

Transcript: Gordon Brown: Why the UK growth rate is low and how we can increase it

Transcript of introduction by Gordon Brown to Lord Sainsbury prior to a discussion related to his book *Windows of Opportunity: How nations create wealth*.

Get the paper and details of the event at <https://policyScotland.gla.ac.uk/lord-sainsbury-why-the-uk-growth-rate-is-low-and-how-we-can-increase-it/>

Gordon Brown: Let me say first of all it's a privilege to introduce David Sainsbury at this seminar today. I'm doubly pleased that the Principal, himself a distinguished economist in his own right, has joined the event for this discussion. David, in your book you write of Adam Smith and his *Wealth of Nations* and you will know Glasgow University is the university where Adam Smith gave the lectures which informed his writings. It is also the university where our mutual friend John Smith studied law where I remember 50 years ago as a young Edinburgh student, I was taught a lesson in debating by Donald Dewar, and it's a pleasure to be invited back to introduce David's book.

It's aptly titled *Windows of Opportunity*, aptly titled because it points to the opportunities available to our economy if only we can focus on the real drivers of growth. David's book is his latest contribution in a lifetime of service to our country and I can say without any fear of contradiction with all-party support, that David Sainsbury was the most successful Science Minister our country has ever had and he presided over a remarkable expansion of science, from rising investment in pure and applied science itself, to the improvement of science infrastructure in our universities. Since then he's offered a major report - *The Race to the Top* - which sets out a long-term plan for science and innovation. He has authored two recent recommendations for the future of technical education at the same time as being Chancellor of Cambridge University and a supporter, through his charities, of some great causes including leading the way during this COVID crisis in providing iPads for hospital patients unable to receive family visits.

Now as a sequel to his book of 2013, *Progressive Capitalism*, he is author of *Windows of Opportunity* and it's timely because, after a past year of crisis because of the pandemic, it is now the right time to think of a year ahead of opportunities and not just crises. The opportunity in particular for a productivity and growth revolution that will yield jobs, revenues and, in the end, better public services if we can get our policies right. So while one section of his book will be of interest to Adam Smith scholars because it challenges Adam Smith's view of what are the true drivers of growth, the section that David's paper has focused on today and I want to emphasize, raises the question why have productivity growth rates been so poor? Or put it another way, can we prevent the loss of UK competitive advantage in world markets, other than by increasing the productive efficiency of UK firms through innovation? And indeed is not the creation of high value added per capita firms the answer for poorer regions looking for growth and employment. Now low growth and low productivity are a long-standing British problem. It's said that in the 1950s that we managed decline, in the 1960s we mismanaged decline, and then in the 1970s we declined to manage. And every chancellor has been damaged by the failure to turn things around. I think some of you may have heard me say before there have only been two kinds of chances of those who fail and those who get out just in time. But it's also a problem that goes wider than Britain and is seen in America and the rest of Europe as a problem too as people talk of secular stagnation. And I remember the Latin American finance minister having to admit his failure to secure growth and then announcing yet another emergency measure, devaluation as a solution, reported as saying 'past policies have led us to the edge of an abyss and now is the time for a broad step forward'. Now I ask you to look at

David's paper which provides facts and compelling evidence that cannot be ignored and, no doubt he will talk about his proposals that arrive from in a minute, but David produces startling sector-by-sector figures that show the service sectors - that are now the biggest job creators - are far less productive than the manufacturing sectors where jobs are being lost, and he suggests that this is because too little public and private investment is taking place in the real generators of growth - science, innovation, skills.

And I'm struck by the straightforward facts he provides in this paper. When you have oil value added at more than 500 pounds per head but now in 2020 producing half its 2010 share of output; when you're manufacturing at just over 50 pounds per head but also reducing its share of UK output in a decade from just above 10 percent of the economy to below percent 10; and when the only sector increasing its output is low value added service and doing so at less than half the productivity of manufacturing, while value-added service sectors that are high value added are declining, then you can see at a glance the scale of the growth problem we have. Now, low productivity is also Scotland 's problem. Now the Scottish Government and its Growth Commission say Scotland 's growth rate can rise to two and a half percent annually and then three and a half percent and they point to potential population growth and potentially higher participation by women in the economy as if they are get-out-of-jail-free cards. But while they acknowledge higher productivity as a third option for higher growth, they appear to have a few policies that can sustainably double annual growth levels in the years to come as they would like to see

And so you need, and this is where I pass over to David, policies for growth, for science and innovation, for skills and education. You need policies to deal with unbalanced development between regions where in one part of the country you can have overcrowding, congestion, rising prices, rising house prices, and another part of the country you have depopulation, high unemployment and under-investment, and, of course, few centres of economic initiative that could be the basis of growth. So David, welcome, online, to Scotland and to Glasgow and, once again, we look forward to hearing from you and hearing about your new book.