

'Enterprise Conservatism'

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Why Britain needs an innovation economy

March 2012

Something is stirring in the boardrooms of British industry. You heard it at Davos. Peter Mandelson is onto it, and last week Vince Cable joined in. The scale of the structural economic crisis facing the western democracies after the crash of the consumerist boom is driving radical new thinking.

As western governments confront the structural and debt crisis legacy of the credit-fuelled boom in the City, retail and housing, industrial policy is "in" again. But as the chancellor finalises his budget, the industrial policy business wants to see today is unrecognisable from the discredited corporatism of the 1970s. It's an ambitious, modern, entrepreneurial vision of a "rebalanced innovation economy", and – as Mandelson acknowledged – today's industrial activism is being shaped by a new generation of Conservative ministers.

At this year's party conference, it was George Osborne and David Willetts who announced a £50m investment to fund a world-class research hub to capitalise on our discovery of the new wonder material, graphene. In December the prime minister announced an ambitious strategy for life sciences. This is the most "hands-on" Conservative-led administration for 30 years, with a bold vision of an export and inward investment-led economic recovery, exploiting our knowledge base to build a more sustainable model of economic growth.

Not all Conservatives are comfortable with it. Coming to parliament after a 15-year career in technology venture capital, I strongly support it. It's what modern business expects of a modern government. Unless we focus on the technologies and sectors of the British innovation and knowledge economy which can best compete in the new markets of the developing world, we will condemn Britain to further decline into an old and public-sector- dominated economy. We have to trade our way out.

We have world-class universities, a science and research base, and a globally competitive lead in key sectors like biopharmaceuticals, aerospace and the digital economy, but we won't unlock their full value without a long-term strategy for skills, research, infrastructure, procurement and global sales. This isn't about "picking winners". It's about picking the races on which to focus scarce resources, and the government doing what only it can do, but doing it better.

Take our medical life sciences. Last year the prime minister launched a new strategy setting out

a comprehensive plan for a new "integrated healthcare economy" in which the NHS actively supports the UK as a global centre for biomedical research. Requiring little extra spending, it's about government removing barriers, creating new incentives and unlocking the potential of the NHS to support UK health innovation. If properly implemented, it could help restore the UK's historical role as an engine of medical innovation, meaning revolutionary new treatments for British patients on the NHS, paid for by export revenues from intellectual property and inward investment from industry.

Why don't we do the same for some other key industries? Take UK agriculture, for example. It is a highly competitive sector with the potential to serve vast new markets for western crops and food around the world, generating billions in foreign earnings. Why don't we sign a 10-year industrial collaboration with India to supply them with the plant science, seeds, training and food processing expertise we lead the world in?

Britain doesn't just need governments that back business. We need more business-like governments. I believe a modern industrial strategy must contain five essential elements:

- We should focus on trading in the fastest emerging global markets. We must be prepared to use all the offices of state, trading on our historical ties, to develop new trade alliances and partnerships across the world.
- We should identify technologies and sectors where we have a genuine competitive advantage and provide the platform investment in scientific research, skills and infrastructure to exploit it.
- We need to develop our fertile innovation "clusters" where entrepreneurs create value – cities (Cambridge), corridors (M1 motorsports in Northamptonshire) and neighbourhoods (Tech City in east London). Infrastructure like smart rail and superfast broadband is key to linking clusters and driving innovation.
- We need a radical renaissance of entrepreneurship. The goal? Let's inspire our schoolchildren and make Britain the easiest place to start a business.
- We need liberate our best public servants to win new revenues to support investment in tomorrow's public services.

Our competitors are doing it. It is a curiously British delusion that other countries aren't working every lever to promote their economies. There is a difference between protectionism and pro-active industrial activism. We mustn't let out-of-date dogma or old party entrenchments hold us back from seizing the opportunity. The world has moved on. So must we.

Speech at the global launch of Entrepreneur Country

Making the UK an enterprise nation

2013

Thank you very much. It really is a great privilege to be here today. Thank you, Julie, for the invitation and for the important and inspirational work you are doing with Entrepreneur Country, and today with the global launch.

