



Searching for sustainable growth

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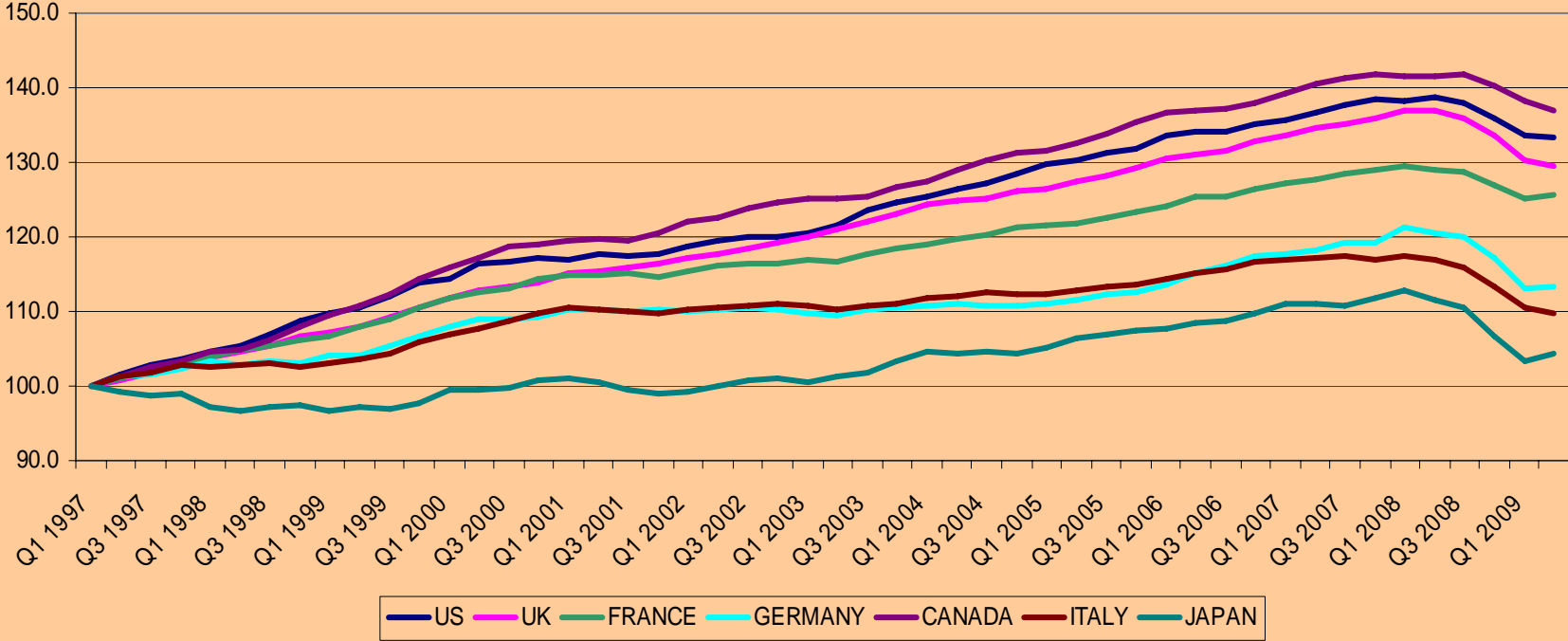
“Never make forecasts,
especially about the future.”
Samuel Goldwyn.

Searching for sustainable growth

- The return of the Anglophones
- Is it really over?
- If so, what follows?

Searching for sustainable growth

GDP IN THE G7



Searching for sustainable growth: general points

- **Do no harm** – that will be a huge challenge during the next few years, as public spending is squeezed
- **Develop our assets** – human capital, physical capital, infrastructure, amenities and openness
- **Beware the ‘fatal conceit’** – we know little about sources of growth in advanced countries
- **Maintain flexibility** – we do not know what will happen
- **Maintain incentives** – in advanced countries the future is discovered through trial and error

Searching for sustainable growth: general points

- **Sustainability” is not everything** – we want growth sustained, but desirable activities may not be sustainable
- **Specialisation can be dangerous** – as the case of financial services shows. But deliberately acting against it is very tricky
- **We cannot change our history** – we are not going to become Germany
- **Picking winners** – is almost certainly a delusion, but it is better to try to pick winners than let losers pick us

Searching for sustainable growth: economics

- **Investment rates must rise** – production of tradeable goods requires more capital than production of domestic services
- **The UK's comparative advantage lies with very skilled labour** – but these activities will not generate mass employment
- **Non-tradeable sectors** - these will generate mass employment
- **Immigration matters** –It is important to maximise its economic advantages

Searching for sustainable growth: economics

- **Labour markets** – we are about to discover how flexible they are
- **Financial services** – what is going to happen to these sectors is unclear, but they may come back
- **Universities** – matter