand has also begun to recover modestly as the labour market has stabilized, household saving rates have begun to ease, and corporates have begun to increase investment from its low levels. However, past sterling depreciation has not yet boosted net exports as much as expected. Meanwhile, inflation has surprised on the upside as a series of price level shocks has more than offset the moderating effect of sizeable economic slack on underlying inflation.
>
> … Banking sector health has improved, as banks have raised capital, reduced leverage, and increased earnings. Nonetheless, important challenges remain: regulatory requirements are set to tighten over time; uncertainty about the

sustainability of bank profits and the quality of some exposures remains significant; and banks will need to raise significant amounts of new funding as public support schemes taper off. Meanwhile, the authorities have laid out plans to revamp the UK's prudential architecture, consolidating key responsibilities in the BoE [Bank of England].

Looking ahead, economic recovery is expected to continue at a moderate pace as private and external demand progressively gather strength while the public sector retrenches. GDP is projected to grow at 1.7 percent this year and 2.0 percent in 2011. Risks around this forecast are considerable, though broadly balanced, reflecting continued economic uncertainty both globally and in the UK.

7.2 *Economist*

In reviewing the state of the UK economy in January 2011, the *Economist* argued that the Government should "stick to its course despite worrying economic figures". The UK's economic position was uncomfortable, especially considering that "only a year after climbing out of recession, the economy shrank again in the final quarter of last year" and exhibited a rare "toxic mix" for a rich country of falling GDP, high inflation and a big budget deficit. However, though this might have suggested a policy re-think, in terms of delaying deficit-reducing measures, the *Economist* warned against. Firstly, despite the figures, the UK economy still appeared stronger than seemed possible in June 2010 when the Government first set out its budget plans, while stalls in recovery were not uncommon. Secondly, some of the issues that might have contributed to poor figures in the last quarter might have been transitory, such as the impact of poor weather upon shoppers. Thirdly, and importantly, the *Economist* contended "that deficit-financed public spending is not a growth strategy". Conversely, it thought that "strong global growth, high corporate profits and a weaker currency should allow Britain to grow" and if it could not "it is in real trouble" (*The Economist*, 'Don't Panic—Yet: Britain's Stuttering Economy', 27 January 2011).

7.3 Organisation for Economic Co-operation and Development (OECD)

On 16 March 2011, the OECD issued its *Economic Survey of the United Kingdom 2011*. The survey found that the UK's economic growth would be subdued for 2011 and 2012, but argued that "the Government must continue its difficult fiscal consolidation and structural reform programmes to return the economy to a sustainable path". Though spending cuts would curb government consumption, investment and household income growth over the 2011–12 period, it would bring long-term gain, if key reforms addressed fiscal sustainability concerns and helped bring about a long-term rebalancing of the UK economy. The OECD welcomed a number of particular measures, including fiscal adjustment and strengthening of fiscal institutions, the creation of the Office for Budget Responsibility and proposals for a Financial Policy Committee to strengthen macro–prudential policy. However, it suggested that further steps were needed to deal with banks that are "too big to fail" and to address the volatility of the UK housing market.

7.4 House of Commons Business, Innovation and Skills Select Committee

In February 2011, the Commons Business, Innovation and Skills Select Committee published its report, *Government Assistance to Industry* (HC 561). The Committee noted that BIS had branded itself as the "Department for Growth" and had set out a broad strategy to deliver it. However, the Committee was concerned "by a lack of detail on how it will be put into practice". In particular, there was a worry that if BIS could not allow business to get access to sufficient levels of working capital, the recovery and future growth would "wither on the vine". Lending to SMEs needed to be a key aspect of the work of BIS and one that it should be judged on. The Committee welcomed initiatives such as the Small Business Economic Forum and improvements to existing measures, such as the Enterprise Finance Guarantee Scheme, but was concerned about their focus and availability to all business sectors. Other initiatives which had potential, if delivered correctly and supported properly, included the Business Growth Fund and the Manufacturing Advisory Service. However, there had been some failures, such as the Automotive Assistance Plan, where BIS had to learn lessons. But the Committee was clear that without access to working capital such initiatives would be blunted.

