Labour has to work out what being 'pro-business' means

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Another day, another thread from Twitter:

In an interview with the Financial Times Shadow Chancellor Rachel Reeves MP has pledged that a government led by Sir Keir Starmer would be proudly “pro-business”. But what does that actually mean? A thread....

A party on the left saying that it wants to be “pro-business” always raises suspicions. The obvious suggestion implicit in the claim is that at its core the party in question is not pro-business, or has not been, or is at the very least seeking to change perception.

Reeves claim is as far as I can see admission of all those things. The reporting I have seen suggests that Reeves is contrasting her position with that of the Corbyn team. The suggestion is that they were not pro-business and that she will provide a contrast.

What is much more surprising is that the framing is not anti-Tory, as it’s being reported. Johnson famously said “fuck business”. The Tory record on business has been dire, from Brexit to tax administration reform onwards, but Reeves does not focus on it.

Instead Reeves aligns with the Tories and Corbyn on what is by far the biggest issue of concern to every person in business, which is Brexit. She made clear Labour is opposed to rejoining the EU, aligning with the single market or allowing free movement of people.

It’s my suggestion that given how dire the Brexit experience is now proving to be, and how much it is regretted in the country at large now, this is the single most important barometer of being pro-business now.

Business wants the enormous admin costs of Brexit reduced. It also wants the barriers to trade that it creates removed. And it wishes to recruit the best people for any job that it can. Unless Labour can say it will address these issues no one will see it as pro-business.

Reeves does not suggest how she will align rules with the single market to permit trade flows, let alone address the other issues, so at the first hurdle this pro-business policy fails.

What else is missing? Since little else was said on this theme, with the discussion focussing on fiscal rules and tax instead, let me suggest what I think business really wants to hear from Labour, Brexit apart.

For most businesses the issues are regulation, the cost of borrowing and taxation costs, assuming Brexit is resolved, which is fundamental to resolving the first of these for big business.

For smaller business the biggest regulatory imposition is the demand still on the table from HMRC that they submit quarterly accounting to HMRC under the Making Tax Digital programme. There is a straightforward response to this that Labour must supply. They must scrap it.

Making Tax Digital is a massive admin burden. It presumes that small businesses are run to pay tax, and not that tax is a consequence of successfully running a business. And there is no proven gain so far to HMRC, including any evidence that compliance rates improve.

Like so many government IT programmes Making Tax Digital is a solution seeking a problem where it can offer no beneficial outcome. There are better solutions to the problem of small business tax non-compliance.

First, to be business-friendly Labour must invest in HMRC. Business wants its tax dealt with quickly and efficiently. It is not right now, and that has nothing to do with Covid. It has to do with too few staff who are under-trained by penny-pinching management to do their jobs.

Second, HMRC must be even-handed. So, every single limited company in the UK must be treated in the same way to create a level playing field on which all businesses compete. That means all must be asked to do tax returns when only half are now.

This happens because HMRC accept assurances from the rest that that are not trading. My response to that is “pull the other one”. We know about 10% of VAT due in the UK each year is not paid. Much of it is due by these supposedly dormant companies.

So, we must tackle this fraud, and honest businesses want that. Tackling the fraudsters and being easier on those who try to comply and make honest mistakes is a pro-business policy. It is easy to deliver.

You make companies harder to buy. You require that proof of who owns and manages companies be filed every year. Right now owning a company in the UK can be like licensed identity theft. That has to end.

Then require that accountants, lawyers and bankers confirm to HMRC which companies they have acted for each year, and who they think owns them. They have to keep records on this. Sharing them with HMRC would make financial crime a lot harder, and root out the rotten advisers.

In addition, make banks report the amount they banked for each company that they act for each year. They have this data, and the systems to report it for overseas-owned companies. Do it for UK companies and the ones trading fraudulently and not declaring it would be found.

We would get more tax. Honest business would not be undermined by cheats. And if directors were personally liable for fraud then more money might be collected. Forget punishing honest business with Making Tax Digital. Do this instead.

There are two other taxes to address. One is business rates. Sort it! And make it fair. Second, there is employer’s national insurance. It is absurd that business is penalised for employing people. An active search for alternatives is required, but that is another thread.

The next issue is the cost of borrowing. Business is in record debt because of Covid. They want to know the cost of borrowing will be kept low. Labour can do that by committing to using quantitative easing to achieve this goal. It should say so, now. That provides certainty.

What else matters? The N word, of course. This is where, I suspect, the clear blue water with Corbyn is being drawn. No nationalisation is in the agenda. My response is to say that’s got nothing to do with a pro-business policy.

When nationalisation is needed now it will be about business failure. Train privatisation has failed. We all know water is failing. So too is energy privatisation. As is the private sector in schools and the NHS, and elsewhere.

Being pro-business is about helping genuine commercial enterprises meet public demand. It is not about supporting quasi-monopolies extract reward from consumers by failing at excessive cost using crumbling infrastructure as dividends are prioritised over investment.

Just because something is run by a private company does not make it a valuable business. Sometimes it is just exploitation. To be pro-business Labour has to spot the difference. And, when essential services that have been privatised are failing people want a government to step in.

This is important. Labour cannot just be pro-business. It has to be pro-consumer and pro-electorate too.

It has to provide honest businesses with clear rules that minimise cost and the risk of penalties. It has to focus penalties, especially, on those who deliberately cheat, so it has to find them. And it has to keep markets open, which means being open to Europe.

Couple that with certainty on interest rates and by providing underpinning for the essential services like water, energy and transport on which business also relies and you have a pro-business, light regulation, fair tax agenda.

That’s what I want to hear from Labour. I suspect that is what many in business would like too.