

The Renewal of Government Policy Exchange

Policy Exchange, the influential centre-right think tank with close links to the Conservative Party, has produced an extensive report called *The Renewal of Government*, which recommends a “root and branch reform of public policy”. Pitching itself as “a manifesto for whoever wins the next election”, it aims to find alternative, non-state centred ways of delivering public policy objectives.

The report looks at a variety of topics, including the public sector, crime, education, health, welfare and economic growth, but certain key themes are clear throughout the report, including individual responsibility, the idea that legislation and government interference should be kept to a minimum, and that the public sector should be shrunk while the private sector is given room to thrive.

More detail on all of these policy areas is set out below.

Chapter 1- The Revolution that Wasn't

This chapter examines the ways in which the UK changed during the Thatcher years, including the large-scale privatisation and liberalisation of the markets and the decline of traditional, nationalised industries. However, the report goes on to argue that this does not mean that the state has fully retreated; rather, the state is bigger than it was in 1979, is spending more money and is employing more people than ever. The public sector reached its smallest between 1998 and 2000, and has hugely increased since then. The report claims that many of these new public sector workers constitute “armies or regulators and state planners,” with many state enterprises disguised as “quasi private companies.” The report further claims that the public sector “has appropriated the language and rewards of the private sector, but not the disciplines.”

The report then states that those employed by the state are “**no longer making things, but making us do things**”. It questions the need for everything from licensing of nightclub bouncers, to public health campaigns, to the continuing existence of the BBC.

The report also states that the growth of the state has not stopped Britain from becoming a wealthier country, with the services and light industry being highly productive. Higher wages have also led to higher tax revenues. However, it claims that some of the high economic growth which has been seen since the early 1990s has been “illusory”, with the economy becoming more and more unbalanced in the decade to 2007, and based too much on debt.

The report also claims that this “borrowing binge” distracted attention from the shocking decline of productivity in the public sector.

The chapter then goes on to examine what it calls the Government’s “eagerness to legislate”; not surprisingly Policy Exchange thinks that much of the legislation introduced by the Government is unnecessary and only serves to restrict businesses and individuals. They go on to claim that the cost of new legislation to businesses rarely enters the Government’s calculations when deciding how to act.

The report also criticises target setting in the public sector, tax credits, the increasing number of people who, it is claimed, are dependent on the state and the supposed decline in social responsibility.

The report claims that there is a “client state” that is dependent on either welfare benefits or public sector employment, and is also heavily critical of the size and cost of public sector pension schemes.

Chapter 2- the Philosophy of Government

This chapter examines the principles and attitudes which Policy Exchange claims underpin the government today.

It suggests that single incidents, such as the death of Baby Peter, or the Soham murders (combined with the media panic which tends to follow), have a tendency to lead to the state getting more involved in our lives, often in the form of new legislation or initiatives which do not solve the problems that they were intended to.

The report is keen to stress the point that it is impossible to ensure that events such as the death of Baby Peter “never happen again”, and that attempts to do so may cause a lot more damage by unnecessarily separating children from their families, or classifying more and more children as risk of abuse (including those who are obese!).

The report goes on to say that, while there is a need for better judgement, as well as for the creation of “chains of responsibility” so that incompetent officials can be removed, there is no way of creating a zero risk society.

The report then claims that often the Government acts in circumstances such as this, not to deal with actual risks to the public, but to mitigate the political risk to themselves. Previous Conservative governments have been criticised for being too slow to respond to crises when they occur, with BSE being singled out as an example. However, the report claims, the Labour Government has gone too far in the other direction. Precaution has ruled, often with “disastrous” results or an overreaction. They cite the restrictions placed on the railways following the Hatfield rail crash, with apparently undermined consumer confidence and the rail industry, without delivering safer railways.

The report does admit that public opinion has a role to play in such actions, stating that “our leaders are a reflection of ourselves”. It suggests that the problem is not that the Government fails to listen to the people, but that it fails to listen intelligently, often pulling itself in two separate directions in an attempt to please everybody. Good governments should be strong enough to tell voters the truth and trust the public enough to make a realistic risk assessment. The report also suggests that politicians should not pay too much attention to the media, which they claim often distorts public opinion.

The report then suggests that the Government does not have enough trust in individuals, and has undermined personal responsibility by trying to legislate against everything that it considered undesirable or unacceptable. This leads to a tendency for people to blame the Government for this own misfortunes, for not banning for things that are harmful, rather than taking responsibility for their bad decisions.

The report then goes on to discuss the role of society, include Margaret Thatcher's much (mis)quoted words that "there is no such thing as society". According to Policy Exchange, the needs of most people are not met by the state or society, but by communities and families. Labour looks for legislative solutions- legislation, government agencies, quangos- without acknowledging the individuals and communities might be capable of solving their own problems if given the right incentives.

