

The purpose of government? – a bit of a moan but with a few thoughts

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Introduction

Some time ago I wondered '**what is the real purpose of government?**' and started to ask people who should know; I was met with answers that began to define functionality – but not purpose:

- To make laws
- To ensure people comply
- To manage infrastructure
- To raise revenue

Eventually after much digging, I got to:
“To ensure the safety of the realm, to improve the circumstances of those within the realm and to maintain a system of effective democracy now and into the future”

An answer that actually defines purpose

So let's explore some of what has happened:

- Due to too much political intervention outside their areas of responsibility – overseas – We are less secure than we have been since the second world war

We are less secure due to the threat of terrorism, and also in terms of energy since we wasted the North Sea opportunity and became beholden to overseas suppliers

- Due to a lack of political intervention we have seen our savings tumble, house prices collapse and sound businesses fold whilst those responsible continue to live well either through their earlier mismanagement, or secure in their public sector jobs

When debt repayment is taken into account and lack of liquidity in the country as a whole, we are surely less well-off than we have been since the Second World War

- Due to avoiding the issues, lies and incompetence have been hidden under spin and deceit that has been taken to a new level as a means to avoid issues or postpone making meaningful decisions

Never has there been less accountability with fewer decisions, other than to go with the populist press in order to be 'everyone's friend'.

It is this spineless management that led to the significant industrial unrest when we once had a manufacturing presence

And what is being done now that we:

- Have squandered our ability to make things, other than books and films
- Have lost the will to trade goods and services
- Are tied up in pointless bureaucracy
- Have some 900,000 supernumerary pen pushers and regulators, hired to keep down unemployment figures – and who will attract pensions in the future

It was said some 30 years ago that we were running the risk of being reduced to selling insurance and hamburgers to each other with no sustainable source of revenue inflow.

We've sold whatever productive capacity we had to overseas companies which can readily repatriate profits

We support off-shoring; which is money laundering by any other name, legitimised so that those with money (including the corporations) can keep their money.

At a recent lecture it was reported that the top 50% of UK GDP (from the FT 500) contribute just 8% of corporation tax; the other 50% of GDP (the SMEs) contribute the other 92%!

But it's worse than that – we are being exhorted to buy Chinese, Japanese, Korean and Indian goods to exacerbate the flow of funds from the country (is this to generate VAT and other taxes to support government, yet impoverish the country as a whole?)

And, Dubai is looking increasingly popular as a place to site the stock exchange, which is the one significant source of revenue that we still have, and that's pretty suspect as things stand at the moment.

We have diluted our culture and heritage with Christmas trees now becoming 'holiday trees' stopped kids playing conkers, banned egg & spoon and pancake races in case someone gets hurt, permitted women-only clubs when a men-only club get coverage as sexist and to be reviled; and we have a voting system that favours actors and sycophants in place of people who know what they're actually doing.

Some Conclusions

Our politicians have failed us on every front – yes, they're good with words, blame and cover-up but the inescapable conclusion is that in 'performing' their public duties they have succeeded in making this nation:

- More open now to terrorism
- Worse off now than for over 40 years
- Less secure in the future for energy supplies
- Impoverished in the future as borrowings and unnecessary index-linked pensions will need to be paid
- Possibly abandoned in the future as our one source of significant revenue goes to Dubai for reasons of personal taxation.
- One that is managed by actors and lawyers in place of people with genuine business skill or entrepreneurial competence

Some thoughts about possible solutions

Measure What Matters, Not Anything That Moves

Decide what is actually important for the nation – not for those in government.

As an example, a well known confectionery company manages a global business on just one financial ratio; a prominent Business Link reports 192 different variables on a monthly basis – bureaucracy gone mad. The confectionery company turns over billions, the Business Link a few million

As a guideline, the cost of admin should be between 16% and 25% of turnover; for the confectionery company it's about 17%, for the Business Link about 55% (that is what is visible, never mind people managing admin as well as trying to do their other jobs – estimate 10% more) – a criminal waste of public money because no-one has provided a clear mandate

Provide Genuine Support For Small Business

How about putting back the Business Links under commercial management, not run by career politicians, or their old school pals?