After a fifteen year career in start-up venture capital, I often feel in Parliament like an apostle of enterprise trying to convert the Romans, the roar of the lions never far behind!

But today is a precious chance to rejoin the entrepreneurial community I came to Parliament from - and for - and to share with you my message and mission about the urgency of our embracing what I call The Innovation Economy - and the boldness modern Governments need to show in unlocking it. I believe:

- That the scale of the structural economic crisis facing ageing Western European economies like Britain's is far deeper and more challenging than the Westminster village can handle
- That the scale of the crisis is the opportunity for our generation to confront it and deal with it – embracing a more entrepreneurial mind-set in both treating crisis as opportunity, AND in being bold and optimistic that by releasing the spirit of enterprise and the power of technology we can build a new model of growth out of the ashes of the boom and bust
- That to do that Government will need to learn some key virtues from entrepreneurs – especially the need to be fundamentally more global in our outlook, bolder and more honest in our assessment of the problem, more focused and realistic in our aims, and more enterprising in everything we do.

You know they say that there are two sorts of politicians: those who can talk nonsense on any subject under the sun, and those who don't need a subject.

As the UK political parties gather for the annual series of Conferences, I believe this gathering of global entrepreneurs is the most important Conference this autumn of all, and I hope that by being here to salute you and call for the bold Programme for the 'Innovation Economy', I will be able to enlist and draw on your support in my call a fundamentally more enterprising spirit across the whole of Government.

I believe that if we seize the opportunity of this crisis we have the potential here in the UK to lay the foundations for a new cycle of growth based on

- Unleashing enterprise and technological innovation to smash the bureaucracy and obstacles to innovation which lie at the heart of the productivity crisis in our public services
- Using the crisis of an ageing society, rising healthcare costs, creaking infrastructure, analogue Government in a digital age to create new markets for insurgent new technologies and companies – making Britain a global crucible of innovation to export again to the world
- And based on re-gearing our trade links with the fastest emerging markets around the world: helping the emerging economies go through in the next 30 years the cycle of development we pioneered over 300 – but in way which is more sustainable. Exporting our technology, innovation + leadership in digital / IT, 'life sciences' ...food medicine cleantech and in professional services.....not least venture financing.....

The entrepreneur in me is optimistic that despite the appalling structural crisis in the UK public finances, we can turn it around. Think like an entrepreneur and view UK plc as a company and the problem seems suddenly more like an opportunity.

Like so many ailing big corporate whose share price starts to sag as its model becomes increasingly unsustainable, and its customers start to drift to more innovative new entrants, UK plc has vast assets on its balance sheet. But we need to restructure the business to release the talents of our people, draw in investment, embrace new models, and become more fleet of foot.

But I believe we will only do this through

A much more radical embracing of the entrepreneurial spirit throughout Government and public sector – from top to bottom

Smashing open the all too often far too cosy cartels and monopolies which close off new markets – whether in banking, energy, telecoms, transport, or Government procurement

Bold reforms to support start-ups and the risk takers who drive the entrepreneurial company by putting their own money and careers on the line to build the innovations, companies, jobs and tax revenues we all rely on. That's why today I am using this speech to call for a landmark New Deal for New Business, with the aim of making Britain the best place on earth for entrepreneurs to come and start a new business.

So why do I believe the structural nature of the public finances crisis is an opportunity? And could a more entrepreneurial public sector could help drive more sustainable + innovation- led growth?

Crisis is structural

In his book Boomerang, a merciless exposé of the financial crisis, Michael Lewis cites the

example of Paige Meyer, the fire department chief for the bankrupt US city Vallejo in California.

Leading a fire department shrunken from 121 to 67, Mr Meyer was faced with a dilemma: how to respond to 13,000 calls a year with half the usual staff?

He started by going back to basics: devising new fitness regimes to prevent injury and looking at different methods of fighting big fires. 'He began, in short,' says Lewis, 'to rethink firefighting.'

Following the financial crisis, sooner or later every politician ends up in the position of Paige Meyer. How to provide public services with fewer workers and less money? Not just tinkering round the edges, but forced to rethink the very business of Government.

