Growth Policies

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STRUCTURE OF TALK

1. **Motivation**

2. **What is the LSE Growth Commission?**

3. **Workstreams/emerging thinking**

4. **Public Sector Productivity**

MOTIVATION

- **Need for growth**
  - In general: big gains from small increases
  - In times of budgetary austerity
- **Caveats**
  - GDP per capita isn't everything (net DP), GNP, household income
  - Hard to measure material benefits (health, environment
  - Happiness
  - Inequality (e.g. median income better than mean)

WHAT IS THE LSE GROWTH COMMISSION?

- **History:** frustration with austerity debate
- **Vision:** Policies for sustainable long-term UK growth
  - What's different? LSE "deep bench" & policy realism from Institute for Government partnership
  - Current system of policy & delivery "fit for purpose"? At what level (national & local)? Non-Exec innovation
- **Organization** (Van Reenen & Besley co-chairs)
  - <u>Commissioners</u>: Philippe Aghion, John Browne, Francesco Caselli, Richard Lambert, Rachel Lomax, Chris Pissarides & Nick Stern
  - <u>Secretariat</u>: Miguel Coelho, Novello Botero, Nitika Bagaria & PhD Interns over summer
  - Jan-June Select Cttee style evidence (oral/written)
  - July-Dec draft report published by end 2012

SOME WORKSTREAMS

- **Workstreams**
  - Theory/narrative (All)
  - Facts on UK Growth performance (JVR)
  - Human Capital (Aghion)
  - Science, technology & innovation (Aghion/Browne/Lambert)
  - Future Comparative advantage & in policy (Besley/Caselli)
  - Measurement & Inequality (Lomax/Caselli)
  - Jobs (Pissarides)
  - Management (Lambert/JVR)
  - Infrastructure & energy (Stern/Browne/Lomax)
  - Others: Hysterisis & growth (JVR); planning, tax, finance

- **Emerging Thinking**
  - Caveats: Modesty & Macro Stance
  - Importance of human capital (quality of teachers)
  - Planning (example of Cambridge)
  - Plan V (example of HE; business services, etc.)

EMERGING THINKING

- Caveats: Modesty & Macro Stance
- Getting environment right
  - Promoting market competition (Labour, product, financial)
  - Human capital (quality of teachers)
  - Taxation
  - Infrastructure
- Strategic policy priorities (Plan V)
  - Unlocking investment opportunities
  - Future comparative advantage + global growth
  - Examples
    - HE and immigration
    - Planning in Cambridge
    - Business Services
    - Green technologies

PUBLIC SECTOR PRODUCTIVITY

- **Follow through of policies to delivery poor**
  - Evaluation is poor. Qual not quant, surveys of beneficiaries
  - Why? Not such a clear "market test" as in private sector; Political time horizons; responsibility; skills; risk-aversion (adapt..)

- **Management Issues**
  - LSE/Stanford/Harvard/McKinsey management work, e.g. Schools and hospitals
  - Management gap with private sector
  - People management: rewards and removing under-performers
  - Monitoring/use of data

- **Information Technology**
  - Government services knowledge intensive so Big Win
  - But implementation poor without good management (ADIB)
  - Crowdsourcing & Open Source, etc.?