The next section of the chapter looks at how and why the state has expanded over the last 30 years. While admitting that the state *is* essential in a functioning society, the authors believe that the state has taken on too much as a role as a provider of services, such as healthcare and education, rather than just providing elements such as defence and law and order which genuinely cannot be provided by individuals. The state has also, according to the authors, taken on an ever larger redistributive role, and a greater role in social and economic decision making, such as providing "absurd" healthy eating advice. According to the authors, the controlling and regulating functions of that state have never been brought under control and are "expanding without limit".

The report claims that policy today is driven by "grim utilitarianism", in which increased regulation is seen as the natural response to any ill. As an alternative, it is suggested that there should be three tests which should be used to decide whether or not the state is the appropriate body to provide a service, in the form of three questions which might be asked by the taxpayer funding the service:

1. Do I want to pay for other people on the basis that I, too, might enjoy this service if I fall on hard times?
2. Is this a service which will make society stronger as a whole?
3. Is this a service for which I am willing to pay in order that I might live in a kinder world?

If a service cannot be justified on any of these grounds, then the state should not provide it.

Finally, this chapter looks at how we can keep restrictive rules to a minimum, stating that freedom is necessary for people to innovate, progress and succeed, and that the freedom to make mistakes is a vital part of the learning process.

Many professionals, including teachers, should be given more freedom to innovate and experiment. The Government needs to carefully consider where regulation is necessary, and where it is a hindrance, beginning with the presumption that people are able to look after themselves. The state should never try to be a parent figure or social engineer. Ultimately, the chapter concludes, a more limited government will be a more successful one.

Chapter 3- A Culture of Rights

This chapter looks at issues around human rights and discrimination in employment, and their claimed effect on public services and the economy.

The authors are sharply critical of the decision to pass the 1998 Human Rights Act, which incorporates the European Convention on Human Rights into EU law. This legislation now applies to every part of the public sector.

The report claims that many Labour politicians, including former Home Secretary David Blunkett and even Tony Blair himself, came to regret having subjected their decisions to “the mercy of the courts”. The report claims that “the basis of the Human Rights Act is that democracy cannot be trusted- it must be policed by unelected judges.” The report goes on to criticise the European Court of Human Rights as being “devoid of constitutional legitimacy”.

Following this, the chapter goes on to criticise what it calls “the entitlement society”. According to the authors, the original introduction of Citizens’ Charters, laying out minimum standards for public services, by John Major, eventually led people to stop thinking of public services as something with a finite budget and to have ever greater expectations of what could be provided. The Human Rights Act then, according to the authors, provided a method for individuals to work around the decisions of democratically elected ministers, challenging them in court, for things that they now saw as an entitlement. This has, apparently increased the amount of thought given to potential challenges to legislation and hence the amount of money spent on legal advice.

According to the report, “no win, no fee” legal agreements have also contributed to the rising cost of Britain’s entitlement society.

The report then goes on to criticise anti-discrimination legislation, stating that this is not the best way to tackle discrimination. They claim that, because of the costs of fighting discrimination cases, firms are likely to settle even in cases of dubious merit. The report claims that workplace discrimination laws have gone too far, and that a more proportionate approach is needed.

This chapter goes on to make the following recommendations:

- The UK should leave the jurisdiction of the European Court of Human Rights.
- We should take action to clamp down on the no win, no fee personal claims industry, and review the decision to take away legal aid for personal injuries.
- Replace unlimited damages in discrimination cases with fixed fines.
- Ensure discrimination legislation is enforced in a proportionate way.

Chapter 4 – Changing the Culture of Government

This chapter sets out the changing role of Government over the past four decades. It reviews the changing role, scrutiny and service delivery of governments, both in the UK and abroad. There are a range of criticisms of developments made during Tony Blair’s administration including the use of public sector targets and the damaging effects of poor management structures in public services.

There are two main areas of recommendations. The first is improving the management of public services with greater devolution of power to managers. The second recommendation is to create a more market-based system for dispensing public services.

The chapter recommends that management in the public sector is improved. This should be done through devolving more power to ministers, teachers, NHS managers and other public sector workers so that they are able to execute their responsibilities more effectively. This can also be improved, the report claims, by moving away from a culture of inspection which appears to be poor at securing gradual improvement.

The second area of change that *Policy Exchange* recommends is the creating of a more market-based approach for dispensing public services. This could involve using charges to discourage unnecessary use of certain services which would improve the funding and free delivery of other services. For example, the report suggests the idea of charging binge drinkers who cost the NHS millions of pounds in ambulance callouts and hospital time.

The report also calls for an improvement in the length of time that government ministers stay in their jobs which would give more continuity to policy and allow these “managers” to develop greater expertise in their field. It is noted that the Department for Transport has had 26 different ministers and seven Secretaries of State under the current Government, which means there have been more transport ministers than miles of new motorway built over this period.

Finally, *Policy Exchange* call for a large reduction in the number of quangos which they claim are used by ministers to escape responsibility. Both Gordon Brown and Tony Blair promised to reduce these however, since 1997 the amount of money spent on them has increased from £21 billion to £46 billion and in the last three years alone they have taken on an extra 15,000 staff. The report also criticises the salaries of those working within quangos who receive chief executive salaries that match the public sector. “If a public service is going to remain as part of the state it should be led, not by a functionary disguised as a chief executive, but by an elected minister accountable to Parliament.”