Its easy to forget, as the UK economy starts to move from crisis to recovery and consumer confidence returns, the scale of the crisis we faced in 2010 – and still do:

one of the highest budget deficits in the developed world – a staggering 11% of GDP and the risk of rising interest rates triggering a massive housing market correction, gilt yields soaring, the economy tanking, debt to GDP ratio exploding...

An economy too highly leveraged and dependent on public spending, debt fuelled consumerism, and house price inflation.

A structural deficit driven by underlying cost inflation in health, welfare, pensions – and now debt interest, which means that whilst we impose difficult cuts to discretionary public expenditure, a black hole in our public finances continues to grow driven in no small part by an ageing society...for example driving ever higher costs in the NHS...putting huge pressure on Government's ability to maintain a world class service.

And a welfare state no longer a safety net to catch us when we fall, but stopping many from ever rising in the first place, bankrupting us with good intentions.

A sclerotic Eurozone as our biggest export market As ever when looking at a company, it's worth looking at the books!..... According to the Institute for Fiscal Studies:

social security spending alone is set to increase from 28% as a proportion of public spending in 2010-11 to 32% in 2017-18, even with the cuts underway.

in pensions, our current level of spending for 2012-13 is a 59% per cent increase from 1997

moreover, the IFS forecasts that, in nominal terms, by 2017-18 debt interest spending will be up by £20bn, benefit spending up £20bn, health spending up £15bn and net public service pension spending up £5bn. Even with the current spending reductions, we will only return spending to the same proportion of GDP as in the early 2000s.

Put simply: the consolidation of the last few years is plugging the leak and keeping us afloat.

But the deep structural problems – the black hole at the heart of the public finances - remain.

To deal with it we need to ask ourselves how it is that whilst the private sector steadily delivers c3% productivity gains year on year for every pound spent, the public sector can only deliver more with more money. It can't be because of the people. The vast majority of public sector employees are driven to public service, work long hours in very difficult roles, for little thanks, and do it not for huge personal gain but an honest job in pursuit of noble aims. As with every failing big company, we need to look at management, at the Board, at our strategy, at the structure of the business, and ask some difficult questions.

So let's do away with the stale and old fashioned dogma that has dogged UK policy making for too long: that the private and public sector are so fundamentally different that we shouldn't expect disciplines and virtues and aspirations we take for granted in the private sector to flourish in the public. Of course we should. Why should public sector people have to suffer bad management, lack of autonomy, disconnection from customer feedback, and the lack of fulfilment that we all take for granted working in organizations that are competitive and thrive on success.

I'm not talking about 'privatisation' of public services – 'selling off' public services – I'm talking about the need to reform our public services – and our ambitions for them – to embrace a much more innovative and entrepreneurial culture in the use of scarce public funds. We need the next James Dyson or Richard Branson to be as at home in the corridors of Whitehall as in the conference rooms of Canary Wharf.

And we will only do so by replacing an economy erected on the sand of Government spending to one built on the rock of innovation.

At the dawn of the 21st century I believe we need to build an 'Innovation Economy' in which we tackle the structural problems in our public sector through a much more profound embracing of technology and the spirit of enterprise, and a new spirit of partnership between the private and public sectors in which the two help each other.

With enlightened procurement and public service reform we can create new markets for innovation – helping make the UK a global testbed for new technologies – whether in healthcare, education, defence OR tax collection, HR and IT – across the board of Government – AND drive efficiencies in the public sector.

.....and realise the full potential of twenty-first century technologies to do for us what ship design and the invention of ships Chronometers did for the Elizabethans, and steam and rail for the Victorians.

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As you know in Entrepreneur Country, most of all what we need is a renaissance of the culture that supports risk - and reward.

Let's remember that every British economic golden age from Elizabeth to Victoria to Lady Thatcher has been built on the success of those who dared and dreamed, buccaneering entrepreneurs from Francis Drake to Richard Branson with the vision and the will to succeed, spurring national renewal and allowing a vibrant culture to take root and flourish around it.

Today it's about unleashing the power of the technological revolutions in IT and Telecoms, Digital media, Genetics, data analytics, cleantech solutions in energy...finding the twenty-first century's equivalent of electricity or the invention of the internet, a new space race for the defining technologies of our age.