Decision-Making

Explore the substance of government promises – easily made, rarely delivered – why?

A decision involves commitment, and if held off for long enough, any decision becomes a good one¹. To a competent manager the purpose of a decision is to make the problem smaller; to a politician, focused on appearance rather than reality, the purpose of a decision is to push the eventuality into the distance, so that it just looks smaller.

¹ See the *International Journal of Management and Decision Making* Vol. 6, Nos. 3/4 pg 372 ff.

The major outputs are announcements that sound good but never lead anywhere. Some incisive decision-making would be a welcome change from dither and spin

Teamwork

Will Schutz (to simplify) identified three stages that successful teams will go through: common purpose, authority with responsibility then openness.

Our politicians are so interested in what's in it for themselves (explore the issues over expenses and their being declared); how many MPs (and MEPs) have been reprimanded, for unethical use of public funds, yet none have been fired or told to pay back the money – they simply get barred from the House for a couple of weeks (paid holiday)

A start point might be to demand total transparency, where those people acting with devastating incompetence or illegally (as in commerce) are fired and their ill-gotten gains confiscated.

One example might be second mortgages on London homes paid from the public purse; on retirement, or cessation of office, those properties revert to the treasury – not the individual's bank account

Stop Tinkering

Eurofighter – late, the dome – over budget, Wembley – an embarrassment. Unofficially, a major UK civil engineer turned down the opportunity to build the new Wembley Stadium because they knew that such a high profile project would attract all and sundry determined to leave 'a legacy' and result in over-runs, delays and re-build to accommodate people with little or no understanding of the project.

On the other hand, a significant rebuild on a Crown property (£70m+) was managed to time by challenging the politicians and meddlers to upset the Queen.

The response to requests for change ran along the lines of "So if there's delay because of this amazing idea of yours the Queen will need to be informed of what, why and whom, and also of any revisions or delays to the opening schedule" – this seemed to allow the project to go to time; pity the Queen isn't involved in a high profile launch of tax-spender's money.

Make Off-shoring Illegal

With the top 50% of GDP delivering 8% of taxation, off-shoring could be made illegal and as a conservative estimate, this could boost the exchequer by about 25%.

Some people might argue that good companies would go abroad, but then if a company isn't paying the right tax, or is foreign owned (repatriating profits) is this an argument of any substance?

A similar argument exists with wealthy individuals: we could lose them if tax regimes are unfavourable, but many of them are already officially UK residents for less than 150 days a year and so avoid tax as non-domiciled.

Make Taxation Simple

Separate taxation from National Insurance (NI). Tax may be used to run the government machine; NI may be used to pay for hospitals, pensions and the things that go to caring for people. It would also make absolutely clear the wastage that goes on in government – see below and the cost of social support

Reduce The Civil Service

Alan Clark (the MP who lived in a castle) pointed out over 20 years ago that you could lose an entire layer of Whitehall and no-one would notice; this was riposted by another MP to the effect that "government is an inherently wasteful process" – this then makes everything OK.

Given inherent wastefulness, the public sector can continue with no pressure to be efficient (Unlike the private sector that pays their wages and pensions). This is a mind set that should be addressed, and could be started by adopting zero based budgeting

We are overburdened by red tape, obfuscation, measurement and blame. So why not **pension off the mandarins** who believe power comes with size of budget and numbers employed?

The impact would be to remove the protective cloak from those below, in turn opening the way for a good proportion of the 900,000 supernumeraries² to be removed – these are the people who will be given index-linked pensions but contribute little³ (it would be salutary to compare their residual cost to the NI collected).

Jobseekers allowance will no doubt be cheaper in the long run than their on-going salaries and the pensions accumulating from the years yet to be worked.