7.5 *Guardian*

Larry Elliott, writing in the *Guardian* on 7 March 2011, questioned whether the Government could tackle the historic legacy of the dominance of financial services in the UK economy which had put manufacturing at a disadvantage. He pointed to the lead up to the recession:

> As one of the world's main financial centres, London attracted investment funds from all over the world. Hot money flows led to a higher exchange rate, which crippled manufacturing. The stronger pound also kept the lid on inflation and kept interest rates low, creating the conditions for excessive personal borrowing and an asset-price spiral. When the bubble inevitably burst there was a big mess to clear up.

Though previous Governments experiencing a financial crisis had tried to rebalance the economy towards exports and manufacturing, history had suggested that "sooner or later the credit tap is turned back on and another cycle begins, with the imbalances—between the City and manufacturing and between London and the rest of the UK—even more pronounced" (*Guardian*, 'Banks Should be the Servants of Industry', 7 March 2011).

7.6 Institute for Fiscal Studies (IFS)

In February 2011, the IFS published *The IFS Green Budget: February 2011*. The Green Budget considered Government policies and official growth projections:

> Looking ahead, an updated forecast of our supply-side analysis suggests that productivity growth will only rise gradually in the years ahead, averaging about 1 per cent per annum over the next five years. Accordingly, our predicted profile for potential GDP registers only a mild acceleration over the next few years, with the annual growth rate not reaching its long-run sustainable rate (of 1¾ per cent) until 2014. We continue to worry that the official view of future prospects, as contained in the OBR's analysis, is overly complacent about both future inflation risks and the scale of the required fiscal consolidation. Relative to a year ago, however, the gaps between our own and the official forecasts are now a lot smaller.

The IFS thought that in terms of the effect of public spending cuts upon growth there was "a clear risk that the impact is larger than assumed". This also had to be considered alongside: falling household consumption, because of wages falling behind prices; restricted access to credit; falling house prices; rising unemployment; an unlikely "strong investment-led recovery as many firms remain cautious about the demand outlook". Bearing these factors in mind the IFS assessed the chances of a double-dip recession at 20 per cent.

7.7 National Institute of Economic and Social Research (NIESR)

NIESR's assessment of the UK economy and its prospects, published in February, was bleak:

> Growth in 2011 will be lacklustre. The economy will expand by 1.5 per cent, barely higher than the 1.4 per cent expansion in 2010. Some of the output lost to the exceptionally poor weather in late 2010, when GDP fell by 0.5 per cent, will be regained in early 2011, but the average rate of growth across the two quarters will be just 0.1 per cent. With the recovery so subdued, this year's surge in inflation will peter out and CPI inflation will fall to 1.8 per cent in 2012.
>
> What growth there is this year will come mainly from net trade, as exports rise by 6.4 per cent while imports increase by only 2.1 per cent. That impetus will continue in 2012, when net trade will contribute 1.4 percentage points out of total growth of 1.8 per cent. This reflects a belated response by exporters to a more competitive pound and the opportunities of faster-growing foreign markets. Corresponding to this, the manufacturing sector, which accounts for about half of all exports, has been performing strongly and expanded by 1.4 per cent in the final quarter of 2010.
>
> Imports will be subdued partly because domestic producers have become competitive but mainly because domestic demand will grow by just 0.4 per cent a year in both 2011 and 2012. Government spending will fall while personal consumption will decline by 0.1 per cent this year. Real disposable income, which fell by 1 per cent last year, will decline further in 2011, by 0.8 per cent.
>
> Oil price increases will reduce real incomes by 1 per cent and boost inflationary pressures. Interest rates may well have to rise in the Spring to hold back these pressures. The case for further Quantitative Easing is evaporating.
>
> (NIESR press release, 'Prospects for the UK Economy', 1 February 2011)

NIESR argued that there was therefore a case for promoting the recovery by postponing at least some of the austerity programme, which would be acceptable because borrowing costs were currently low. However, it noted that in the longer term, government should set itself a more ambitious target of running sustained surpluses to prepare for the cost of an ageing population.

Writing earlier this month in the *Financial Times*, Jonathan Portes, the Director of NIESR, argued that though flat growth rates provided a good case for delaying planned fiscal consolidation over the next year or two, the Government appeared to be sticking to its original strategy on the basis "that any change in the current plan would damage confidence in the economy". This rationale, he suggested, was "fundamentally flawed". If the Government changed tack it could, for example, boost the employment prospects of young people by extending job opportunities and reinstate educational maintenance allowances which "would create more demand in the short term, while improving productive potential in the future". He also thought that plans to cut skilled migration and restrict student visas should be revisited, as "the Treasury's own analysis suggests that the proposed limits will reduce growth significantly over the next few years; while higher education is a successful, dynamic British export industry".

