

# Encouraging Enterprise

Liberal Democrat Policy Briefing 2

January 2005



## A dynamic, competitive market economy

Liberal Democrats believe that a liberal, market economy produces the best outcomes for citizens of the country in terms of wealth creation, standard of living and freedom to innovate. Competition between different suppliers of goods and services keeps down prices and improves standards to customers.

**The main role of the government is to create the right environment in which enterprise can flourish.** A Liberal Democrat government would therefore focus on ensuring there is a trained workforce and first class transport links so that all parts of the country can develop and prosper.

**The government should intervene where market failure threatens competition.** No individual stakeholder should be allowed to dominate and the government should have powers to prevent this happening. When a monopoly (either private or public) is the only way of providing a good or service, the government should have strong powers to regulate the provider.

**The government should intervene in the economy to protect employees from abuse and customers from rip offs.** However, the best way to reduce scams and raise standards is through ensuring a choice of providers is available and competition is upheld. Our aim is to keep regulation to a minimum and to cut red tape.

## Closing the Skills Gap

We will reform education for children over 14 so that they can mix vocational and academic learning, including apprenticeships. We will seek to phase out the disparity in funding between schools, colleges and workplace training by ensuring the funds follow the student. We will replace GCSE, A-Level and vocational qualifications with a new diploma system, stretching the most gifted and engaging those previously turned off by schooling. We will address Britain's skills deficit by investing in a 'Colleges for the Future' programme – a new partnership between colleges, business, local authorities and the government to ensure modern, high quality college facilities in every community.

## Regulating the regulator

All new regulations must be fully justified before being introduced and we will put a 'sunset clause' on each. This will mean that regulations will not be in place permanently. They will have to be renewed by Parliamentary approval or lapse. In this way it will be possible to review the impact of government restrictions on business on an ongoing basis.

While regulators must be free from political interference in their day-to-day activities, they must be accountable to Parliament for their general policy direction. We will reform the structure of the regulatory bodies along the lines of the Bank of England Monetary Policy Committee. The appointment of senior regulators will be subject to parliamentary

scrutiny. All regulatory bodies will be required to answer to a parliamentary select committee.

### **Abolishing the DTI**

The Department of Trade and Industry (DTI) is a throwback to the state interventionist days of the 1970s. Liberal Democrats believe that the DTI has no place in a dynamic, competitive market economy. The government should not be propping up failing businesses. We also believe it is inappropriate for a department to look after the interests of both the consumer and the producer. We will therefore abolish the DTI.

Some DTI functions will have to continue. We will establish a slimmed down Department for the Consumer to look after consumer issues. Employment matters will be transferred to the Department for Work and Pensions. Energy will go to a new Department for Environment, Energy and Transport. Science and research will go to the Department for Education.

We will maintain a Deregulation Unit in the Cabinet Office and give the Chief Secretary to the Treasury the role of advocate for business at the Cabinet table.

### **Developing small businesses**

Government regulation is a heavy burden on business but poses a particular threat to small businesses. Larger businesses are better able to cope with the regulatory burden since they can support administrative structures that small businesses cannot. We believe that government support for small businesses is in the interests of the economy as a whole. We will:

- Introduce small business rate relief. We will help small businesses by reforming the business rates system to allow firms with a rateable value of less than £25,000 to claim a business rate allowance of up to £1,500. This would represent a saving of over £600 a year for the majority of small businesses.
- Modernise the system of small business inspection. The endless visits by a plethora of inspectors from different agencies will be replaced by a rationalised Small Business Inspectorate which will act as a gateway to inspect and advise small businesses on compliance.
- Review all business regulations to consider which are unnecessary in the first eighteen months of a small business – their most vulnerable period.

This briefing contains Federal Liberal Democrat policies. The policies of the Scottish and Welsh Liberal Democrats and the Northern Ireland Local party apply on issues which are their responsibility within our Federal policy-making structure.

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