The following specific recommendations are made:

- The use of private providers varies hugely across different public services both nationally and locally. There are still many untapped opportunities to expose public sector monopolies to private competition and we should explore them.
- The way targets have been used in recent years has not helped to drive up standards. The system of PSAs is confused and fails to increase accountability. Many should be abandoned.
- We should accept that there are limits to the ability of outside inspection, rather than internal management, to drive up standards.
- “Standards not structures” failed. In fact getting the right structures in place is essential.
- There is no point trying to hold public service managers to account unless they are given the freedom to manage, and the powers they need to drive up standards.
- The use of charging is incoherent at present. There is room to expand the scope of charging in some areas.
- There is also potential to give people their own personal budgets in several areas, which could increase choice and competition, and allow people to choose the services they want.
- Even where people are not given their own cash budget, we should use choice in public services to drive up performance – for example in health and education.
- High turnover of ministers makes for poor management and reduced accountability, and should be reduced.
- We should prevent quangos and agencies from being used to shield ministers from accountability.

Chapter 5 – Reforming the Public Sector

This chapter focuses its attention on why the public sector proves to be less efficient than the private sector. It identifies the symptoms of public sector inefficiency, its causes and the obstacles that are in the way of improvement.

According to the report, the main reasons for under-performance in the public sector appear to be two fold. Firstly, there are the structural factors that have been dealt with in the previous chapter. Secondly, and just as important are the problems resulting from mismanagement of the workforce.

These contribute to the symptoms which include, rising costs, falling productivity, high sickness rates, industrial strife and working days lost, low morale and low levels of innovation. These culminate in some damning figures about the gap between the public and private sectors. It is claimed that if public sector workers took the same amount of sick leave as the private sector then they would save three per cent of their wage bill which amounts to £6 billion per year. Also, if the same number of hours were worked per week as in the private sector a further 10 per cent (£20 billion) would be saved each year.

There are a number of reasons identified which cause this level of under-performance. These include how difficult it is to sack people and automatic pay rises and promotion which do not reflect ability.

The numerous obstacles to improvement of public sector performance are also outlined in the chapter. According to the authors, national pay bargaining removes the functioning labour market incentives that exist in the private sector; there is also the high cost of hiring and firing staff because of trade unions and the tendency towards litigation which slows down the removal of inefficient staff. The trade unions also contribute to the increased tendency of public sector workers to strike which is 15 times higher than their private sector counter-parts. Pensions also trap workers in to the public sector because there is the perception that their salaries are lower than in the private sector therefore better pensions are deserved. However, this report demonstrates that public sector salaries are in fact not lower than in the private sector, therefore a re-balancing pension system is not necessary. Finally, the report identifies that a top heavy bureaucracy has developed in the civil service which creates an unnecessarily high expenditure and burdens lower level staff with extra work.

The report recommends the following actions:

- National pay bargaining should be phased out, and automatic promotion up national salary scales. Pay and promotion should be tied to performance and should be at the discretion of local managers.
- The cost of hiring and firing public sector workers should be reduced; and complex HR processes, which cost huge amounts of time and money, should be abolished. Creating a more flexible labour market in the public sector will allow managers to drive up performance.
- Stop loading secondary objectives onto the public sector, and strip back practices like equal pay audits which are arbitrary and have cost public services billions.
- Improve industrial relations in the public services by reviewing how strike action is triggered. Examine which life-saving public services are and are not allowed to

strike. Abolish the Code of Practice on workforce matters in public sector service contracts.

- Public sector pensions should be reformed so that they do not create perverse incentives to remain in the public sector. As a first step, the Government should be prohibited from running up vast unfunded pension liabilities.
- Review the growth of top and middle management positions in the public sector.

Chapter 6- A Better Way to Fight Crime

This chapter paints a depressing picture of Government failures in fighting crime and ensuring justice. It takes issue first with crime statistics, arguing that they should fall under the auspices of the Office for National Statistics rather than the Home Office, before criticising the wastefulness of having multiple police forces manned by police officers who are allowed to retire too early.

These police forces have also, according to the report, developed “a culture of risk aversion” in which every conversation has to be recorded resulting in a vast, bureaucratic waste of time and police officers who could otherwise be engaged in more productive work. Government targets also produce bureaucracy and result in enforcement officers (not just police officers but “litter wardens” and other “approved persons”) handing out fines to the softest targets.

The report also criticises the Government’s approach to prisons, arguing that too often criminals simply learn how to be better criminals and how to take drugs. It argues that prisons should be “turned outwards” so that the prisoner retains more contact with the outside world in smaller, neighbourhood jails rather than the Government’s proposed “Titan” prisons. Rehabilitating prisoners ought to be the “central function” of a jail and incentives for prison governors should reflect this. Foreign criminals should also be deported to serve their sentence in their country of origin, rather than deported after serving their sentence (if at all).