7.8 Institute for Public Policy Research (IPPR)

Writing in a series of essays published by the IPPR in February 2011, *Going for Growth*, Duncan Weldon set out some of the difficulties that lay ahead for UK growth. He argued that two of the major drivers of growth in the decade before the recession had appeared to have "tapped out", namely government spending and consumption, which he maintained had contributed to two thirds of growth 1998–2008. In terms of government spending, medium term fiscal constraints on the UK and "the public's current distaste for budget deficits" had reduced the desirability of this specific driver. This meant that while there was "a strong case for more public investment, it seems likely that governments will be reluctant to run deficits in non-recessionary conditions in the next decade". Consumption also looked set to be reduced because of "slower wage growth, higher taxation (both direct and indirect) and, possibly, higher inflation than in the last decade" alongside the fact that even if "consumers' appetite for debt was to return, it is not clear that the banks would be in a position to satisfy demand".

However, Weldon also pointed to other factors that would challenge UK growth. Along with other authors in *Going for Growth*, he suggested that an attempt to generate an export-led recovery could be limited by other competitor economies doing likewise. There were also the problems around the historical lack of investment and gross fixed capital formation in the UK economy which might stymie efforts to move the UK economy away from an over-reliance on finance to manufacturing. He therefore argued that banks and other financial institutions had a crucial role in enabling this and would probably require reduced property speculation, which was diverting investment from productive sectors of the economy. Finally, he also highlighted the longer-term demographic issue of an ageing UK population, which would place strains on government finances, in areas such as health and long-term care, and lead to changes in consumption, as the elderly tended to pay more debt down and save.

7.9 Centre for Policy Studies (CPS)

On 10 March 2011, the CPS published *Five Fiscal Fallacies*. It sought to make a number of points about the state of the UK's finances and its implications for growth. In particular, it questioned the notion that the public sector could be seen as an alternative to the private sector, in terms of driving growth. This was because there was "not so much a gap as a chasm between productivity in the public and private sectors", with the corollary that "moving resources from a high-to a low-productivity sector necessarily impairs growth". By far the most important issue was therefore to encourage private sector growth because private sector expansion could "offset (and, in due course, surpass) public sector contraction". The best way to do this was to "free businesses and consumers from the handicapping regulation that was created by Labour's predilections for complication and control-freakery".

Earlier in July 2010, the CPS published *Conditions for Growth: What Government can do to Promote Long-term Growth*. It noted the need for a nuanced approach to macroeconomic support for the economy. Removing such support too early could put the nascent recovery at risk, thereby damaging investment and economic potential, while maintaining high government spending for too long would risk rapid increase in the public debt and rising interest rates, thereby crowding out private investment and damaging economic potential. However, as the private sector resumed borrowing, to finance consumption and investment, it would then be appropriate for macroeconomic support measures to be withdrawn quickly. It was therefore important that increases in taxes and reductions in public expenditure were undertaken in ways that took account of the likely implications for productive potential. Labour market reforms were also crucial to underpin future growth. This included minimizing the long-run effects of the downturn on the labour force, especially young, low-skilled, and older workers and activating more of the long-term unemployed and inactive, particularly older workers and second earners. It necessitated the minimization of regulations that inhibited the ability of labour to adapt to structural change, whilst ensuring improvements in the skills base of the labour force and the provision of vocational education. It was also important that markets were encouraged to be more efficient in allocating capital to the most productive use. This meant reducing impediments to the creation of new firms, minimizing anti-competitive product market regulation, including reducing the administrative burdens on firms and improving bankruptcy policies.