Actually Take On The EU

Too often we have rolled over and accepted the rulings of Brussels however damaging and costly; these people should be held to account and, if they fall short, we withhold their payments – it's surely crazy to pay for services we don't receive and support people who don't deliver

Provide Support For Society

Make money directly available to people for borrowings, and to business for cash flow

² More than 1.3 million of the 2.2 million jobs created between 1998 and 2006 were in public sector areas ... Given that at the start of the period only one-fifth of all jobs in Britain were in the public sector, it is clear that state job creation has been nearly six times as fast as private job creation *Daily Mail 26th November 2008*

³ See also C Northcote Parkinson, *Parkinson's Law*, Penguin Books, ISBN 0-14-009107-6 First published 1957 and still very relevant

It could open the way to give a lease of life to the Post Offices whilst ensuring government policy is properly administered. At the same time putting a bit of pressure on the High street banks to act responsibly for once.

Some Initiatives?

Turn the Bank of England into a lending bank

The government now owns, or more or less owns: RBS, Northern Rock and the Post Office; sufficient outlets and coverage, staffed by experts to provide basic bank lending and savings, mortgages, unemployment benefit and pensions.

Ignore Brussels claiming it's anti-competitive – just as the Italians would do, let the lawyers spend the next five years earning fat fees whilst nothing happens and we get out of this problem and let the other recalcitrant banks sort themselves out.

There might even be a decent bonus for the taxpayer as 'The Bank' attracts increasing numbers of customers and rising share value to deliver good dividends and a significant return when put back into private ownership

Hospitals

Let's forget about equal opportunities, and the inability to discipline without fear of reprisal and bring back a matron who has some real authority

Education

Let's unashamedly bring back: streaming, English grammar and discipline – not just for the pupils but also the teachers, perhaps dressing as if they mean business not as someone having a break from their morning jog.

Industry

Support invention at the SME level, much of the support is tied to education (often slow and unaware of commercial confidence) or to big companies that can handle the significant administration needed to justify a government grant⁴

Much innovation is in the SME sector, but not accessible due to lack of development – Dyson is typical, going to Japan for support then Hoover tried to copy (losing the subsequent court case) and Trevor Baylis is quite vitriolic about government's lack of understanding of innovation

The Prison Service

Equal opportunities, personal dignity and all those regulations that take away direct management intervention should be removed on entering the prison, a big number of released prisoners re-offend, there should be some swing of the pendulum back from rehabilitation to some punishment.

Secondly, on reoffending, double the sentence that would have been applied and keep doing so. For example the persistently offending motorist is banned for three months, then six months, and then is caught shoplifting which would normally carry one month in jail; the sentence now becomes four months.

After a period of overcrowding, the message should get through and the prison population begin to see sense and decline in numbers. After a couple of times being caught, people might think twice about re-offending.

⁴ One SME declined the £40,000 needed to develop a new carbon fibre application as it did not have the resources to properly administer to the required level of detail

Favours And Promises

Some of politics operates through 'favour banks' – helping other politicians during the (technically necessary?) overseas trips. Is it possible that some of these favours and promises create imaginary barriers to new initiatives and could be suspended?

Where to start?

There are a good many more possible initiatives than those mentioned above, for example *defence of the realm* is only touched upon in the stop tinkering thoughts, and democracy isn't mentioned other than obliquely in favours and promises,

Whilst there are some thoughts about society, society will not function without the support of government and industry, so surely the key is to get overseas trade moving to generate foreign currency, provide work and improve the lot of the population. We're good at invention (carbon fibre noted at footnote 4) and the creative arts (Harry Potter); we're no longer good at mass manufacture, other than very specialist items such as Burberry or Rolls Royce.

So, in order of priority wouldn't it make sense to:

- Turn the Bank of England into a lending bank using RBS, Northern Rock and the Post Office
- Remove the overburdening bureaucracy needed to manage even quite modest innovation grants⁵ and reduce the Civil Service element needed to administer these grants (Parkinson's Law again)
- Make funds readily available for development, then funds for prototyping, then for production

The thorny problems of ego, waste and accumulating pensions can be tackled some time later.

⁵ And accept that there will be some misappropriation of funds, but not to the cost of the government audit process or the time taken to complete the paperwork

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