

[The Technology Strategy Board: dirigisme in action](#) [1]

Written by [Whig](#) [2] | Friday 2 March 2012



Ever heard of the Technology Strategy Board (TSB)? The [TSB](#) [3] is an NDPB sponsored by the BIS! Or, to put that in real terms and not public sector-speak, it is one of those arm's length, alphabet soup agencies that spends huge amounts of taxpayer's money in order to 'stimulate' economic growth. The TSB should be better known, however, as it serves to demonstrate so many of the problems of government intervention that one hardly knows where to begin.

Ostensibly, the TSB's role is 'to accelerate economic growth by stimulating and supporting business-led innovation.' I don't think that here it is necessary to get into the [fallacies of Keynesian stimulus policies](#) [4], of which this is one. The TSB has an annual budget of around £200million. It boasts that it has spent £1billion since its establishment in 2004 and has been allocated another £1billion to spend during the course of the present Parliament. Austerity indeed.

To my mind, those who advocate such stimulus will never be convinced of the case against them, no matter how much evidence is presented, because they are fundamentally pursuing non-economic agendas, albeit disguised as economic ones. These policies are dictated by 'conscience' as Paul Krugman revealingly tells us. The agendas may be 'noble' 'equity' or 'ignoble' 'self-advancement and political gains' but they are not fundamentally related to maximising economic growth and wealth-creation. It should be pointed out, however, that the TSB was created in 2004, at the height of an economic boom. Why, one wonders, does an economy which was clearly overheating need a Keynesian stimulus?

Leaving macroeconomics aside, therefore, let's examine the TSB as an example of how dirigisme fails in reality. As Lew Rockwell argues (as have many before him), organisations like these are part of the '[regulatory-industrial complex](#)' [5]. This complex is ostensibly erected by the state in order to provide benefit to the public. In the case of regulatory agencies this is 'consumer protection' whereas in the case of the TSB this is to stimulate innovation and create economic growth. As Rockwell points out, the strongest lobbyists for such agencies are actually existing large market occupants seeking to erect barriers to entry, in the form of compliance costs, to their more nimble competitors or to benefit from subsidies. We then end up with oligopolistic industries where, in the absence of competition, they can extract higher profits from consumers. This usually prompts further intervention in the form of 'competition authorities' which worsen the problem.

As reported in Private Eye No. 1308 information on the TSB's grants had to be extracted under FoI requests (some of which is available on the website). 'Iain Gray, the board's £199,000 a-year chief executive, was previously general manager of Airbus UK. Funnily enough, the biggest single strategy board grant, of £9.8m, went to... Airbus UK'. Private Eye goes on to list some of the various large

organisations that benefit from taxpayer largesse: Nissan, Rolls Royce, BAE, BMW, Ford and we can also add GSK and GE. Unsurprisingly, large organisations are adept at obtaining such grants, which are ostensibly intended for SMEs, because they are able to devote resources and lobbying beyond the reach of small enterprises. Effectively, the TSB is subsidising large market occupants with research funding which is not accessible to small firms and new entrants. This is public choice in action and it is destructive of public benefit.

Cheerleaders of such programmes will argue to the effect that SMEs and innovation are still being aided by the allocation of government (i.e. taxpayer's) cash. Here we have the age-old doctrine of 'picking winners'. Even if the TSB were an entirely objective observer ? which it evidently is not ? how is it to know that such innovation is better than that it does not fund? Here we have the Hayekian knowledge problem in action. The only way to establish the viability of a particular good and a particular firm is to expose it to a free market. Further, as capital is being withdrawn from other areas of the economy via taxation and allocated to these purposes, how is the government to know that the capital would not have been [employed more efficiently elsewhere](#) [6]. If you're not convinced by Hayek, just look at the history of government investment schemes to see an evidence-based approach!

Here we have a clear case of what Adam Smith would call a 'conspiracy against the public'. Unfortunately, such dirigisme is becoming increasingly likely as a policy choice as there is pressure to find additional [sources](#) [7] of funding for small businesses. Such an approach is not only likely to fail but be counter-productive. So, here's a policy solution; throw the TSB on the 'bonfire of the quangos' which will not only free up the hefty officials' salaries but also £1billion of promised spending which is currently going into the pockets of large firms anyway. If we must 'stimulate' the economy, rather than reduce the deficit, use the £1billion to fund some tax cuts.

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[3] <http://www.innovateuk.org/>

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[5] <http://mises.org/daily/5930/RegulatoryIndustrial-Complex>

[6] <http://www.adamsmith.org/blog/tax-spending/return-on-investment-for-government-projects>

[7] <http://www.economist.com/node/21547817>

[8] http://disqus.com/?ref_noscript

[9] <http://disqus.com>