

Speech: CBI Annual Dinner Speech 2019: Philip Hammond Speech

Thank you, John, for that introduction.

It is a pleasure to be here once again in the old Whitbread building.

And if the CBI is trying to make a cheap point by literally organising your annual piss up in a brewery, I am going to pretend I haven't noticed it!

Actually, this building has a fascinating history.

For more than a hundred years, the Speaker of the House of Commons' carriage was kept here.

If you haven't seen it, it is a spectacularly grand, gilded and polished affair – I am talking about the coach, not the Speaker.

This was a working brewery until 1976. The year before I started my first job, and a time when the UK economy was fast-approaching its post-industrial revolution nadir...

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Visibly falling behind the other Members of the EEC, which we had just joined.

And with our politics polarising to reflect the radically different solutions of left and right to the nation's challenges.

We have come a long way since then.

Our economy is transformed. Our manufacturing sector once again boasts global champions;

British design and innovation, derided back then, is now respected throughout the world;

Our services sector has been liberated from stifling regulation and short-sighted protectionism to soar ahead as a powerhouse of the new economy;

And the UK has become a magnet for investment, for entrepreneurship and for talent from across the globe.

Our recovery from the fiscal consequences of the financial crisis a decade ago has reached a turning point: our deficit is now lower than it was before the crisis and our national debt is falling sustainably for the first time in a generation.

Meanwhile, the UK has grown continuously for nine straight years, and despite

domestic uncertainty and a slowing world economy, the OBR is forecasting growth for the next five as well.

Judged against our peers, the UK economy is robust: Since 2010, we have grown as fast as Germany, and faster than France, Italy and Japan.

On jobs, we have a remarkable story to tell, with the employment rate at a record high and unemployment at its lowest rate since 1975.

Over 3 $\frac{1}{2}$ million net new jobs since 2010. And of the nearly half a million net additional people in work over the last year, virtually all are in full time jobs.

And there's good news on pay, too – with the OBR forecasting wages to rise by 3% or more in each of the next five years...

...while inflation is forecast to remain at, or very close to, the target of 2% throughout the forecast period.

This robust economic and fiscal performance is the result of nearly a decade of hard work by the British people, and of a clear economic strategy by the government.

My predecessor's number one focus was, quite rightly, on fixing the public finances, inheriting, as he did, a record peacetime fiscal deficit.

But when I became Chancellor in 2016 I recognised that, as well as getting Britain's debt down, our continued success as a nation depends on investing in our future, supporting our public services, and keeping taxes low to attract talent and investment.

This 'balanced approach' is now delivering, with the highest sustained levels of public capital investment in 40 years...

...a Modern Industrial Strategy to respond to the long-term challenge of low productivity;

Income tax cuts for more than 30 million people;

...and over £150 billion of new spending commitments since 2016, including a £34bn a year increase for the NHS...

...the single largest cash commitment ever made by a peacetime British Government...

...but all of it anchored in a framework of fiscal responsibility, with our deficit now just 1.2% and our national debt falling sustainably for the first time in a generation.

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Because we must not undo a decade of hard work by the British people by making unfunded commitments that would send our national debt soaring; leave

the economy vulnerable to future shocks; burden future generations; and waste billions on interest payments.

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So our economy and our public finances are in far better shape than they were 40 years ago.

Wages and living standards are dramatically improved since then. And yet, there are worrying echoes of the 1970's in the re-polarisation of the political debate today.
Populism is on the rise.

Globalisation – which has transformed the lives of hundreds of millions across the planet, and driven rising living standards here in the UK, has become something of a dirty word;

Free trade is under attack from all sides and the multilateral institutions which have upheld the post-war international system are challenged as never before;

Trade tensions and the rise of protectionism are now a real threat to world trade and economic growth.

On the left and right of politics, at home and abroad, the allure of superficially easy answers to complex problems – the political equivalent of the “free lunch” – fills the vacuum created by frustration with the politics of the centre ground.

And Brexit continues to wrap our economy in a cloud of uncertainty – with the continued possibility of a “No Deal” exit remaining a real threat to our future prosperity.

So I want to say a few words tonight about how we can meet this growing challenge.

But it is worth noting that doing so today will be more complicated than it was in the 1970s.

Because underpinning, and to some extent driving, the political malaise in Britain – and in many other developed economies, are four major, unavoidable, structural changes that are shaping the context for this debate:

1. The inexorable shift of economic power from the West towards the Emerging Economies of Asia, and its inevitable long-term consequence for the balance of strategic power as well.
2. The need for rapid de-carbonisation of our economy, with huge implications for the allocation of capital and the sustainability of current business models;

3. The ageing of our populations and the implications for our economies, for migration policy and for intergenerational equity;
4. And finally, the unparalleled scale of the technological revolution on which we are embarked – a revolution that will profoundly change our lives, our jobs, our economy and our politics.

And all of these will be happening at once; all imposing huge demands for resources and attention – both in terms of political bandwidth and in terms of business management-time.