The Government’s approach to youth justice also comes in for criticism. Poorly designed financial incentives mean that schools, children’s services departments and social services, who are all meant to work together to keep children out of the criminal justice system, often work to shunt the cost of the child onto another agency. ASBOs come in for more criticism as the report argues that they are too often a “badge of pride”; better, the report’s authors say, for the police to deal with minor youth offenders with a warning and making them apologise to victims of anti-social behaviour.

A rare moment of praise is however reserved for the Youth Inclusion Programme, which involves identifying potential offenders in high risk areas and providing them with somewhere to go to learn employment skills, receive career advice etc. An independent evaluation showed that this reduced offending rates amongst high-risk groups by over 65%.

The **key recommendations** of this chapter are:

- The police should raise productivity by outsourcing non-core tasks, encouraging forces to co-operate more, ending early retirement, and ending the national ban on solo patrolling. Police bureaucracy, like stop and account forms, should be abolished. And the role and powers of PCSOs should be clarified.

- The excessive and confused use of targets in the criminal justice system has created a fearful compliance culture which will need to be broken down and replaced by an outcome-oriented culture.
- We should elect police commissioners to help make sure the police are accountable to the public. The police had such elected oversight until the 1960s, but since then they have been forced to look upward to central government for instruction.
- The prison system and prison governors should be held accountable for reoffending. Reoffending statistics should be published for each prison. We should shut off the supply of drugs in prison, if necessary by better checks on prison officers and, if necessary, screening off prisoners from their visitors.
- Much more effort needs to go into reintegrating prisoners into the community. There is no reason why private providers and the voluntary sector should not bid for the job of offender-management services, and be paid by results in reducing reoffending rates. Offender-management should encompass everyone who has been through jail, and those on short prison sentences should no longer be excluded.
- Crime prevention programmes should be properly evaluated, and funding diverted to projects which are proven to work, rather than eye catching initiatives.
- Problem-solving courts appear to have potential to reduce offending.

Chapter 7- Education

The Renewal of Government begins its education section by noting that spending has risen dramatically under the Labour Government, by over £2,000 per pupil. However, it goes on to say that “it is not clear what benefit” the country has seen from this spending and the report goes on to identify its problems with the education system in the last thirteen years.

They also make some key recommendations, which are:

- We need a body independent of government to prevent grade inflation or standards slipping.
- The switch to a department for “Children, Schools and Families” has led to a loss of focus on education. The constant flood of new initiatives aiming to use schools to achieve wider social goals distracts both the ministry and schools from their main purpose. It must stop.
- Instead of bogus attempts to merge vocational and academic education we need rigorous academic exams, and rigorous vocational examinations.
- Inspection has limited potential to drive up standards.
- School choice appears to have led to dramatic improvements in other countries. It should be introduced in the UK with schools also granted wide ranging freedoms. Private providers should be allowed to take part.
- We should aim to make teaching a high status profession, and reform teacher training so that it is less abstract and more focused on on-the-job training.
- Teachers and schools should be given the authority to enforce discipline in schools and protected from malicious complaints.

Chapter 8- Universities

The authors of *The Renewal of Government* start the chapter on universities by acknowledging that the expansion in higher education is “broadly a good thing” albeit an expansion that has been badly planned. They also quickly point out that “financial future

for universities is bleak”, an accurate assessment given that they released their report a week or so before Government spending on universities fell for the first time since 1997.

The key recommendations contained within the chapter are as follows:

- We need to set universities free, and create a proper market in higher education. This will mean greater reliance on fee income. But a market also means ending the no-fail culture in the higher education sector.
- Just putting up fees won't be enough. If we want students to pay more they need access to dependable information with which to make choices about where to study. Universities must be made to publish their data on job prospects, salary levels, contact hours and class sizes. This will enable students to make rational decisions about the costs and benefits of taking different courses.
- We need to account for high drop-out rates in some institutions and make sure universities have incentives to deal with the problem.
- Attempts to widen access to university need to focus on eliminating failures in early year's education, and making sure that state schools offer the qualifications that universities require.
- We should encourage part time students, and pay for this “second chance” by cutting back programmes which attempt to use universities as urban regeneration tools.

Chapter 9- Health

This chapter begins by pointing out that following Labour's funding increases NHS performance improved; waiting lists were shorter, mortality rates for cancer and heart disease fell. The report counters, however, that despite the massive spending increases they didn't improve by as much as could be expected. It was found that drops in mortality rates were more significant in many other developed nations such as Australia and Germany, which did not benefit from the same funding increases. It is also pointed out that despite improvements the UK still has the highest infant mortality rate in western Europe and second highest amongst OECD countries (behind the USA). However, the case was put forward that increasing spending on healthcare does not necessarily lead to better healthcare. The report cited statistics which reveal that “between 1997–2007 productivity in the NHS fell by an average of 0.4% per year” are used to demonstrate this.