Treating entrepreneurship no longer as extra-curricular, but at the heart of our education system and careers advice.

Thinking globally – we should aspire for every school leaver - whatever their background or education - to travel to and see the emerging world before they start work. We will never win in the Global Race without a global and entrepreneurial mind-set.

And we will never do so if our elected representatives don't embody that vision in everything we do:

Prizing innovation, not conformity.

Rewarding vision, not time served.

Backing new ideas, not settling for the tried and tested.

Encouraging fresh thinking, not just from within the Westminster bubble.

The truth is we don't just need a Government for enterprise, but a more enterprising Government.

It is a vision that lies at the heart of the Prime Minister's agenda:

Whether it is in NHS reform, reducing our deficit, transforming our education system or establishing trade links with some of the fastest and most dynamic emerging economies through our international aid programme...

...we are starting to lay the foundations of a sustainable model of economic growth.

George Osborne has performed the vital work of rescuing our economy, pulling it back from the precipice and now leading it boldly into recovery. It hasn't been easy, but it has been necessary.

By sticking to his guns, having the vision to expose the deficit amnesia of Labour's boom and starting to make our economy fit for the twenty-first century, he is laying the foundations for a long term cycle of investment and prosperity.

And all entrepreneurs - from Tech City to the Cambridge biotech cluster - can be mightily glad that he has.

Last year the UK saw the creation of more start-up businesses than in any year since records began.

BUT – given the scale of the structural crisis in our public finances we need to make sure this is not the end, but the beginning.

The beginning of a long term Programme to create what I call a modern “Innovation Economy”.

How do we do that? First, it means being global.

We need to turn our focus from the sclerotic Eurozone to emerging markets. The Western European nations are all grappling with the same structural weaknesses – and a currency and banking system weighed down in bad debts. We cannot afford to sit and wait for the Eurozone alone to drive growth. We have to go and trade with the faster emerging markets

– the BRIC and next 11 – growing at a rate of 7% annually – that’s almost doubling every 10 years!!

But... even though the value of total UK exports to the BRICs rose by 42% between 2008 and 2011, they still made up only 7% of total UK exports in 2011, with China comprising just a measly 3%.

And, according to their projections, at our current pace exports to emerging markets won’t make up the majority of the UK total until 2047.

Trying to win the global race through the corridors of European politics is like trying to score a century at Lords with a seven-iron.

In the next fifty years, the BRICs and N11 economies will go through what the developed world has gone through in the 300 years since we led the Agricultural Revolution.....

In my field of Life Sciences....for example.....the emerging markets are driving vast new markets in the 3 markets of Food, Medicine and Energy. In food, we will have to double global food production with much less land, water and energy. In 30 years the exploding populations of these nations - who today need the basics of public health, nutrition and energy - will demand the modern biomedicines, Western foodstuffs and Cleantech that only their elites enjoy today.

These are vast markets for our science, technology and innovation and the new businesses that create them.

Second, an Innovation Economy public sector enterprise: breaking the closed markets in public

service procurement and practice to tackle the causes of the structural deficit and public sector productivity crisis.

Take for example the NHS.

With an ageing population driving rising healthcare costs, the nightmare scenario is all too easy to envisage:

Pressure on budgets driving increasing health rationing.

NHS patients falling behind other countries on health outcomes.

Investment in new technologies falling as the UK becomes an increasingly unattractive market.

The UK becoming again the 'sick man' of Europe.

The last Government doubled health spending and achieved a 10% output increase. That's a 90% productivity gap.

By 2048, a century after the NHS was founded, the cradle-to-grave service enjoyed by the baby boomers could be little more than ancient history for those – our children - picking up the bill. The fleeting hope of universal healthcare undone in a lifetime by our failure to tackle the crisis of productivity.

It doesn't have to be like this. The NHS is a global jewel in the crown. World renowned for its expertise and ethos. Its record of delivering healthcare per pound has, until recently, been exemplary. And we have three world-beating technological assets which the rest of the world would die for, waiting to be fully used:

- The human genome map,
- world beating superfast computing and informatics which have driven companies such as ARM from Cambridge start-ups to global corporations and, crucially,
- the NHS's unique fifty year data records on drugs and disease.

