

Going for faster growth – how the government can help

Growth mainly happens thanks to free enterprise and the opportunities of the market. Governments can help at the margin, and can hinder in so many ways if they follow anti enterprise policies.

I have been arguing in recent posts for two straightforward ways the government can help. It can spend more on items like transport capacity and education which make a direct contribution to a more productive economy. It can cut taxes that get in the way of enterprise and impede work.

In more detail, the government should take advantage of our exit from the EU to give UK competing businesses more scope to win government contracts. Strict application of EU procurement rules in the UK has meant the public sector buys many cars, machines and other supplies from continental producers. Who sees the French or German official buying a UK made car? A new UK system should of course encourage competition to ensure innovation and keen prices for taxpayers, but it should also be friendly to competitive UK based businesses. We have started to demand more UK content in rail procurement for example, and have used the exemptions in the EU scheme to allow UK provision of much of our defence equipment in areas like naval vessels.

Intelligent buying by government can commission product for UK purposes that could also have an export benefit by selling the same or similar to overseas interests.

The UK needs to have a sensible approach to new borrowing. Borrowing huge sums for a large project like HS2 which is unlikely to generate revenues to service it is not sensible. Borrowing lesser sums at very low rates in the public sector today to build more cost effective road and rail capacity would be sensible. UK state debt is under good control when you adjust the totals for the £435 bn the UK state has bought in and owes to itself.

The best thing the government can do to promote growth is to cut tax rates on work and enterprise. The next thing it can do is to use the money it raises in taxes to employ people at home and provide services and incomes here instead of sending it to the EU.