The suggestion was made in the report that the majority of NHS funding increases has been absorbed as pay rises for staff within the service. The report condemns the culture of automatic pay rises for NHS staff and the hiring of temporary staff to meet government targets. Instead the authors propose ending the caps on bonuses for NHS staff (currently 7% for senior managers) and encourage performance related rewards.

The report claims that government targets are responsible for stifling the NHS' improvement, according to the report. It was claimed that the unintended consequences of all of the Government's targets was the introduction of a tick-box culture where meeting targets became the ends, not the means.

It was noted that under Tony Blair the Government accepted that a ‘plurality of providers’ was necessary to regulate the health service. By competing for work the NHS providers were forced to reassess the true cost of providing services. While the authors support this route they argue that under Labour's regime of targets the wrong incentives were put in place, leading in some case to unnecessary hospital admissions simply to generate revenue.

Encouraging primary care is a key recommendation of the report. The authors point out that the NHS spends the bulk of its money on hospitals (76.3%) while a further 12.4% is spend on drugs. Primary care accounts for just 11% of NHS funding while accounting for 76% of NHS activity. The report argues that the current quality of primary care is unsatisfactory. Part of the problem, according to the report, is the catchment area systems that exist which restrict patient choice and protect inefficient service providers.

The report also argues that preventative measures are essential to the future of the health service. While the authors shun 'nanny state' initiatives which they believe impinge on people's personal freedom they strongly support the use of taxation to act as a disincentive for unhealthy behaviour. The report suggests increasing taxes on tobacco and creating a per unit tax structure for alcohol but the authors do rule out an 'obesity tax' on fatty foods. The health section of the report concludes by saying that while the NHS will, and should, continue to exist it will no longer be the sole provider of health care. Instead the NHS should be viewed as a 'brand' that provides free healthcare to all. The authors anticipate that there will be fewer hospitals in the future and that their ownership will be more diverse including not-for profit organisations; foundation trusts; employee owned mutual organisations and commercial providers.

This chapter makes the following recommendations:

- We should link salaries to performance not seniority, and restore control over pay.
- We should strip back the excessive target-setting system.
- We should make the internal market work properly, based on real costs, and so give clinicians incentives to save money.
- We should give people a choice of GP, and thereby create pressures for improvement in primary care.
- We should encourage public health not through fiddly initiatives but by rationalising the alcohol tax system and increasing tobacco taxes.

Chapter 10- Welfare

This chapter looks at how the welfare system has operated under the Labour Government, and makes recommendations to reduce the cost of benefits and get more people into work.

According to Policy Exchange, "Britain's social security system is in a mess". Reforms that have taken place over the last 10 years have failed to balance the competing priorities of keeping the poorest out of poverty, seeing those who can work in a job and keeping taxation low.

According to the authors, the current system is "complicated and expensive", to the extent that the Government has had to install computers in job centres to help people find out if they would be better off working.

Some people, it is claimed, have been on benefits so long that it is hard for them to even imagine working. This has an effect on mental health, physical health, and poor outcomes for children.

The report goes on to suggest several principles for the reform of the welfare state:

- *Benefits are about avoiding hardship, not replacing work.* They should not aim to help claimants live at the same standard as those in work do.
- *Prevent people from drifting into dependency.* The first contact with a new benefit claimant should be approached with the fear of dependency in mind. The longer you stay on benefits, the harder it is to get back to work, so the best help should be available when the chance of getting back into work is highest.
- *Make work pay- and simplify the system.* The state needs to present a clear and compelling financial reason for people on welfare to get to work, as often the returns from getting a job are not that much greater than staying on benefits.

The report then examines problems with specific benefits, such as incapacity benefit, employment and support allowance, tax credits and income support. It claims that there is a “couple penalty” in the benefits system which encourages couples to split up in order to get more money. The authors think that this is a major factor in family breakdown.

The report then suggests some further reforms which the authors claim would improve the benefits system. These include:

- Adding extra conditionality, such as requirements to attend interviews or training courses, which would prevent people from working and claiming benefits on the side.
- Creating work incentives that mean some work is always worth doing.
- Strengthening families by recognising marriage in the tax system, lessening the tax credits available to families on middle incomes and expecting families to survive without child benefits once the children reach school age.

The specific recommendations details in the chapter are as follows:

- Welfare reform should start from a clear set of principles: welfare is to avoid hardship not replace work; we should prevent people from drifting into dependency and make work pay.
- We should introduce a “right to move” in social housing, to allow people to move to find work.
- For illness-related benefits we should improve diagnosis tests, and encourage people to do whatever work they are capable of.
- We should reform tax credits to reduce complexity and deliver stronger work incentives. We should stop calling benefits tax credits if they are not.
- We should reconsider the way housing benefit operates – particularly in the most expensive areas.
- We should go further in the direction of the Government’s reforms of Income Support, and expect lone parents to look for work once their child reaches school age.
- We should increase conditionality across the system to encourage work and reduce fraud.
- We must ensure that work always pays – and should consider increasing the earnings disregard to solve the problems of the current complex system.
- The tax/benefit system should support rather than penalise families, to reduce the longer term costs of social breakdown.