These are global assets of immense value with the potential to make the UK a global leader in modern biomedicine : pioneering the new generation of personalized diagnostics, targeted therapies and preventative treatments which are transforming healthcare.

A new Partnership between the NHS and our Life Science sector could see us deliver a massive win:win:

- getting quicker access to modern medicines for UK patients

- accelerating adoption of innovation in the NHS
- reducing the cost of giving the wrong drugs to the wrong people
- making the UK a global hub for life science investment The NHS can either make or break us. Its our choice. The opportunities are now there: the question is: are we prepared to be bold and innovative enough to take them? Thirdly, an Innovation Economy means a bold commitment to helping insurgent start-ups flourish by
- a globally competitive tax and regulatory regime to attract global entrepreneurs to the UK
- rewarding innovation and risk
- opening up new markets currently all too often closed off to new entrants.....

Take banking. We have here in London one of the world's great financial centres in the City. But we are letting the irresponsible practices of the few hold back the many. We need much greater competition and transparency with a much easier regime to promote new entrants.

America has over 20,000 high street banks. We have less than 10. Banking has become too much of a cosy cartel for the few. We need a renaissance of smaller banks doing the old fashioned business of looking after our savings and lending sensibly to businesses to keep the local economy thriving.

In energy too, we need to allow innovative start-ups to challenge the big six. We need to trigger an insurgency of new technologies and new companies and new models of energy that reward efficiency and allow the market to function properly and lead us to the right mix of technologies. State-sponsored subsidy by Big Government of a small group of companies to deliver green technologies and targets set by politicians a decade ago hasn't worked in the past and isn't likely to now.

We need 1001 new insurgents willing to be the Davids to the corporate Goliaths to shake up the system.

In infrastructure, insurgent ideas are similarly needed. That's why I've floated the idea in my own area of an East Anglian Rail Company, letting rail users and taxpayers of East Anglia have a stake. Give the private sector a real chance to lead and local people a say.

Look at IT procurement. Successive Governments have a woeful record of bungling IT procurement – costing billions on consultancy and lawyers which should be powering on the UK tech sector to global success.

It's time to recognise that Big Government needs Small Business and Entrepreneurs to come to its rescue.

To do that we need to make the UK the best place in the world to come and start a new business.

That's why for the last three years I've been advocating a 'New Deal for New Business' start-ups in Britain and today am making this policy proposal:

If you're starting or growing a small business, employing people and generating sales turnover: Government should get off your back.

Let's offer businesses with say, a turnover <£2m, less than [3] years old, and between 3 and 10 employees (what Government refers to as 'micro businesses' but to you and me are the giants of innovation) a break:

No employers National Insurance – a jobs tax No VAT- a value tax No Regulations designed for Big Companies.

In my 15 years of start-up VC, I was always struck by how many 1st time entrepreneurs underestimated their turnover, and spent vast amounts of time and stress and accountancy fees worrying about complying with Government bureaucracy.

Get off their backs and let them grow and we'll find that they hit the threshold for tax that much quicker, bigger and stronger.

Simple, clear and potentially revolutionary in its effect. Letting entrepreneurs hatch an idea and give it wings.

Freeing them to live up to their name and undertake: create jobs, wealth and new opportunities.

To do, not to box-tick. To flourish, not flounder. To help create the innovation economy we need.

Conclusion

Outlining all the attributes of an entrepreneurial renaissance is too great a task for twelve minutes. But I hope you will take this way: this crisis is an opportunity for innovators and entrepreneurs - and you have friends in Government.

There's an old expression that 'the past is a foreign country: they do things differently there'.

The truth is that we cannot allow the land of enterprise – Entrepreneur Country – to be a foreign country.

We need to do things differently Here! Now! We need the UK Government and public sector to become Entrepreneur Country too. It can be our future. Indeed, it must be our future. Because, without it, we will have no future at all.

The Telegraph

A more business-like government would do wonders for Britain

June 2013

Six years after the collapse of Northern Rock heralded the crash of New Labour's borrowed boom, Britain's economy is slowly beginning to recover. Osbornomics (public spending restraint, reform of welfare and education to support work, tax breaks for business) is beginning to work.

