

How do we get faster growth?

The government's aim of getting the UK economy to grow faster than the rest of the G7 is both ambitious and achievable. I will explore in this and later pieces what it will require to bring about. We will need to look at dear energy, difficulties in affording your own home, the disastrous boom bust policy of the Bank of England, the wish to deindustrialise to hit net zero quicker, the public sector productivity collapse and others.

The task is to match or exceed the US rate of growth which has been considerably faster than the UK and the EU this century. The superior US growth rate has greatly benefitted from the supercharged growth of its leading large companies in technology. The UK needs to ask why it has been left behind in the digital revolution, along with the rest of Europe.

The US has nurtured a number of crucial technology companies. Their system of spin out from universities, their tolerance of small business, their venture capital and private equity markets have provided plenty of finance and back up to new idea have all helped. Their wish to run successes and grow them from billion dollar companies to trillion dollar companies has also been crucial, where in the UK a successful entrepreneur may sell out early when he or she has made enough money to cover the needs of the rest of their lives. Government has helped in keeping regulation proportionate and in setting lower tax rates.

The Republic of Ireland has shown how a European country can greatly benefit from US success. By setting its own corporation tax rate at a low level to act as a magnet to the large US digital companies, who have set up and channelled much of their European business through Ireland. If the UK set its own corporation tax rate at the Irish level it would attract much more of this US investment, given the talent pools and other advantages of the UK

The UK has allowed semiconductor investment to be mainly elsewhere, and allowed bidders to buy up any promising UK company in the area. The government needs to have a targeted strategy to bring more microprocessor manufacture to the UK, just as President Biden has done in the USA through his Chips Act. The UK has plenty of data centre demand for sophisticated chips and needs general microprocessors in a range of items from defence to consumer electronics.

The UK has been too ready to follow the prescriptive regulatory approach of the EU to this important cutting edge sector, leading to tensions with the main US players and diverting innovation and investment away from such heavily regulated area. Most of the crimes we want to avoid through technology from theft and fraud to grooming and planning crimes are already serious criminal offences that can be detected and prosecuted in the usual way. There does not have to be a new range of regulatory and legal offences that overlap or duplicate with the underlying crimes people can use technology to assist.

The UK needs to improve the range of tax incentives for start ups, and create a much more welcoming environment for home grown and US tec businesses.