Chapter 11- Economic Growth – How Well Have We Been Doing?

This chapter begins by setting out the recent historical context of the UK's relative economic position in the world. After a lacklustre 35 years following World War II the British economy was at the bottom of the developed world's league tables; mired by industrial disputes and inefficient nationalised industries. The growth experience from the 1980s onwards outstripped many of the UK's traditional economic rivals, though the new emerging economies were fast catching up.

The report points out that despite the impressive growth figures Britons were saving less and borrowing more throughout the first decade of the new centenary. The argument is made that much of the UK's newfound wealth was focussed in a few sectors; particularly financial services and the housing sector. The unrestrained growth of both of these sectors was unsustainable in the long term. The authors predict that these sectors will continue to shrink as the scales are rebalanced and that in the future the UK will have to look elsewhere for growth drivers.

High end manufacturing is discussed as an option for stimulating growth with the example of the USA's resurgence in the sector during the 1990s used. However with no evidence of an imminent manufacturing boom other sectors that are considered are law, accountancy, media, insurance, advertising and management consultancy. In these fields Britain is considered the world leader, or if not certainly in the top two or three countries, and the report stresses the importance of government policy not interfering with their growth.

The value of growth and its link to a country's quality of life is also discussed by the authors with the conclusion drawn that they are not mutually exclusive values. The risks associated with a high growth economy are also put forward; including the intrinsic link between high growth and high volatility and the related risks to social cohesion. The authors conclude that despite the risks of high growth and high volatility the overall long term benefits outweigh those of a slow growth, low volatility system.

The problem of burdensome regulation and the manner in which it stifles of growth is also discussed in the report. The authors quote figure which claim the cost of new government regulation introduced between 1998 and 2008 was £148.2 billion. The report suggests that Britain has a prejudice against growth and that this is borne out in everything from housing policy to equalities legislation. In the following chapters the report outlines its vision for stimulating growth.

Chapter 12- Better Transport

The chapter begins by assessing the Labour Government's pledge to create an integrated transport policy with fewer cars on the roads and better public transport. The report argues, however, that Britain now has an under resourced transport infrastructure that costs the country between £8 billion and £21 billion a year in lost productivity from traffic congestion alone. The report also cites the fact only 30% of the UK's rail tracks are electrified compared to 70% in many other parts of Europe as a sign of the UK's under investment. These problems with Britain's transport infrastructure are undermining the country's growth and stifling job creation.

The report calls for a switch in Britain's transport priorities from rail to road. Currently rail, which accounts for about 6% of journeys, receives £6.5 billion in subsidies compared with

roads, which account for 84% of journeys, while receiving £8 billion. The authors advocate a renewed focus on road building.

It is recognised that if the country is to increase road construction then funding streams will have to be unearthed. The authors also believe that a new system is needed to introduce to better regulated road use in order to avoid worsening congestion. They suggest a road pricing scheme where people pay on a per-mile-basis that also takes into account the time of day they are travelling at.

The regulatory burden on the railways is also decried by the authors. A comparison is made of the relative cost of rail construction, and upgrade, in other countries with the authors pointing out that because much of the work in the UK has to be carried out at night and on weekends the costs often spiral.

Private Finance Initiatives are singled out as being inefficient funding schemes and instead the authors suggestion the creation of a new type of bond or ISA to help fund investment in infrastructure.

The chapter concludes by suggesting that nothing should be off the table when considering how we can get the most from what we've got as far as transport is concerned.

The following recommendations for action are made:

- We should focus spending on areas of real congestion and on the modes that are most cost effective – particularly roads.
- We should introduce road pricing to reduce congestion and use roads more efficiently.
- Railway franchising arrangements should be re-examined, and the regulations which drive up costs on the railways stripped back.
- We should reduce the costs of investment by rationalising the various infrastructure financing bodies into a bank along the lines of KfW in Germany.
- We should make our infrastructure work harder for us, as suggested by the Eddington Review.

Chapter 13 – Regulation

The report is extremely critical of the Labour Government's record on legislating for health and safety, fighting red tape, and increasing the regulatory burdens on small businesses, charities and public services, concluding that despite repeatedly committing to reducing the level of regulation and red tape, the Government has actually presided over a culture of significant over-regulation. Moreover, the Government's policy responses fail to stop this because they do not address the fundamental reasons for over-regulation and so are limited in how effective they can be.

Over-regulation

The report attempts to identify why the Government has not succeeded in reducing red tape despite initiatives such as appointing a Better Regulation Taskforce, Commission and Executive, attributing the reasons to four key themes:

Reverse the risk adverse culture

The report's authors cite the European Working Time Directive as a prime example of the damaging effect that too much regulation can impose on business due to spiralling compliance costs. The effects of too much regulation on charities and voluntary groups are specifically referenced in relation to health and safety red tape. It is claimed that legal uncertainty, a culture of risk assessments, insurance advice, plus the growth in litigation have all combined to create a risk averse culture that is now supported by a burdensome regulatory framework.

