

# Speech: Chancellor at the CBI President's dinner

Good evening.

I'm delighted to be here this evening

Tonight I want to talk about my plan for the British economy and for backing British business and British jobs.

Because let me be clear.

Backing business is not about some cosy arrangement between government and industry as some like to imply, or even about abstract economic policy.

It is about getting behind those who create the jobs and the opportunities for individuals and families up and down this country, so they can go on doing so.

Because it is businesses and your hard-working employees who have helped turn this country around since we came into government in 2010.

Back then, the British economy was reeling from the financial crash and the ensuing Great Recession.

And we put into place a plan of action.

A plan to address the regulatory and governance failures in our banking sector;

A plan to tackle the crisis in our public finances;

A plan to cut taxes and boost investment;

A plan that took the necessary long term decisions to ensure a lasting private sector recovery.

Back then the enemies of that plan were relentless.

We were told the only way out was a return to higher spending and higher borrowing.

But the British business community was unfailing in its faith in the plan.

For you understood it had to be a recovery led by the private sector.

That you cannot tackle excessive fiscal deficit and public debt by increasing borrowing;

You understood that in order to cut taxes to boost investment and private consumption and save jobs, it would be necessary to curb current public

spending.

That to demonstrate commitment to restoring the public finances to maintain our credibility with markets and international investors, we would have to take the difficult long term decisions for our country.

And with the hard working people of this country we have made great progress.

For the last two years, Britain has been the second fastest growing G7 economy.

Far from losing 1.2 million jobs – you have created 3.4 million new private sector jobs.

Our employment rate is now the highest on record.

Unemployment rate is at a 40 year low.

And from a post-war high in 2009...

...we have reduced the deficit by three-quarters as a share of GDP.

And this hasn't just been about London and the South East.

Right up and down this country people have felt the benefits.

Wages are rising fastest in the West Midlands...

...productivity is growing fastest in Northern Ireland...

...and unemployment is falling fastest in Scotland.

We should be proud of these achievements.

And I thank you – the job creators, the innovators, the wealth-makers – for that achievement.

## **Challenge Ahead**

That is the record of the last seven years.

But now we face new challenges – even before we have completed the task of dealing with the financial crisis.

The deficit is down...

...but total debt is still too high and leaves us vulnerable to another shock of any kind.

Employment is at a record high...

...but there is frustration over the stagnation in real pay growth...

...driven by the current spike in inflation which itself is due mostly to

currency depreciation.

As I said in the Commons on Thursday:

Our policy on public sector pay has always been designed to strike the right balance between being fair to our public servants, and fair to those who pay for them.

That approach has not changed; and we continually assess that balance.

But we do, of course, recognise that the British people are weary after seven years hard slog repairing the damage of the Great Recession.

They have travelled a long way...

...but still the sunlit uplands seem stubbornly to remain one further ridge away.

And once again, some are questioning whether we should abandon the economic plan that has brought us so far...

...and take a different path.

A path of higher taxes on business and wealth creators, higher spending, nationalisation, and higher borrowing.

(Indeed, some are questioning the economic model itself).

And it is up to all of us...

...in business and in government...

...to make the case, all over again, for a market economy, for sound money, and for a tax system that incentivises enterprise and innovation.

So that we can ensure that the fruits of the British people's hard work over the last seven years are not wasted...

...and that they are shared by all.

You may think we had won that argument.

But it seems we have to win it all over again.

And while I understand that publicly quoted businesses cannot engage in party-political debate...

...I believe it is incumbent upon business collectively to make the argument for a market economy, free trade, and sound money...

...and as the need for that argument asserts itself again, I expect business to step up to that challenge.

## The Plan

They say that doing is more powerful than saying...

...and the best way to make the case for a market economy is to demonstrate that it delivers.

We, in government will do our part...

...delivering the three key elements of our plan.

First, we must retain a credible path for the public finances – one that will underpin a strong and growing economy.

Because without strong economic growth, we cannot support the improvements to public services that people want to see.

That does not mean we can't have a debate in Britain about the level of funding of public services. But it does mean that it has to be a grown-up debate...

...where we acknowledge that borrowing to fund consumption is merely passing the bill to the next generation...

...and reject the fallacy that the burden of additional taxation can always fall on someone else.

Then, hopefully, we can build a consensus that the only sustainable solution is to increase the trend rate of growth.

Second, we need to get the right Brexit outcome.

One that puts jobs and prosperity first.

How do we achieve that?

We focus relentlessly on getting the key components right:

A comprehensive free trade deal in goods and services...

...that allows the complex value chains that crisscross our continent to continue to operate smoothly.

A customs arrangement that minimises friction at the border...

...with a transition that prioritises protection of the free-flow of trade across our borders until the agreed long-term arrangements can be put fully in place.

A future relationship that acknowledges our need to manage migration...

...but allows British businesses and public services to continue to recruit the labour they need to deliver both economic growth and our social objectives.

And acknowledges, too, the legitimate concerns among our EU colleagues about regulation and supervision of cross-border financial markets...

...and commits to agreeing a cooperative supervisory structure to address those concerns, based on international best practice.

We seek a shared understanding on what the future relationship looks like as early as possible...

