

Speech: Exchequer Secretary speech to Goldman Sachs

Thank you Ronnie.

I'm grateful to Goldman Sachs for inviting me to join you today, to meet the alumni of the Goldman Sachs 10,000 Small Business programme and to celebrate what you've achieved so far.

Creating a business is one of the greatest things you can do. If you've built a business, been part of a team that did or supported a loved one build one, you can't help but respect entrepreneurs – risk takers and wealth creators upon whose shoulders all our prosperity and our public services depends.

I remember my own parents deciding to quit their jobs and cast aside our relative financial security and set up a business around our kitchen table. Between them they were CEO, CFO, salesman, secretary and van driver. The roof above our heads was on the line and was frequently at risk if a cheque was late, a customer went under or a product failed to hit the mark. That's probably the story of the beginnings of most of the businesses in this room. It's not unusual, but it is extraordinary.

Setting up a business can seem like the line in Tom Stoppard's play *Rosencrantz and Guildenstern*, when one of the players remarks that "life is a gamble at terrible odds – if it was a bet you wouldn't take it". It's a smart observation, but it's flawed in two regards as you never win if you don't try and sometimes you do win. Who would have imagined that we would be here today in Bloomberg's majestic £1 billion European headquarters, when 35 years ago Michael Bloomberg used his severance cheque from Salomon Brothers to start his business.

That's why we need to build the enterprise culture that encourages entrepreneurship and the economic model that helps your businesses to grow and to realise your ambitions.

And in both of these respects, we have work to do. Our economy is resilient. Unemployment is at a near record low. Employment is at a record high. We are creating more start-ups than any other country in Europe. We are seeing some of these grow into the global brands of the future, with at least 13 unicorns, none of which existed 15 years ago, more than in any other country in Europe.

We are leading Europe for venture capital funding and in developing new technology businesses, harnessing our great Universities and indeed the depth and strength of our financial services industry here in the City of London to create new sectors, such as Fintech will already employ more than 60,000 people.

But we have work to do, because our productivity lags behind our major

competitors and we cannot sustain all of these advantages if we allow that to persist.

In 1979 the gap between our productivity and that of the USA was an astonishing 38%.

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The gap never went away however and since before the financial crisis, the gap has grown once more. It now takes us 5 days to create what the Germans can do in just 4.

And the evidence suggests that our greatest productivity challenge is amongst small and medium sized businesses.

Studies suggest our SMEs exhibit lower take-up of digital systems than our competitors, whether that be online sales, supply chain management data analytics or cloud computing;

That while we have a broadly similar proportion of firms with management well versed in the best practices and aware of productivity driving technologies, we have significantly more firms who score poorly in those respects;

That while some of our leading businesses bring their supply chain of SMEs together to diffuse ideas and the latest technology, many do not and many SME businesses lack the network they seek to share, learn and benefit from healthy competition.

In short, tackling Britain's productivity problem is the economic challenge of our generation and it begins with those small and medium sized businesses with the appetite to scale-up.

That is why initiatives like Goldman Sach's 10,000 Small Business programme matter and I'm inspired by the smart philanthropy of Goldman and the work of the business schools who are collaborating with them. We're backing John Lewis' Sir Charlie Mayfield's Be the Business which also seeks to increase productivity by bringing SME's together, by sectors, supply chain or geography, to improve management skills and awareness of new technologies and practices.

In manufacturing, we are funding Made Smarter, which is led by Jürgen Maier, the CEO of Siemens, and aims to encourage the adoption of productivity improving digital manufacturing processes, such as the automation, robotics and artificial intelligence – much of which is now within the financial reach of SME's. Made Smarter's first pilot is commencing shortly in the North West and we'll be following its progress closely.

The thread which runs throughout each of these private sector led movements is the irresistible advance of technology and the imperative that SME's embrace it and benefit from it. The pace of technological change has never been so fast, and yet will never be so slow again.

If the productivity opportunity of the 1980s was reform of the labour market,

restrictive practice and state owned industries, the productivity opportunity of today is to drive awareness and adoption of new digital technologies which will transform every industry and part of business, as well as public services, in the years ahead. Government will not win this race for us, but it can help. That is why the Chancellor created the £31 Billion National Productivity Investment Fund. We see this as a campaign on four fronts.

We're investing heavily in the networks that connect businesses and people together – the largest sustained investment in our national infrastructure since the 1970's, including radically improving our roads and railways and investing over £1 billion in improving our digital infrastructure, the focus of which has now turned to rolling out full fibre broadband to every premise over the next 15 years.

We're re-shaping our education system for the digital age. At the Budget last year, the Chancellor announced an additional £260 million investment in maths and computer science education.

And we're addressing the generational imbalance in this country in favour of universities and academic qualifications at the expense of high quality technical education, working with employers to develop respected standards of apprenticeship and introducing T-levels, technological qualifications that will mean all 16-18 years year olds have a choice of academic or technological paths of equal status and rigour – and amongst the first T-levels will be digital and engineering skills.

We're increasing access to finance for business, including by establishing the British Business Bank whose programme now supports more than £4 billion of finance to over 65, 000 smaller businesses.

And we're committed to maintaining a highly competitive tax environment for business people, because we believe that you should keep more of what you earn and to be an attractive destination for the brightest and best, we need a tax system that holds its own internationally. That's why we've reduced corporation tax to 19%, amongst the lowest of any major developed economy.

That's why we've maintained our enterprise incentives, SEIS, EIS, and the Entrepreneurs Relief, which are respected around the world. And that is why we've invested in R&D by increasing the generosity of the R&D tax credits and by establishing the Patent Box to back you in creating new ideas and technology and commercialising them for the benefit of us all.

Of course, there are critics of these incentives who would seek to roll them back, but we see entrepreneurs as private citizens doing public good – creating jobs, opportunities, products and ideas to move society forward. And there's one further element government can offer, it can create a climate of optimism.

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Pessimism needs to be arrested, because it misses the many exciting and uplifting things going on in our economy today, exemplified by business

represented here. And it needs to be checked because not only is it depressing, but it can become self-fulfilling and makes economic success impossible.

This year will be a pivotal one for the economy as we seek to define the new economic relationship between the UK and European Union. But how we respond to the productivity challenge will define the future of our country long beyond the Brexit challenge. It is the economic challenge of our generation. It requires courage and conviction, translated into a coherent and consistent course of action. It requires government to commit to adjure the short term expedient and to take the long-term economic decisions.

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And above all, it requires entrepreneurs and business people to embrace the opportunities presented by emerging technology, to be the diverse models of an enterprise culture which values success, sees failure merely as success postponed and looks to the future with confidence.

Thank you for inviting me here today. Thank you to Goldman for this programme. Good luck for your future.