

NAME/TITLE

Cox Review

Overcoming short-termism within British business: The key to sustained economic growth

http://www.yourbritain.org.uk/uploads/editor/files/Overcoming_Short-termism.pdf

Date published: Report Feb 2013

Contributors, funders, political or ideological position

Commissioned by the Labour party but an independent review with a steering group consisting of business and trade union leaders and academics

ABOUT/KEY MESSAGES (in its own terms)

The investigation confirmed that short-termism constrains the ambition of UK business, holding back its development and inhibiting economic growth. The research established that the causes include, but go well beyond, the oft-blamed functioning of capital markets.

Does this review offer any compelling narrative for business leaders in particular, i.e. about the purpose and role of business and financial institutions, about values and ethics, about the relationship between business and society?

The review found an overwhelming consensus, not just on the importance and nature of short-termism, but also on the sort of things that need to be done to address it, particularly the role that government needs to play. This might seem surprising in view of the wide range of individuals and bodies consulted. It is often assumed that business simply wants government to get the macro-economy right and get out of the way. However, that is not the case. Indeed, there was recognition that the issue cannot be addressed without strong government action.

What is needed is a strategic approach for the pursuit of long-term growth. It has nothing to do with 'picking winners' or getting involved in the way companies are run. It has everything to do with creating a structure from which winners emerge.

Government – regardless of political persuasion – needs to focus much more on how wealth is to be created, not just on how it should be distributed.

WHAT QUESTIONS IS THIS REVIEW TRYING TO ANSWER?

WHAT PROBLEMS IS THIS REVIEW ADDRESSING/ATTEMPTING TO SOLVE?

Perceived short-termism and lack of strategy for the long-term growth of the UK economy

HOW DOES THIS REVIEW IMAGINE CAPITALISM WILL BE DIFFERENT IN THE FUTURE?

Government, businesses, investors and financial markets will take a longer term view, creating the environment for economic prosperity.

WHAT RECOMMENDATIONS DOES THIS REVIEW MAKE FOR THE VARIOUS ACTORS

National governments/regulators

Industrial strategy should form a cornerstone of government policy: providing a clear vision of how the UK is going to build a competitive business in the 21st century. This includes

- Improving the functioning of equity markets, providing greater incentives for long-term investors, correcting the bias that favours debt rather than equity finance, and encouraging a longer-term corporate culture.
- Supporting the smaller company by providing more longer-term equity finance.
- Creating a mechanism to take infrastructure investment out of party politics.
- Building the nation's research capability.
- Making greater use of public procurement to support innovation and to stimulate the supply industries.

Trading corporations/business leaders/collective business institutions

Investors: individuals and institutional

Financial institutions

International institutions

Does this review have anything to say about major medium to long term economic and social issues

- Supplies of the essentials of life: Food, Water, Housing, Energy and Transport
- Climate change, resource depletion, loss of biodiversity
- Population growth and demographic change
- Economic growth, innovation, employment, the distribution of income and wealth
- The governance of business and the financial system; public trust
- The respective roles of government and business
- The respective values of economic, social and environmental capital

The review primarily addresses issues of economic growth, innovation and investment, and the long-term competitiveness of the UK economy. It covers some issues relating to the financial system and calls for a greater role for government in creating the environment for long-term economic prosperity.