The latest figures show growth this year forecast at 1.8 per cent. More than 1 million new private sector jobs have been created since 2010. But we still have 60 per cent of the annual deficit we inherited from Labour, a £1 trillion debt millstone around the neck of UK plc, and a structural deficit in the public sector that risks holding Britain back in the slow lane as an ageing, busted, public sector economy.

The Innovation Economy: Industrial Policy for the 21st Century, a new paper released today by the Free Enterprise Group, written by myself and Kwasi Kwarteng, sets out a programme of bold policies to tackle this toxic legacy.

The big questions we have to ask today are these: how are we going to convince the international markets we have a plan for long term sustainable recovery that will pay off our debts? If we can't borrow our way out, what are we going to sell to the rest of the emerging world to fuel our growth? How are we going to escape the long term structural deficit driven by our welfare state, NHS and public sector pensions? What is the basis of the "New Deal" we need to persuade the next generation of entrepreneurs to stay in the UK?

In our paper, we set out the basis of a modern industrial strategy that is unrecognisable from the discredited corporatism of the Seventies. We are not arguing for old-style industrial policy which contributed to our failures in the Sixties and Seventies. The last thing we need now is to prop up failing industries, subsidise failing regions and try and run industry from Whitehall. To survive in the global race we need to unleash a new spirit of enterprise and innovation across the public and private sector:

Our plan consists of nine ideas to meet these challenges:

- Break up corporatist oligopolies in banking, energy and other utilities and transport;
- Introduce a growth and competitiveness duty for every government department;

- Allow and incentivise agencies across the public sector to earn additional income to reinvest back into public services;
- Regionalise public sector pay and the minimum wage to boost competitiveness;
- Create a "New Deal for New Businesses" - exempt new start-ups from business taxes for three years;
- Jumpstart Britain's start-up venture capital industry and Alternative Investment Market;
- Lower corporation tax to 10 per cent by eliminating allowances;
- Pro-actively develop global trading alliances with emerging markets;
- Introduce an entrepreneurial immigration policy with a market-based system for visas and an end to comprehensive welfare eligibility for immigrants.

This is an ambitious, modern and entrepreneurial vision of a rebalanced "Innovation Economy" in which the twin forces of technology and enterprise are unleashed to fuel an "economic insurgency" of competition, choice, accountability, free markets and entrepreneurialism in every walk of British life: across the public and private sector.

It is increasingly clear that to get out of this economic crisis, a crisis born out of the Left's bankrupt deceit that we could live on a borrowed boom fuelled by public sector spending, cheap credit and immigration, we need to use every lever the Government has to break open the cosy corporate cartels too often propped up by Big Government. We need a renaissance of British invention, enterprise and global trade to get this country moving again.

A new generation of Conservatives, many of us fresh from careers in business, are insisting that there is a role for the state in helping the UK win in the global race, but not through the stale corporatism and oligopoly cronyism of New Labour, but through unleashing a pro- enterprise spirit throughout the public and private sector. There can be no hiding places in the hunt to drive up productivity and trade to stop us becoming just another old and sclerotic European economy dependent on QE.

We are in a hole so deep that every part of our society has a responsibility to be more entrepreneurial. We don't just need a government for business, we need a more businesslike government. We need to unleash the forces of technology and enterprise across the private and public sectors, to break open new markets, drive public service reform and modernisation, and boost productivity and competitiveness.



Britain's knowledge economy future

April 2014

Last Friday in Cambridge, the Chancellor delivered a seminal speech setting out his commitment to science, technology and innovation as central to the Government's long term economic plan. Setting out a ten year Budget for Science, and a series of new announcements signalling the commitment of a future Conservative Government to science and innovation.

Some Conservatives may ask: is this 'White Heat of Technology' stuff really what a Conservative Government should be doing? Didn't we chuck 'industrial policy' out in the 1980s? But this would be to miss the key elements of the Chancellor's speech, and the policies he has backed in the last four years to drive innovation-led growth: resolute cutting of non-productive public sector employment, incentivising and deregulating entrepreneurship, creating tax incentives for high risk capital and start-up finance, and long term investment in the UK's leadership in technologies such as aerospace, genetics, precision engineering, bio-informatics, and Big Data with the potential to create not just new companies and jobs and revenues but whole new industries.

