

Transcript: Lord Sainsbury: Why the UK growth rate is low and how we can increase it

Transcript of introduction by Lord Sainsbury to a discussion paper 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/>

Des McNulty: Thanks very much Gordon

So I think Lord Sainsbury is planning to in a sense only speak for a few minutes. I mean we assume that everybody will have read the paper and the maximum time is then available for discussion so Lord Sainsbury, over to you.

I think you're on mute at the minute

Lord Sainsbury: Okay, is that all right?

Des McNulty: Yep.

Lord Sainsbury: As always Gordon, thank you very much for that introduction. Having sent out to people a copy of this speech I was going to give so that we had more time to debate I only want to on this occasion to make a couple of brief points by way of introduction to my paper.

In February 2020 the Centre for Macroeconomics at the LSE asked its panel of top UK economists about the cause of the UK's slow economic growth rate. Their answers were basically all over the place. The two most frequently cited factors were 'low demand' and 'labour market factors' but 'productivity mismeasurement' and a 'skills shortage' were also mentioned. In other words the UK's rate of growth was a productivity puzzle. If I was an economist I would be concerned at this point about the theoretical underpinning of my discipline. Economists who can't explain why the growth rates of countries are low are in my position like doctors who can't cure patients or firemen who can't put out fires.

In these circumstances there seems to me to be a need for some new economic thinking. In my book *Windows of Opportunity: How nations create wealth* I've put forward a new theory of economic growth and I'm now very keen to find out whether economists and those involved with economic development think that this is a useful way of thinking. Because this is not just an academic squabble. If you think my theory is correct it has important implications for policymaking. Let me just briefly mention two. First, most neoclassical economists will argue that it doesn't matter if we lose jobs in manufacturing and replace them with service jobs. But as the figures I've shown you make clear, losing high value added per capita jobs in manufacturing and replacing them with low value added per capita service jobs results in low growth. Secondly the chief economist of the Bank of England argues that we should focus our efforts on improving the long tail of low value-added companies. But these are mainly low-value-added services businesses where it where it's almost impossible to create competitive advantage and which will always therefore be low value added per capita ones. So the discussion we're about to have is, as I say, it's not an academic squabble but a very important one and I'm very keen to hear what other people feel about it.