So the background is challenging, to put it mildly. And against that background, we face real and present dangers to our economic well-being from populists of left and right.

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But the truth is that a gap has opened up – in Britain and in other developed countries – between the theory of how a market economy and free trade creates and distributes wealth, and the reality experienced by many ordinary people...

...creating a dissatisfaction that is fertile ground for populism to grow in.

And since populism cannot be defeated by confronting one set of simplistic, undeliverable solutions with another...

...we have to be prepared to eschew simple answers...

...and make again the complex, and to some, counter-intuitive, case for well-regulated open markets, free and fair trade, fiscal discipline and market economics;

Explaining how, as we tackle the great challenges of our economy in the 21st century – ageing, technology, climate change and productivity...

...the mechanisms of the market and the benefits of openness will allow us to create enduring, sustainable solutions.

Solutions that deliver real results, not empty promises.

But defending the market economy means demonstrating how, specifically, it can meet the challenges that matter most to a generation who may be pre-disposed to believe that it cannot.

And it means showing by doing, not by telling.

It means delivering rising real wages and living standards year after year;

Building the homes that the next generation needs – at prices they can afford;

Supporting people of all ages to embrace technology change through retraining

and re-skilling, so that technology means higher living standards, not higher unemployment;

It means closing the gap between our regions through sustained investment in infrastructure, including strategic projects like HS2;

Demonstrating that higher productivity can provide the answer to the challenge of an ageing population;

And harnessing market-based solutions to show that de-carbonisation and rising living standards can go hand-in-hand.

In short, it means validating the open, free-trading market economy system as “fit-for-purpose” for the challenges that we face in the 21st Century

That’s necessary to re-build confidence in the politics of the Centre ground..

...and it’s necessary to “re-licence” business to play the vital role that it must in our society.

And it can only be done by Government and Business working together to deliver prosperity and opportunity in every part of Britain.

The immediate priority must, of course, be delivering a solution to the Brexit impasse. And we made a great step forward today.

Because the Government’s, and Parliament’s seeming inability to do so is undermining confidence in our political system..

...and because continued uncertainty is now having a real and damaging impact on our economy.

When I accepted this invitation to speak, back in January, I planned to speak about Britain’s future in the context of a Brexit deal that had been done!

And I didn’t even focus on the juxtaposition

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If we are to have any hope of re-uniting our country and repairing our politics after the divisions of the last three years, we cannot have half the country feeling they have completely won and the other half, that they have completely lost.

Britain needs a Brexit that feels like a compromise; a Brexit that delights no-one, but one that everyone, or nearly everyone, can live with.

And in a Parliamentary democracy, which this country is, the only sustainable Brexit solution is one that can command a majority in the Parliament.

So the right way forward is to build on what we have learned of the concerns and aspirations on the Labour side...

...and add it to what we already know of the concerns and aspirations of our

colleagues on the Government side, and others across the House who are open to a negotiated exit...

...to craft a compromise that can deliver Brexit and settle this question, once and for all, in a Withdrawal Agreement Bill that will represent a bold, new proposal addressed to MPs on all sides of the House of Commons.

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...and promote instead a clear plan to build on the strengths of the British economy as we tackle the challenges and harness the opportunities of the future...

...working in a partnership with business...

...using the authority of Government to set the direction of travel...

...but with the private sector as the front-line agent of change – mobilising private capital and harnessing the power of the market to ensure effective delivery.

Working together to raise productivity as the only sustainable path – not only to higher wages and rising personal living standards...

...but also to delivering our social objectives, and our strategic goals, such as decarbonisation.

That means capital investment, both public and private, in infrastructure and technology...

...and it also means a partnership to deliver the home-grown skills and training that Britain needs to prosper...

...and a genuine collaboration to ensure a future immigration regime that supports the needs of business and the economy without unnecessary bureaucracy.

That's why we embarked on an unprecedented year-long consultation on the post-Brexit migration regime: we said we want to hear the views of business, and I am sure you are not going to disappoint us!

There is no doubt that we are facing an unprecedented period of challenge in our public life.

Uncertainty over Brexit.

Anxiety over our economic model.

Anger about our politics.

All set against the backdrop of a long, and sometimes apparently conflicting list of urgent imperatives:

Decarbonising our economy; rescuing our environment; housing our population;

adopting new technology; increasing our productivity, and adapting to demographic change.

No wonder the British people are concerned, and it would be an insult to ignore them.

The populists do not have the answers – but they are pretty good at identifying the grievances.

To trump them, we need an optimistic vision for the future – but one that is grounded in reality...

...with solutions that work with the grain of our society and harness the power of markets, the energy of business and the resource of private capital...

...to deliver answers to these multiple, simultaneous, challenges.

And to allow us to harvest the tremendous opportunities that lie within them.

Solutions that address the future...

...not hark back to the past;

That promote unity, not further division;

That deliver real change, not simply rhetorical shift;

And that speak to our ambition for a country whose best years, we firmly believe, lie ahead of it.

Thank you.