This isn't old style 1960's 'industrial policy' – picking winners and subsidising factories in the wrong regions over beer and sandwiches. The Chancellor's vision is light years from the failed industrial corporatism of Harold Wilson or Ted Heath, in three key ways:

- It is fundamentally about entrepreneurship and creating a landscape for private enterprise to flourish;
- It is unashamedly global and competitive in outlook – not protectionist;
- It is encouraging technology and innovation to help reform the way Government works to dramatically improve public sector productivity.

This is a modern industrial strategy for innovation which is helping deliver the highest rate of growth in the G20, and winning plaudits from Davos to Daventry. Take the Life Science Industrial Strategy, for example, under which the Government has embraced a 10 year plan for harnessing the power of genetics and hospital data to make the UK the global lead in 21st century bio-medicine: the best place in the world to design, test and adopt the new 'Personalised' drugs and diagnostics of tomorrow, in return for a New Deal on procurement so that, in return for quicker access to the NHS to prove new technologies, the NHS gets the new drugs at a discounted price. Since launching the strategy, the UK has attracted over £2 billion of

new start-up investment into the life science sector, and secured major commitments from global Pharma to invest and locate here.

Having come to politics after a 15 year career starting and financing high growth technology businesses, I've seen first-hand the scale of the growth we are sitting on. In the Cambridge cluster alone, where I spent my career, we now have:

- 14 companies started in the last 20 years worth over \$1billion;
- 1,500 technology-based firms, employing almost 60,000 people.

Add to that the wider regional strengths of the Eastern Region – the A11 Innovation Corridor with the Hethel Engineering Centre Lotus Formula 1 cluster; offshore energy; telecoms and the world class Norwich Research Park, with over 2500 Research scientists in Nutrition, Cleantech and Biomedicine, and you can see why the Chancellor said he wanted to make the 'Cambridge Phenomenon' the British phenomenon.

Given the scale of the debt crisis we inherited from Labour, after a boom in credit-financed consumerism and public sector employment, we are going to have to trade our way out of this by making and selling to the fastest growing parts of the world the 'smart' goods and services that only we can do. That means refocusing our energy on emerging markets. The growth in the emerging economies is startling.

As Jim O'Neill documents in his latest book *The BRIC Road to Growth*, emerging markets have accounted for 70 per cent of all world growth in GDP since 2000. Even with slower growth rates, the decade from 2040-50 will see the combined might of the BRIC countries overtake the G7. In 2011, the GDP of the BRIC countries surged by \$2.3 trillion: as O'Neill points out, this is like adding another Italy to the global economy. In one year. China alone has been adding the equivalent of another Spain every year. But we are starting from a woefully low base.

According to the CBI, even though the value of total UK exports to the BRICs rose by 42 per cent between 2008 and 2011, they still made up only seven per cent of total UK exports in 2011, with China comprising just three per cent. The Chancellor's recent measures to help boost exports (creating the most competitive export finance in Europe by doubling the amount of lending available to £3 billion and cutting the typical interest rates charged on that lending by a third) are exactly what we need to help the UK trade our way back out of debt dependency.

We are not going to compete with China and India and Brazil and Russia on low cost manufacturing. We are going to have to trade on the things we do best, which can't easily be bought or assembled overnight like a factory: our knowledge economy, our deep science and innovation base, our globally trusted legal framework for venture financing. Things like the Lotus sports car I sat in recently: powered by high performance, low emission fuels made by genetically modified bugs able to convert agricultural waste into biofuel. All designed and manufactured in Norfolk. That's life sciences – the science of life – working for you.

I believe the UK faces a stark choice about our future economic direction. We can either

become an increasingly ageing, statist, tired old Western European 'welfare-democracy', with ever higher taxes and state spending to pay for ever larger welfare states and healthcare costs. Or we can seize the opportunity of the financial crisis and rebuild an economic model based not on the old model of public sector employment and welfare but on embracing and allowing the spirit of entrepreneurship and potential of technology to drive reform in our public services, and growth in our global trade and exports.