7.10 Institute for Economic Affairs (IEA)

On 4 February 2011, the IEA's Director General, Mark Littlewood, criticized the Coalition's plans for growth as "remarkably unambitious":

> The focus shouldn't be on balancing growth across sectors and regions, but on allowing businesses to decide which sectors and regions will work best for them to invest in. The more Government can do to get out of their way the better. This constant skewing of the landscape creates too much uncertainty for those trying to run businesses and is stifling innovation.
>
> Radical changes are needed, from reductions in tax to moving away from national pay bargaining. Unless the Government makes deeper cuts, reforms our tax system and dramatically reduces regulation it will fail to deliver on the growth agenda.
>
> (IEA, 'Clegg's Growth Plans Remarkably Unambitious', 4 February 2011)

Earlier in January 2011, the IEA had focused on the specific impact of employment regulation upon economic growth and made a number of recommendations. These included: lengthening the period of time before protection from unfair dismissal kicks in and lowering the cap on compensation payable; capping compensation for discrimination claims; introducing a fee for access to tribunals to stem speculative actions; abolishing the minimum wage; moving away from national pay scales in the public sector; reviewing industrial action legislation to reduce union influence (IEA, 'Government Must Slash Red Tape to Ensure Job Creation and Growth' 10 January 2011).

7.11 Adam Smith Institute (ASI)

In March 2011, the ASI published *The Revenue and Growth Effects of Britain's High Personal Taxes*, which argued that the current tax regime was costing the Government money by discouraging work and driving high-income earners overseas. It pointed to international studies which suggested that the UK has fallen into the trap of having an uncompetitive tax regime and its own analysis which estimated that such policy risked flat growth for a decade, with projected losses to the public purse of some £350 billion after ten years. The essay therefore proposed: the immediate elimination of the additional 50 per cent rate of tax and the "revenue-losing" £30,000 non-dom charge; reducing the higher rate of income tax from 40 per cent to 35 per cent and further reductions over time; reinstating the personal allowance that is currently phased out between £100,000 and £115,000; reducing the level of capital gains tax from 28 per cent to 18 per cent or below. Without such changes, the paper suggested that the UK's growth prospects would be seriously harmed.

7.12 Centre for Cities

In November 2010, the Centre for Cities issued a policy paper which analysed the Government's Local Growth White Paper. It welcomed the Government's general emphasis that Local Enterprise Partnerships should focus on the wider drivers of growth, such as transport, housing and planning and that decision-making should be devolved where appropriate. However, it called for a clearer commitment regarding longer-term funding. On the question of the Regional Growth Fund, it wondered whether concentrating on those areas hit by public sector cuts was necessarily the best way to stimulate sustainable private sector job creation with a limited amount of funding. It thought that the main focus in the short term should be on areas with the greatest potential to create private sector jobs, while in the longer-term it could focus on poorly performing areas, as the recovery took hold. In terms of local government finance, it welcomed plans to consider re-localising the business rate, though it expected more detail. Finally, it welcomed the proposed simplification of the planning system, with the hope that "a pro-growth, incentive-based planning system will allow buoyant cities to expand, easing pressure on their housing markets and allowing people across the UK to access the opportunities that are available in these cities".

7.13 Confederation of British Industry (CBI)

On 24 January 2011, the outgoing Director-General of the CBI, Sir Richard Lambert, gave a speech which noted his views on the Government's approach to public finances and growth. He accepted that the Government had been "single minded—some might even say ruthless—in its approach to spending cuts", an approach which had generally been supported by business. However, he also stated that it "has not been nearly so consistent and focused when it comes to policies that support growth" and had "failed so far to articulate in big picture terms its vision of what the UK economy might become under its stewardship".

In February 2011, the CBI published its *Response to the Government Growth Review*. The CBI's response argued that there were three key areas that would offer opportunities for growth:

1. Galvanising our export performance, particularly to the faster-growing areas of the world
2. Releasing pent-up demand for domestic investment needs and the renewal of our infrastructure
3. Improving the prospects for our high growth firms by ensuring that they can develop their early-years' potential

To make the most of these opportunities the CBI called for Government action. Firstly, it needed to ensure that "the growth narrative" became a central part of its approach to ensure that businesses and talented individuals became more confident about investing and working in the UK. Secondly, where there were key policy-decisions to be made economic growth needed to be prioritized over other objectives, for instance in areas such as immigration and employment and environmental regulation.

