

Business Barometer project – press release May 5 2010 – views on the prospect of a hung parliament.

Would a hung parliament
be ‘bad for business’?

Businesses are worried about the potential impact of an inconclusive election, according to an online survey run by The University of Nottingham Institute for Enterprise and Innovation (UNIEI).

A survey suggests a majority of smaller business owners feel that a hung parliament – with no party able to secure an outright majority in the House of Commons – would be bad for the economic situation.

The quarterly UK Business Barometer found that those who were pessimistic about the situation following a hung parliament outnumbered the optimists by three to one. Out of more than 100 respondents, almost 55 per cent felt a hung parliament would worsen economic prospects ‘somewhat’ or ‘greatly’, compared with 18 per cent who thought it would improve the economic situation.

In a parallel survey, the UK Business Adviser Barometer, the split was even more pronounced. Among more than 180 business advisers questioned, 59 per cent felt economic prospects would worsen if there was no outright winner on May 7th, compared with 13 per cent who felt they would improve.

But an academic in the University of Nottingham’s School of Politics and International Relations questioned whether their fears were justified.

Professor Philip Cowley, an expert on British parliamentary elections, said: “In comparative terms, there’s nothing for business to worry about with a hung parliament or a coalition. There’s no evidence that economic performance is any worse in political systems that have hung parliaments, or coalitions.

“Indeed, in the past advocates of proportional representation always used to argue that one reason for Britain’s relatively poor economic performance in the 1970s was that we had single party government – and thus saw regular u-turns in key policies – compared to countries such as Germany which had coalition government and were thus more stable. The extended periods of one-party government that we have seen in the UK since 1979 (first under the Conservatives, then under Labour) mean that we hear that argument rather less these days.

“The fear for business is not so much the hung parliament itself, but the reaction of the parties to it. What businesses (especially in the City) fear, is a government unable to take difficult decisions, a period of drift and indecision, caused either by a party trying to govern in a minority administration (and thus looking ahead to a second election) or an unstable coalition. But a stable coalition could be as able to take difficult economic decisions as a single party government.

“It is therefore the reaction of the parties to the result, rather than the result itself which is the problem.

“Moreover, there is a problem in seeing this issue as a clear divide between a government with a majority or one without. A Conservative majority of, say, 10 will not in practice be very different to a Conservative minority government, short of a majority by 10. Neither would be especially stable. A small Conservative majority will be easily hit by backbench rebellions – as happened the last time the Conservatives were in power with a small majority.”

More expert views and analysis on Election 2010 at: <http://www.electionblog2010.blogspot.com/>

A hung parliament occurs when no single party has enough MPs – 326 – to win parliamentary votes without the support of members of other parties. If that situation emerges on May 7th, the parties will enter into a period of negotiation to decide the shape of the next government.

The UKBB and UKBAB surveys, which are completed online, assess current business conditions through a series of topical questions aimed at smaller businesses. The questions change each time the surveys are circulated.

The surveys assess current business conditions through a series of topical questions aimed at smaller businesses and their advisers. The surveys are issued bi-monthly and more information, including results and analyses, can be found on the web at www.ukbb.ac and www.ukbab.ac. Businesses and advisers wishing to contribute as panellists on the project should visit the appropriate Business Barometer website to register.

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Notes to editors: The University of Nottingham is ranked in the UK's Top 10 and the World's Top 100 universities by the Shanghai Jiao Tong (SJTU) and the Times Higher Education-QS World University Rankings.

More than 90 per cent of research at The University of Nottingham is of international quality, according to RAE 2008, with almost 60 per cent of all research defined as 'world-leading' or 'internationally excellent'. *Research Fortnight* analysis of RAE 2008 ranks the University 7th in the UK by research power. In 27 subject areas, the University features in the UK Top Ten, with 14 of those in the Top Five.

The University provides innovative and top quality teaching, undertakes world-changing research, and attracts talented staff and students from 150 nations. Described by *The Times* as Britain's "only truly global university", it has invested continuously in award-winning campuses in the United Kingdom, China and Malaysia. Twice since 2003 its research and teaching academics have won Nobel Prizes. The University has won the Queen's Award for Enterprise in both 2006 (International Trade) and 2007 (Innovation – School of Pharmacy), and was named 'Entrepreneurial University of the Year' at the Times Higher Education Awards 2008.

Nottingham was designated as a Science City in 2005 in recognition of its rich scientific heritage, industrial base and role as a leading research centre. Nottingham has since embarked on a wide range of business, property, knowledge transfer and educational initiatives (www.science-city.co.uk) in order to build on its growing reputation as an international centre of scientific excellence. The University of Nottingham is a partner in *Nottingham: the Science City*.

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