Reform the Statutory Instrument process

Over 98% of laws passed since Labour came to power in 1997 have come in the form of statutory instruments, which as secondary legislation only amend existing acts and so do not require full debate or a vote in Parliament. The report identifies the ease with which legislation can be brought into force as a prime reason for the failure to curb over-regulation. The report calls for the statutory instrument process to be reformed so that it is subject to the standard legislative process that requires a vote in both Houses.

Enforce appropriate scrutiny of EU legislation

At present there is almost no parliamentary scrutiny for the four pieces of secondary legislation that comes through the House of Commons in an average week. With an increasing amount of regulation stemming from Europe, the need to properly scrutinise EU legislation becomes even more pertinent and the report calls for an incoming government to take a much more assertive approach. It recommends that MPs should hold a weekly "question time" with the UK's Permanent Representative to the EU, which would give MPs a better idea about upcoming EU proposals at a much earlier stage.

Improve how regulation is enforced

It is not just the amount of regulation that has led to the present situation, but the way it is enforced. The report calls for better training in risk management to be given to officials for those who are issuing guidance on health and safety, so that they have a much better awareness of how their pronouncements can be (mis)interpreted by the public consciousness and the media. In tandem with this, an incoming government should review the 'no-win, no-fee' culture in the compensation industry to determine how public officials can be better protected against claims for compensation

The summary of recommendations made in the chapter is as follows:

- We should implement various technical measures to make policy makers think twice before regulating. But this will only get us so far. Policy makers need to be less reactive, and communicate with the public in an adult way about risk.
- We should make it harder to regulate so much by reforming the statutory instrument process.
- Parliament should have Danish-style powers to control European regulation.
- Public officials need to be better educated in risk management, and need to be better protected against claims for compensation.
- We should work towards a simpler tax system. All tax rules should be subject to an audit of how much they cost in compliance.

Chapter 14 – A More Open Planning System

Spiralling house costs and a drop in home ownership rates have sent a clear signal that an incoming government needs to devise housing policy afresh; implementing a policy that is based on increasing affordability – by increasing the supply of houses. The report concludes that Government’s planning policies have restricted house-building so as to fuel house price inflation and have created a dearth of the sort of homes that people want to buy.

The report calls for the tight planning system and local authorities to be reformed in order to provide more incentives to allow development rather than misplaced targets that have led to a lessening of the quality of the urban environment.

Cross-subsidy for brownfield development

The report calls for a more targeted incentive scheme to encourage the development of brownfield land. Centrally imposed house building targets have not succeeded in delivering the right kind of property development, and the report calls for these density and brownfield development targets to be dropped. To this end local authorities should be allowed to levy taxes on Greenfield development sites and reallocate the money towards the remediation of contaminated brownfield land.

Social Cost Tariff

At present local authorities can capture only a little of the planning gain from developing land, which sees developers agreeing to fund certain pieces of infrastructure in return for planning permission through Section 106 of the Town and Country Planning Act. This mechanism needs to be reviewed in order to allow local councils to take a larger share of the benefits arising from commercial and residential development. Section 106, should be replaced by a clear and transparent Social Cost Tariff that would identify a cash figure per hectare of development land. Additionally local councils should be allowed to bank the extra council tax from any new housing stock in order to fund the necessary infrastructure to support the residential development.

Reverse the onus of the planning system

Although attempting to speed up the planning system, the Government has not been effective in processing applications. The report argues that while there are incentives for councils to reject developments quickly in order to meet targets, approved applications are actually taking longer to process than before. The report calls for the planning system to be turned around so that the onus is on the planning authority to raise objections to prove within 13 weeks why a development should not take place.

Development zones

By creating a series of simplified planning zones which industries and business could be allowed to expand without submitting detailed planning applications. It is envisaged that this will cut delays and stimulate economic growth in areas zoned for industry. The report strongly criticises successive governments’ strategy to use the planning system to redirect development to stimulate regional regeneration, branding this policy a complete failure. The report calls for a market-led policy that would allow land to be allocated more sensibly and would revise the complicated restrictions on change of use of land.

The following recommendations are made in this chapter:

- Abolish central house building and density targets.
- Replace Section 106 Agreements with a transparent and easy to use Social Cost Tariff.
- Create financial incentives, instead of disincentives, for local authorities to allow development.
- Reform targets for planning departments so they incentivise development, not rapid refusal.
- Rezone former industrial land in the South East for housing development.
- Change zoning laws to make change of use easier.
- Identify industrial zones where planning law is not appropriate and abolish restrictions.
- Create new Development Corporations to promote a number of large planned developments in the areas of high demand.

Chapter 15 – A More Rational Energy and Environmental Policy

The report identifies that the Government has created a myriad of contradictory policies and taxes that have combined to create uncertainty and confusion in the market and public sphere about what it is that the Government is trying to achieve and how we should measure progress. It is also argued that energy policy should not just be to address climate change, but must also secure energy supplies and stable prices for consumers. Equally, environmental policy is not just about energy but should also deal with reducing waste and conserving nature.