In terms of specific measures the CBI made a number of proposals. On the question of promoting exports, the CBI called for the Government to make the Export Credits Guarantee Department (ECGD) more accessible to smaller exporters and to strengthen UK Trade and Industry (UKTI) by ensuring that it was supported across Whitehall and could fully exploit new markets for UK businesses. To stimulate investment there was a need to: ensure that the fast-track planning system delivered timely consents for strategic infrastructure; encourage the development of the medium-sized corporate debt market to boost business growth; improve the Enterprise Investment Scheme (EIS) to bridge the funding gap for larger SMEs requiring £2 million to £10 million; pilot Growth Zones to attract investment. More generally, for jobs and growth, the Government needed to: avoid re-localising the Uniform Business Rate to prevent the risk of business costs increasing; extend the qualifying period for unfair dismissal and reform Employment Tribunals to boost job creation; restore the incentive of the Carbon Reduction Commitment or stop the scheme to reflect concern about energy costs; promote more competition in public service delivery. The CBI also called upon Government to address taxation which discouraged entrepreneurship and undermined UK competitiveness, including the 50p personal tax rate and the narrow definition of business assets under Capital Gains Tax.

7.14 Federation of Small Businesses (FSB)

In March 2011, the FSB published *An Agenda for Stability and Growth*. The document noted that there was an implicit assumption that the "private sector will be expected to pick up the bulk of public sector job losses". However, this would not be possible "in the current financial climate unless the conditions are right". The FSB made a number of recommendations to encourage growth. In terms of immediate steps, it called for the scrapping of the planned increase in fuel duty and the introduction of a Fuel Duty Stabiliser and the extension of the NIC Holiday to promote job creation. It then set out a number of proposals grouped under various headings.

To avoid job losses it advocated: a moratorium on new employment legislation for one year; a freeze on the national minimum wage from October 2011; a review of employment tribunals and dismissal; encouraging micro-businesses to take on apprentices. To remove regulatory barriers to growth it called for: greater transparency around the better regulation agenda; a better understanding of the 'burden of regulation' in Whitehall; a more efficient tax system; a cut in VAT on the construction sector to five per cent; exemption from business rates for empty properties; an end to the localisation of business rates. To ensure that growth could be financed it supported: a fresh and flexible banking sector by breaking up the monopoly of the "big four" banks; Government ensuring lending for small businesses; the creation of a permanent Enterprise Finance Guarantee; more effective advertisement of alternative sources of finance; encouraging more businesses to move to alternative financing methods.

The FSB also believed in an export-led recovery that would require: more effective promotion of Government assistance particularly around the Passport to Export scheme; greater priority by UKTI to the Gateway to Global Growth programme and improvements to the Overseas Market Introduction Service; better promotion of the Services Directive and of the web portals aimed at SMEs; a review and possible removal of the Letters of Credit Guarantee Scheme; a push to incentivise manufacturers to export; a drive to enable small firms within the defence sector to export. There were also sustainable opportunities for growth in terms of: giving small businesses easier access to major renewable supply chains; providing the platform for small businesses to innovate through research and development; encouraging the 'greening' of the UK's building stock. It also believed that entrepreneurship and self-employment could be promoted by: strengthening the New Enterprise Allowance Scheme by making it available as soon as an applicant is ready; nurturing a culture of self-employment in Government and within Jobcentre Plus; promoting Female Entrepreneurship; retaining and expanding the Graduate Internship Scheme to promote Entrepreneurship; creating Enterprise Zones. More generally, the FSB called for ongoing work to identify opportunities for growth and reform in areas such as tourism, public sector procurement, local planning and the role of Local Enterprise Partnerships and the use of IT and networks to support business.

7.15 EEF (Manufacturers Organisation)

The EEF has focused on the availability and cost of credit for manufacturing companies. On 14 March 2011, it issued a press release, which, though acknowledging recent improvements in the availability of credit and the announcement of Project Merlin, pointed to its findings that the number of companies reporting an increase in the overall cost of credit had jumped from 19 per cent to 32 per cent in the last quarter of 2010. Its survey of manufacturers also found that over a quarter of manufacturers expected their demand for external finance to increase in the next twelve months. However, the EEF was concerned that "without a corresponding improvement in costs and fees on lending ... credit constraints will threaten to be a drag on growth and deter vitally needed business investment" (EEF press release, 'Cost of Credit Moves in Wrong Direction—EEF Survey', 14 March 2011).