...and an agreement with our EU partners that it will be in our mutual interest that there will be a smooth and orderly path to the new arrangements, rather than a disruptive and dangerous cliff edge.

Because what Businesses and citizens crave more than anything, is clarity about the future.

I spoke to an audience of over a thousand business leaders in Germany last week...

...setting out the clear benefits of close collaboration around a Free Trade deal and an orderly and predictable transition to it – not just for businesses in the UK – but for businesses across the continent too...

...and when they thought about it, I think they agreed with me...

...but I was struck once again during that visit by the “asymmetry of attention” to this issue: for us, Brexit is the dominant focus; for many of our continental partners, it is just one among many challenges vying for attention.

We need to remember that fact as we seek their attention to make these arguments.

And it is incumbent on all of us, in business and in government alike, to go on making the case for a Brexit outcome that protects jobs and prosperity...

...and a transition that takes us to it smoothly.

To go on emphasising to contacts and supply-chain partners in Europe that this is a shared challenge, that has to have a shared solution.

One that allows businesses to go on trading, go on investing, go on creating jobs and driving prosperity up and down this country – and across the continent of Europe.

And that brings me to the third part of our plan: a productive and dynamic economy.

Some journalist wrote recently that I could talk about productivity with “room-emptying enthusiasm”.

I wear that as a badge of pride!

So if anyone wants to leave now, please do.

Because it is only by making sustained increases to our productivity performance that we can deliver the higher wages that drive higher living standards and higher tax receipts to fund improvements in our public services.

There is no other way to do it.

And driving productivity has to be a collaborative effort:

Government must invest in skills and infrastructure and ensure that incentives for private investment in productivity enhancement are right.

Businesses must invest in raising the productivity of their employees and in developing the innovations that will drive wider productivity gain across the economy.

A key element of our plan is the £23 billion of additional investment in infrastructure and innovation that I announced at Autumn Statement last year...

...which means over the next five years we have committed nearly half a trillion pounds in public investment.

That's more as a proportion of our GDP than over the thirteen years of the previous government.

As well as investing in hard infrastructure, we are investing in our young people.

And at the Spring Budget we launched an overhaul of our technical education system...

...replacing the current confusion of 13,000 technical qualifications with 15 clearly-focused 'T Levels' and increasing hours of training by more than 50%, so that students emerge work-ready.

Because it is only by investing in our young people and equipping them with the skills they need for the jobs of tomorrow that we can ensure they will have real economic security.

The productivity challenge can only be addressed with a combination of public and private investment.

So we also have to tackle the long-standing weakness in the UK economy of poor levels of access to longer-term investment capital for growth businesses.

We have made some progress in seed and early stage capital...

...and new institutions such as the Business Growth Fund, funded by five of the UK's largest banks, have started to make a difference.

But it is a frustration to me that, despite having the world's number one financial centre...

...with £7 trillion of assets under management...

...there continues to be a gap in longer term development capital for growing innovative businesses.

That is why we launched the Patient Capital review last Autumn...

...supported by an Expert Panel chaired by Sir Damon Buffini.

Later this month, the Treasury will launch the Patient Capital Consultation...

...and we will welcome input from all stakeholders as we seek ideas to address this critical issue...

...including consideration of the case, post-Brexit, for a new national investment fund to channel long-term capital via private-sector managed funds, into high growth, innovative businesses, to continue and extend the work that the European Investment Fund has begun.

## **Call to business**

That is the government's plan.

A bold programme to build a strong economy, invest in our infrastructure and our people...

...clear that open markets, free trade, and sound money are the cornerstones of an economic model that can provide opportunity and prosperity for all.

But let me say again...

...Government cannot act alone.

It is private business that creates jobs...

...and drives economic growth.

We need you to play your role and to make your voice heard.

We need you to invest in your companies and seek out new opportunities for business around the world.

We need you to grow your employees' skills, so that they are prepared for the fast changing economy that we live in.

And we need you to make your voice heard, if you believe in competitive tax rates, market economics, free trade, and sound money.

And I look forward to listening to what you have to say in our new EU exit Business Advisory Group which I am establishing with David Davis and Greg Clark....

Because we know that the only way of delivering for ordinary people in this country is by providing you – business – with the confidence in the future

that you need to invest...

...with the skills base you need to grow...

...and with the competitive environment that will make a success of Global Britain.

## **Conclusion**

Let me finish by thanking the CBI leadership and business leaders here tonight for your enduring support.

And let me leave you with this thought:

After seven long and tough years, the high wage, high growth economy for which we strive is tantalisingly close to being within our grasp.

It would be easy to take our foot off the pedal.

But instead we must hold our nerve...

...and maintain our focus resolutely on the prizes that are so nearly within reach.

With the right Brexit deal agreed in the months ahead...

...a steady determination to restore our public finances to balance by 2025...

...and a relentless focus on transforming Britain's productivity performance;

With the many exciting, new technology and business opportunities this country faces...

...and the huge potential for our services industries as the economies of the emerging markets transform...

...we can at last look forward to being able to begin delivering to the British people the prizes for which they have worked so hard...

...and which they so richly deserve.