

[Cable's business bank is a terrible idea](#) [1]

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Business Secretary Vince Cable wants to establish a state business bank to lend to small and medium-sized enterprises. This idea will do business no good, will mess up the finance market, and saddle taxpayers with yet more cost.

There are three reasons why businesses are not borrowing. First, having found themselves overstretched when the crisis hit, they are now doing the right thing and ? unlike Mr Cable's government ? reducing their debt. The existence of a state business bank is not going to change that.

Second, times remain very uncertain and many firms cannot see many good projects to invest in, so are not actively seeking finance. A state business bank is not going to change that either ? though a growth policy of major cuts in regulation and business taxes might.

Third, some SMEs that would like to borrow cannot get credit because the government has told their banks not to take so many risks ? and SMEs are inherently risky enterprises. A business bank would simply pass these risks to the taxpayer. And taxpayers have already paid enough.

It is astonishing that Mr Cable believes that he and his civil servants know what SMEs have viable business plans that deserve finance better than professional lenders and investors who live by making these decisions every hour of every day. The only result will be the establishment of a vast new state organisation with all the efficiency of the Post Office, and more bureaucratic control and regulation of the capital markets on which economic growth depends.

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