By becoming a test bed of the new technologies which are transforming the 21st century, and actively encouraging them to help reform our public services, we could accelerate public sector efficiency, private sector growth, and exports to the fastest emerging economies, and unlock a whole new cycle of global growth and prosperity.

The UK in 2010 was like so many ailing big corporates whose share price starts to sag as its model becomes increasingly unsustainable, and its customers start to drift to more innovative new entrants. But UK plc has vast assets on its balance sheet. We just need to restructure the business to release the talents of our people, draw in investment, embrace new models, and become more entrepreneurial: making Britain a global crucible of innovation to export again to the world.

What the Chancellor signalled on Friday was that he 'gets' that science, technology and innovation are the drivers of competitiveness and productivity and competitive advantage in modern economies. That's why, despite the restraint in public spending in so many areas, the Government has protected the science budget over this Parliament, and the next – now committing £7 billion in the next Parliament to underpin long term global confidence in our science base.

But this focus on entrepreneurship, the power of technology and innovation to profoundly reform Government, and our ability to compete and trade in the Global Race with emerging markets makes this very different from the failed industrial policies of the 1970s.

The Government is committed to building an 'Innovation Economy': one in which the public sector does it all it can by way of both core science investment and procurement and reform of public services to create a landscape in which innovation can flourish.

NewStatesman

How to build an innovation economy

May 2014

The UK finds itself at a crossroads. With the economy now recovering strongly – as seen with buoyant GDP figures for Q1 on Tuesday – the dark days of the crisis might seem to be behind us. But as the Chancellor said in the Budget, we must face brute economic facts.

Though the view from the boardroom window on the top floor of UK plc may be sunnier, the continuing scale of the structural deficit effectively means there's a fire in the basement. Despite very tough efficiency savings and cuts to rein in public spending, we are still running a serious deficit and accumulating debt. The rescue job is not yet complete.

Following the crisis, the key question of our time is how the UK can become the crucible of innovative approaches to public and private sector efficiency? I believe the only way we are going to get UK plc afloat again is through the power of innovation in both our public and private sectors to drive a new age of productivity and competitiveness.

First, we must continue to embrace the technological revolution to shake up existing markets. In tech, that means unleashing the power of the revolutions in IT and telecoms, digital media, genetics, data analytics and clean-tech solutions in energy, finding the twenty-first century's equivalent of electricity or the invention of the internet, a new space race for the defining technologies of our age. As the Chancellor said in a landmark speech in Cambridge last week, it is about becoming the "best place to innovate".

We then need to think about how we innovate in terms of selling our products and services. Fundamentally, we need to turn our focus from the sclerotic eurozone to emerging markets. The western European nations are all grappling with the same structural weaknesses – and a currency and banking system weighed down in bad debts. We cannot afford to sit and wait for the eurozone alone to drive growth. We have to go and trade with the faster emerging markets, the BRICs and

In my field of Life Sciences, for example, the emerging economies are driving vast new markets in food, medicine and energy. In food, we will have to double global food production with much less land, water and energy. In 30 years the exploding populations of these nations – who today need the basics of public health, nutrition and energy – will demand the modern biomedicines, Western foodstuffs and clean-tech that only their elites enjoy today. Far from giving up on emerging markets, such needs show why our exports are more sought after than ever.

To do that we need to make the UK the best place in the world to come and start a new business. That's why for the last three years I've been advocating a "New Deal for New Business": if you're starting or growing a small business, employing people and generating sales turnover, government should get off your back. No employers' National Insurance – a jobs tax. No VAT – a value tax. No regulations designed for big companies.

During the 15 years I worked in start-up venture capital, I was always struck by how many first-time entrepreneurs underestimated their turnover, and spent vast amounts of time and stress and accountants fees worrying about complying with government bureaucracy. Get off their backs and let them grow and we'll find that they hit the threshold for tax that much quicker. Such a policy would be simple, clear and potentially revolutionary in its effect.

This Parliament has been about saving the UK from becoming another Greece. The next Parliament will be about making Britain an economic world-beater once more – investing, exporting and manufacturing more. Backing tech, thinking global and continuing reducing the tax burden for entrepreneurs are just three ways in which that can become a reality.