The report concludes that not much meaningful progress has been made in reducing the country's reliance on fossil fuels. While carbon emissions have fallen by 15% since 1990, this reduction is attributed to the outsourcing of manufacturing to other countries such as China and India. Moreover, the percentage of electricity generated in Britain by renewable means has only inched up from 2% in 1997 to just over 5.5% in 2008, with a large proportion only coming from a single source, methane derived from waste landfill sites.

According to the report, any vision for climate change policy should be formed from the premise that cost-effective climate change policy is absolutely essential. To this end, an incoming government must adopt a long-term strategy of supporting the lowest cost ways to decarbonise the economy. To achieve this, the government should focus on the following strategies:

Focus on the two technologies that can deliver mass clean energy

Criticising the Government's slow response to seize upon opportunities to take a global lead in technologies to deliver mass clean energy, the report argues that there are only two realistic ways that the UK can slash its carbon emissions from power generation – heavily investing in nuclear energy and carbon capture and storage.

Rationalise the tax and subsidy framework

The bureaucratic costs of the number of overlapping climate change policies, financial mechanisms and institutional instruments, which include: the Renewables Obligation (RO),

Climate Change Levy (CCL), Carbon Emissions Reductions Target (CERT), EU Emissions Trading Scheme (ETS), Feed-in Tariff (FiT) and a Carbon Reduction Commitment (CRC) have created an economically distorted market and made it significantly more difficult to analyse the unintended consequences of one policy on other goals.

The report reserves particular criticism for the RO for the vast subsidies which are not made available to other zero-carbon power sources or carbon reducing technologies. The manner in which it has been implemented is also criticised. The report calls for the RO to be revised so that it applies to all non-carbon energy sources.

The CLL is also singled as a candidate for change, concluding that its application to different sources of energy is determined by political factors rather than according to environmental principles, citing the application of CCL to nuclear and the lower tax rate for coal as prime examples. The report argues for the CCL to be turned into a non-distorting carbon tax which treats different sources of carbon emissions equally, which would then enable CCL to replace several other policies.

Greater focus on technology change

The report's conclusions in this policy area are somewhat out of date, making no reference to the Copenhagen Climate Conference, which although delivering somewhat disappointing outcomes, did engage developing nations in the climate change debate. It is argued that current policies that aim to reduce domestic emissions are undermined by moves which have simply moved emissions offshore to developing countries. Greater emphasis needs to be placed on policies that directly encourage developing countries to adopt cleaner existing technologies. Equally the UK needs to play a stronger role in developing attractive new technologies that can be adopted by developing countries.

Extra generating capacity

The report criticises the Government's lack of investment in the UK's energy infrastructure and repeats recent claims that the UK will be short of energy capacity by 2015 and suffer from widespread blackouts by 2017. The report highlights a "desperate need" for extra generating capacity and argues that in spite of an enthusiastic drive for energy efficiency, the an incoming government will need to fill a sizeable energy gap by gas-fired power stations in the short term and nuclear power in the long term.

Treat waste as a resource, not a problem

The report concludes that the Government has failed to see the potential from waste and criticises the 'simplistic' waste hierarchy for ignoring the subtleties of waste disposal, which also ignores that for some materials, incineration with energy recovery is a more cost-effective solution, while re-use is massively under-exploited. Citing the enormous potential to generate energy from waste, the report also concludes that energy from waste technology could generate up to 17% of the country's energy needs as well as produce significant carbon emissions reductions.

The report calls for an incoming government to create a real market for waste that encourages energy from waste by setting a sensible, flexible framework for waste policy that incorporates a combination of recycling, energy recovery and re-use and will extract the most value from waste material while minimising environmental harm.

The following recommendations were made in this chapter:

- Reshape climate policy goals around global consumption, not national production.
- Concentrate effort on technologies with the potential to promote global scale clean energy: nuclear and CCS.
- Rationalise the tax and subsidy mix to deliver emissions reductions at a lower cost.
- Focus more on promoting global technology change.
- Abolish biofuel targets to protect forests.
- Upgrade flood protection and sea defences, and develop a sensible charging system to pay for them.
- Take energy security more seriously, and redeploy Foreign Office officials to this task.
- Create a real market for waste and encourage energy from waste.
- Use market forces and deposit schemes to reduce litter.

Conclusion

The conclusion of the report ties together the free market principles which are at its core. It challenges the next government not to be afraid of risk and shed the blame culture with which the country is saddled. The authors suggest that following the recession there is a political opportunity to shift the status quo, which may not have been possible during the times of plenty. The report argues that it is through the individual's generation of wealth, and not spending cuts or tax increases, that the country will recover from its current difficulties. The most important task for the Government, in their eyes, is to reduce the regulatory burdens faced by these enterprising individuals and to create an environment which fosters and values their contribution.