

british business after the election

The Conservative victory in the general election seems to have been broadly welcomed by British business. Under the leadership of Ed Miliband, the Labour Party had strayed away from the business-friendly formula pushed by Tony Blair. Mr Miliband's condemnation of "predatory" capitalism, his pledge to impose price-controls on energy and his promise of higher taxes, had all combined to create wariness of Labour amongst many business-people.

But corporate opinion is not monolithic and the prospect of a second Cameron government has created both hopes and fears in the business community.

The biggest reservation that many business people have about the new government is its commitment to a referendum on British membership of the European Union. The Confederation of British Industry – the largest employers organisation – is pretty clearly in favour of continued British membership of the European Union. Many big foreign investors – such as Japanese car companies and European banks – have invested in the UK on the assumption of continued unfettered access to the EU's single market and they are also clearly worried by the prospect of "Brexit" (a British

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exit from the EU). Some warn that even the threat of a Brexit might have a chilling effect on investment, until the uncertainty is resolved.

By contrast, support for a fundamental renegotiation of Britain's relationship – or even for Brexit itself – is stronger in the small-business sector, where the EU is closely associated with onerous regulation.

Both the "Yes" and "No" campaigns will have impressive-sounding rosters of business supporters. But the whole renegotiation and referendum process may be uncomfortable for the majority of businesses that prefer to keep a low political profile. They are likely to be pestered by the "Yes" and "No" campaigns – and by the media – to express a clear preference on the European issue.

On the domestic front, the Conservative Party's promise to restore order to the national finances and to do so largely by

cutting spending is the kind of thing that tends to go down well with business-people – who usually believe in balancing the books. That said, Mr Osborne's plan to achieve a fiscal surplus by the end of the parliament looks ambitious. If sharp cuts in public spending cause a slowdown in growth, some business people may advocate taking a slower road to fiscal balance.

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The appointment of Sajid Javid as business secretary has pleased the many groups and corporations that have been calling for a reduction in red-tape. Mr Javid has a reputation as a Thatcherite and has promised to slash regulations that add £10 billion of costs to business. But while there is no doubting Mr Javid's reformist zeal, a certain scepticism is in order. Almost all governments promise to slash regulation. Michael Heseltine promised a "bonfire of red tape" in the early 1990s. In reality, cutting regulation turns out to be harder work than many imagine. Mr Javid has already played down hopes that he will make it easier for businesses to lay off unwanted employees.

Amidst all the general talk about Europe, regulations and budgets, many business people will focus on more specific issues – in particular airport capacity and immigration.

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The long-delayed decision on expanding airport capacity in the South-East of England will be seen as an acid test of the Cameron government's willingness to take difficult political decisions. A decision is promised early in the life of government. If it is anything other than a swift expansion of Heathrow, there is likely to be much grumbling from business.

Finally, the Cameron government's promise to redouble its efforts to control immigration will make many businesses nervous. Since it is impossible, under European law, to put limits on the number of EU citizens who move to Britain, it will be immigration from outside Europe that takes the pressure. In particular, that is likely to mean that it gets even harder to obtain work-visas for non-Europeans – even for skilled and highly-paid employees.

That issue is likely to be a continued source of irritation for British business, including some of Mr Cameron's biggest backers, in the City.



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