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Why the UK has no clear party of business

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Most major businesses in the UK want closer ties with the EU. Stefan Rousseau/PA Wire/PA Images

The Conservative Party is the self-styled party of business. Or at least it was until Boris Johnson’s notorious “fuck business” response to concerns over Brexit. But there is also a longer history to these tensions.

Back in 1981, the Confederation of British Industry (CBI), the national lobby group for British business interests, was so angered by Conservative policies that it threatened to engage in a “bare-knuckle fight” with the Thatcher government.

No mainstream political party in Britain has ever declared itself as anti-business. In practice, most parties recognise the importance of meeting business needs. Governments are ultimately bound in their policy choices by the reality that they have to protect jobs, induce private investment and raise revenue by taxing companies.

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Where parties differ is in choosing which businesses and which needs they will seek to satisfy and how. While all businesses need to make profit, not all businesses make profits in the same way, nor in the same volume.

Businesses are so diverse that it is impossible to satisfy all interests and, in practice, the policies that political parties pursue are likely to result in some businesses and sectors being **privileged over others**. The business models of some companies depend on low wages, low taxes and weak regulations. Others depend on market access, high skills and good labour relations. Still others make most or all of their profits based on winning government contracts.

The policies required to satisfy these different needs vary widely. And the implications for workers and citizens are huge.

We also have to distinguish between the short and long-term interests of business and separate the politics of business people from business institutions. For Matt Ridley, former chair of the bank Northern Rock prior to its collapse in the 2008 financial crisis, the party of choice was the Conservatives. But while Ridley leaned towards the Conservative Party and lobbied hard for less government, what Northern Rock needed to stave off collapse was greater regulation and then a massive injection of public funds.

These various tensions have become more complex over the past 40 years as a result of the globalisation of manufacturing, the emergence of digital markets that are dominated by a few big businesses, and the increasing influence of financial elites over economic policy.

These transformations have worked to deepen long-established cultural and strategic differences between business elites. So to understand which party policies may be better for business we need to cut through crude electoral signalling and the distrust that business elites have toward public ownership. We also need to differentiate between short and long-term business interests and the competing interests of different types of business and economic sectors.

The manifestos compared

Both parties promise to reduce taxes for small businesses, increase investment in and support for businesses, and tackle tax avoidance. The Conservatives state they “will always be wholeheartedly on the side of business”.



Jeremy Corbyn is unpopular with business in a different way to Boris Johnson. Stefan Rousseau/PA Wire

But Labour's commitments are conditional upon good corporate behaviour. The party's manifesto promises to rein in corporate power and tackle companies that exploit workers and consumers.

More generally, Labour and Conservative proposals represent two radically distinct visions for business and the economy. Along with "getting Brexit done", Conservative plans for business centre on several modest proposals, selectively sampled and adapted from the CBI's recommendations for reducing business costs and encouraging investment.

These include a review of business rates, raising tax breaks including employment allowance (from £3,000 to £4,000) and the Research and Development (R&D) tax credits. Plus, the Conservatives' planned National Skills Fund aims to address skills shortages in the economy by providing individuals and small and medium-sized enterprises with matched funding for education and training.

Labour's plans, by comparison, purposefully aim to be transformative. They are designed to address both short and long-term problems within British capitalism. Labour proposes a joined-up approach to addressing key socioeconomic and environmental risks from climate change to chronic under-investment and sluggish productivity growth.

Labour envisages a more interventionist, entrepreneurial state. It plans a £400 billion National Transformation Fund to underwrite renewable and low-carbon energy and transport, and the phased nationalisation of key industries.

Perhaps most significantly, the party's proposal for a National Investment Bank, backed up by a network of Regional Development Banks, aims to shift how money is created in the economy. Loans (new money) will be given to projects that decarbonise the economy and increase productivity. The

initiative effectively aims to shift money creation away from property and rent-seeking towards more productive forms of investment.

Brexit, investment and immigration

In terms of its impact on business, taking the UK out of the EU single market represents the Conservative Party's most far-reaching policy.

On the whole, major UK-based businesses oppose looser ties with the EU and are ambivalent about wholesale deregulation. Brokering an all-encompassing deal with the EU, still the world's largest economy, and redrawing trade and investment agreements with other countries is enormously risky.

Beyond this, Brexit looks set to damage British-based business in several key respects. Businesses with complex, cross-border supply chains are concerned about the additional costs associated with administration, border delays and tariffs. Further, the Conservatives' proposed increase in R&D tax credits is a drop in the ocean when set against estimates of the impact Brexit is projected to have on foreign direct investment (FDI) into the UK.

The proposal will reduce corporate tax bills among a relatively small number of large firms, but is unlikely to boost investment significantly. The best estimate suggests that between 57% and 80% of R&D tax credits are "dead weight", subsidising spending which would have happened anyway.

Skills shortages after Brexit are also a key area of concern. Both the CBI and British Chamber of Commerce have taken issue with Conservative plans for a points-based immigration system.



Brexit will be a huge rupture for business. Shutterstock.com

Labour's plans on Brexit – a choice between remain or keeping the UK closely aligned with the EU on trade, the environment and workers' rights – sidestep many of these risks. On the face of it, they fit closely with the expressed wishes of business.

Nationalisation and share transfers

Where business and Labour seem furthest apart is on Labour's nationalisation programme. The CBI has gone so far as to argue that Labour's proposed programme of public ownership is "at least as damaging" as a hard Brexit. It says: "Mass-scale state intervention [has] left business questioning the stability of the UK as an investment destination."

Whether nationalisation would affect private investment in reality is a moot point. Much depends on how industries are brought into public ownership. As to broader questions concerning the relative advantages of private versus state ownership on productivity, efficiency and profitability, the evidence is contested.

Labour's other justifications for nationalisation – eliminating profiteering and ensuring greater access – are less contested, in part because they are driven more by political principle than evidence. What is clear is that the types of national ownership planned by Labour are commonplace in other major developed capitalist economies.

Other areas of disagreement between Labour and business are taxation and transferring company shares to workers. Labour's promise to reverse Tory cuts to corporation tax bucks the trend of successive governments, which have tried to reduce taxes on businesses. Meanwhile, the proposal that large companies set up Inclusive Ownership Funds to give workers a stake in the companies they work for has also attracted criticism from business.

There are precedents elsewhere for both these policies and neither is strictly incompatible with profitability. They do, however, run against the prevailing UK business model.

Ultimately, there are major uncertainties about how Labour and Conservative policies will play out in practice. This is to be expected, given that both parties are proposing widespread interruption to "business as usual". The Tories offer Brexit – Labour is proposing a radical rewriting of the UK's business model.

In practice, businesses could thrive with either programme. In the febrile atmosphere of the current election campaign, what is often overlooked is that businesses do well in other nations which practice different varieties of capitalism.



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