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Michael Heseltine's report: the good, the bad and the unlikely [1]

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In his report today, former UK Deputy Prime Minister Lord Heseltine makes 89 recommendations aimed at stimulating growth in the regions. Some of them are good. Most of them are bad. And some of them will never happen.

Some are even a mixture of all three. One of Heseltine's key aims, for example, is to move £49bn from central government to the regions to help local leaders and businesses. Well, yes, there should be more devolution of decision-making and spending to grassroots levels. Local people know better what is needed than do distant civil servants. Will it happen? I cannot see the big Whitehall departments parting with that sort of cash without a long fight that eventually wears out the other side. And would transferring that money do any good anyway? Probably not: it would just go on the sort of top-down grandiose projects and boards and committees that Heseltine is demanding.

Lord Heseltine says that 'growth funds' should be allocated through the new £1bn Local Enterprise Partnerships that are being set up in England. Growth funds? You tax businesses, then give them the money back and call it a growth fund? Is it not better to leave the money in the pockets of businesses and their customers, so that they can decide how to spend and invest it? Their judgement is likely to be far more tailored to the local circumstances than any official's ? or even any committee made up of local officials and local businesspeople who happen to have time on their hands.

Lord Heseltine wants to see greater priority given to infrastructure projects like airports, rail and motorways. Well quite, we need more airport capacity: but the decisions are always political, and it can take decades to get such projects through the planning process, never mind build them. It's our planning system that's at fault, and which needs to be opened up to business-creating development, not just the priorities of the politicians. Even then, are politicians' priorities the right ones? Look at the billions we are wasting on HS2. Governments, and Lord Heseltine, like grandiose projects, even if their benefits do not cover their costs.

Another plan is to increase investment funds by, basically, telling pension funds how to allocate their investment funds. If you want to get people saving, a much surer way is to raise interest rates and make it worth people's while. Of course we do not do that because it would cause problems for overstretched homeowners and overstretched businesses. Some economists would argue that neither have really felt the pain that is needed to get out of our present problems. The capital misallocations of the boom years need to be liquidated and put to better use, but that won't happen as long as it is possible to keep going because

of artificially low interest rates. First things first, Lord H.

The proposed public interest test for foreign companies wanting to buy UK businesses is hugely dangerous. One could see politicians blocking takeovers just because they might play badly in the media, especially if jobs or domestic businesses were threatened. One of the UK's assets as a place to do business is precisely that it is so open and so international. We need to preserve that, not open ourselves up to nationalist protectionism.

Tax credits for R&D? Research and Development sound like good things, but many firms just do not need them. No one-size-fits-all policy like that can steer resources to where they are best used. Business people can make their own decisions about whether to invest in these things or not.

So how do we stimulate growth in the regions?

Planning: yes, that has to be reformed, particularly so that major infrastructure projects become viable again. Education: it is already being reformed, and I think a much less monopolistic education system will contribute massively to future growth. But these things are long-term.

I would start by lower, simpler taxes. Particularly on business. If every small business took on one extra person, there would be no unemployment in this country (except maybe for the Business Department, who could all be sent home). It is not just the cost but the complexity of things like National Insurance and PAYE, not to mention VAT and the rest, that discourages people from hiring. I would also have a real assault on workplace regulation. The idea of workers getting a stake in their business by giving up certain protections seems promising. But why don't we just exempt all small businesses from many of the rules? The huge boost to employment that this would generate is real worker protection.

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