Earlier, towards the end of February 2011, EEF called for various measures to be included in the Budget. In terms of tax, this included: reform of the R&D Tax Credit to take into account development costs; modernization of the Capital Allowances regime to recognise the true cost of re-investment by manufacturers; minimising the cost burden of environmental taxes; and extending the remit of the Office of Tax Simplification. On the question of access to finance EEF proposed: independent monitoring of banks' adherence to lending principles; an action plan to implement the recommendation of the Independent Banking Commission on measures to strengthen the banking system and increasing competition; and examining future measures to increase the development of alternative sources of finance, especially non bank debt and venture capital. EEF also suggested a review of the funding and demand for 14–19 diplomas and a pilot initiative through the Growth and Innovation Fund to support SME collaboration on industry placements. Finally, there were recommendations regarding regulation. These included a review of its cumulative impact and options for its reform and simplification and the publication of all Regulatory Policy Committee opinions prior to parliamentary stages of legislation (EEF press release, 'EEF Calls for Growth Mandate in Budget', 28 February 2011).

7.16 Trades Union Congress (TUC)

The TUC have sought to argue that public investment and public sector jobs are vital to the recovery and economic growth. Commenting on growth figures in August 2010, the TUC General Secretary, Brendan Barber, noted that public investment had "accounted for at least 20 per cent of construction output—the fastest growing sector of the economy—and around 25 per cent of total quarterly output". He argued that "the big cuts threatened in the comprehensive spending review will hit both the private and public sectors", which could lead to a double dip recession at worst and a "glacially slow jobless recovery" at best. He therefore advocated an alternative approach of stimulating growth by maintaining spending and using a fairer tax system "to ensure that those who gained most from the boom years now pay their fair share of undoing the damage they caused" (TUC press release, 'Spending Cuts will Kill Jobs and Growth Prospects', 27 August 2010). He also expressed unease in November 2010, when it appeared that the Government's Growth White Paper was being downgraded: "After a recession what we most need is economic growth. It's alarming to hear that the Government's planned White Paper on growth has been downgraded to a discussion paper". Though he had welcomed signs "that the Government understood that it had a role in promoting growth and rebalancing the economy through an active industrial policy and investment in a low carbon future", this had sent out all the "wrong signals". He also added that "if we have learnt anything from the biggest financial crash since the 1930s it is that we cannot leave everything to the market" (TUC press release, 'TUC Alarmed by Downgrading of Growth White Paper', 22 November 2010).

Responding to the Government's proposals for growth on the TUC's Touchstone blog, Tim Page, TUC Policy Officer for Economic and Industrial Policy, welcomed the requirement for every government department to present Action Plans for sustainable growth across sectors of the economy and for all sizes of business, especially where there were clear opportunities to improve the UK's performance, and where Government could make a difference. However, he thought that the proposals generally appeared "passive", such as supporting efficient and dynamic markets or indicating that its approach valued stability, certainty and simplicity. Instead, the TUC would campaign for a more "active" industrial policy. He agreed that the Government's priority areas were important: planning; trade and investment; competition; regulation; access to finance; and corporate governance. However, he also pointed to skills and innovation, which were key concerns for many UK competitors. He concurred with the review about the importance of certain sectors: advanced manufacturing; digital and creative industries; business and professional services; retail; construction; and healthcare and life sciences. However, he thought that there needed to be more insights into the current health of advanced manufacturing in the UK, its contribution to GDP and job creation and a greater sense of how it could be developed, with particular reference to international lessons. This also needed investment to match that of other major manufacturing nations; otherwise "a half-hearted approach to growth will be a failed approach to growth" (TUC Touchstone blog, 'Growth Review: a TUC Response', 29 November 2010).

More recently, he questioned what he saw as the Government's obsession with red tape and bureaucracy compared to other aspects of the growth agenda. The TUC agreed that unnecessary regulations should be removed. However, he was not sure that attacking "the bureaucrats in government departments" as the "enemies of enterprise", as the Prime Minister had done, would do much for civil service morale, when many were working short-staffed and in fear of losing their jobs. He also thought there was a contradiction in the Government's stance on public sector procurement: "It wants to buy cheaper, which can often only be achieved by economies of scale, but it wants 25 per cent of contracts to go to SMEs, who by their nature, can't deliver economies of scale" (TUC Touchstone blog, 'The Government's Empty Growth Strategy', 7 March 2011).

House of Lords Library
House of Lords
London SW1A 0PW
www.parliament.uk