

## Unlocking Economic Growth: The Chancellor needs to be both Brave and Bold

Professor John Bryson



It is perhaps a platitude to state that the Chancellor is between a rock and a very hard place when it comes to this year's Budget. The difficulty is that output is still going nowhere; the economy is yet to recover from the recent recession. The debt fuelled years of false unsustainable economic growth are still holding back expansion. The Coalition's deficit reduction plan has yet to constrain public spending and the structural budget deficit continues to grow. The Coalition's failure thus far to jolt the economy back into growth means that without a miracle there will be a Labour government by 2015 implementing a radical Left-wing debt fuelled agenda. This week's budget is critical for the future economic prosperity of the UK and for the outcome of the next general election. The Chancellor needs to follow Virgil's principle – *Audentis Fortuna iuvat* – fortune assists the brave.

The budget must focus on policies and strategies to encourage the economy to grow sustainably and to ensure that economic activity is rebalanced away from unsustainable forms of growth to more desirable sources of demand; public expenditure must focus on economic growth. The UK needs a vibrant, resilient and growing economy. This can only be created through a careful alignment of all public policies to focus on economic growth. Without economic growth all forms of public policy intervention will be undermined as Government, irrespective of which party holds office, will have to concentrate on extreme forms of austerity. The question is: what can a brave and bold Chancellor hope to achieve? We will know on Wednesday, but a brave and bold Chancellor should:

1. Ensure that all forms of public expenditure with the potential to enhance economic growth are focused on aligning economic outcomes with social outcomes. This would be a radical alteration. Every department would have to identify alterations to existing expenditure that would create additional economic benefits. This might mean that the location of an infrastructural investment might need to be changed; a minor locational alteration would give greater economic benefits, but with the same social benefits. This is about ensuring that existing expenditure is used more effectively producing social as well as economic benefits.
2. All public procurement – of works, services and goods – should be used to create local jobs and to stimulate innovation in the development of new products and services.
3. Provide funding or tax benefits to enhance the commercialisation of innovations created by the country's research and innovation ecosystem.
4. The removal of restrictions that prevents the private sector from investing in new infrastructure.
5. A significant reduction in corporation tax and the removal of capital gains tax.
6. Develop tax incentives to encourage British companies to invest in new facilities to support growth in overseas trade.
7. Focus on policies that ensure that the UK is an attractive place for all companies and entrepreneurs. These policies require initiatives that can be implemented immediately and also longer-term policies that focus on the country's skill base – education of all types.
8. Maintain and even increase expenditure on the science budget. Ensure that there is a balance between blue skies research that will produce commercial returns over a long time period and research that has more immediate economic returns. Nevertheless, to focus on short-term returns from research and innovation would destroy the country's innovative capacity.
9. An extremely brave and bold Chancellor would avoid being distracted by short-term policies that predominantly focus on a distributional agenda. Such an agenda does not lead to economic growth but rather stifles growth and contributes to the long term decline of the economy.

The UK does not only require a brave and bold Chancellor, but brave and bold political parties. Prosperity for all based on sustainable economic growth requires that all political parties cooperate to embrace policies that will stimulate sustainable economic growth. We need to move beyond playground or kindergarten politics towards a more mature politics in which the political parties work in the national interest rather than predominantly in their own interests.

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