

# Deficits and growth

The UK Treasury is still worried about the deficit. Getting it down further is going to be easier to do if the economy grows more quickly. So the obvious thing for the Treasury to do would be to move on from the question of how do we get the deficit down, to the more interesting question of how do we get the UK economy to grow faster? There is always the danger that if the Treasury spends all its time talking of the deficit it dampens expectations of growth and diverts attention from cutting tax rates or targeting spending in ways which can do most to promote more activity.

The Treasury does have one other important refrain as well as the deficit. It wants to get productivity up. This is worthwhile cause, though the word itself does not usually ignite warm support or spontaneous applause. Indeed, productivity raising investment in training, computing, plant and equipment is a prime way of raising the growth rate. In recent years under Conservative led governments the UK economy has been very successful at generating many more jobs, and getting more people into work. It now needs to improve at getting more of those people into better paid jobs. It is easier to get a better paid job if you already have a not so well paid job. Your employer may well back you, train you, promote you, or some other employer may poach you for a better paid role.

The announcement that the UK will build 5 new frigates in UK yards is an intelligent use of government procurement to support and develop the manufacturing economy. Defence is the one area where the UK can spend public money under EU rules whilst granting priority to UK suppliers. The aim is to provide workloads for several UK yards who can then seek other private sector work or seek to sell naval vessels to allied and friendly navies, extending the workload and sustaining the overheads and skills base. The procurement also features the new idea of offering a fixed price and asking the yards to provide the best ship for the money.

In the exchanges that followed the Statement I asked that this idea of using government procurement to strengthen UK supply be used more widely within defence. Once we are out of the EU, as the Secretary of State confirmed, we could amend EU procurement rules and apply this approach to some non defence areas as well.