Comment

A strong industrial strategy has many benefits

The argument ought not be about whether Whitchall should or should not be involved in driving growth. They also allow greater synergy between macroeconomic stimulus, financial market reform and innovation. This can lead to bigger multipliers than "infrastructure spending," the policymaker's default panacea.

On the finance side, the problem is not quantity but quality: industrial and innovation policies require long-term, strategic finance, while the UK continues to reward short-term finance. The few attempts at building sources of patient public finance have been neglected, with the successful Green Investment Bank, for instance, in the process of being privatised. Indeed, just as the debate should not be industrial strategy versus free market, at the organisational level it should also not be about public versus private. There is no reason for the government to sell its entire stake in the GIB. It could retain a significant share, ensuring that it is neither fully public nor wholly private, and use the public share to direct green innovation in the long term.

Similarly, there is no compelling reason for Channel 4, the British public service broadcaster, to be privatised. It can continue to offer opportunities for private sector broadcasting activity, through procurement; so far it has done this successfully with a good return for the taxpayer.

Why should the public sector not get some return on successful investments, sharing the risks and rewards, precisely so that it can cover the failures that inevitably come with innovation? This also entails seeing intellectual property (patents) not as "rights" but as contracts to be negotiated between government and business so that innovation is nurtured rather than stifled. We need the interesting conversation about investment-led growth but the last time it began it was cut short before it really started. This time, we must do better.

The writer is author of "The Entrepreneurial State" and co-author of "Rethinking Capitalism".