

The Coalition and Beyond

Liberal Reforms for the Decade Ahead



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Foreword

Over the last decade the Liberal Democrats have been fortunate to have had a healthy internal debate over the future of liberal ideas and Liberal Democrat party policies. Each of *The Orange Book*, *Reinventing the State* and *The Green Book* have brought interesting and powerful ideas to the table. Many of the ideas in those publications have become party, and indeed government, policy and I'm sure more will in the future.

The Coalition and Beyond: Liberal Reforms for the Decade Ahead stands firmly in that proud tradition. Along with most other readers I don't agree with every idea in here, and I suspect not all of them will make the cut as party policy. But I do welcome them as exciting, innovative and thoughtful contributions to debates about what our party should stand for and do over the next decade. I'm sure they will provoke plenty of passionate and thoughtful debate – at conference, on the fringe and beyond.

I particularly welcome the fact this is not simply authored by a list of the party's "great and good" returning to their favourite policy hobby-horses. Instead this is an authentically grassroots and diverse publication with ideas, wisdom, experience and views coming from all parts of the party. That is absolutely as it should be; Westminster, Whitehall and indeed our party committees are very far from having a monopoly of wisdom when it comes to policy formation.

Our party has always been one of vibrant debate and intellectual discussion, as a liberal party should be. *The Coalition and Beyond: Liberal Reforms for the Decade Ahead* is an important contribution to those debates and discussion, and one I hope party members will engage with. Congratulations to Liberal Reform and all those involved in pulling it together – let the debates begin!

Nick Clegg MP

Leader of the Liberal Democrats and Deputy Prime Minister

Introduction

"I wonder what he meant by that?" asked Metternich on hearing the news that Talleyrand had died. When a new political pamphlet is published, with the parties limbering up for the 2015 general election, there will inevitably be those who question its intentions. Especially because Liberal Reform openly presents itself as committed to the 'four-cornered freedom' – personal, political, social and economic – identified in David Laws' introduction to *The Orange Book*, a volume published in 2004 yet which still divides opinion within the Lib Dems.

So, unusually, I'm going to begin by saying what this pamphlet is not. It is not a right-wing / neoliberal / Tory / free market / Thatcherite* manifesto (*delete according to taste). Nor, for those who study Lib Dem 'Kremlinology', is it a power-grab by an internal faction designed to subvert the party's democratic policy-making. Sorry to disappoint those who are looking either to praise or to bury it on those grounds (though I'm glad if such false premises enticed you to start reading).

That's what it's not – so here's what it is. This pamphlet is, quite simply, a collection of essays bringing together a diverse group of individuals – all of whom are, with one exception, Lib Dem members – with fresh ideas about how to create a more liberal society.

Six are parliamentarians of whom one is a government minister (Norman Lamb); two are backbench MPs (Stephens Lloyd and Williams); one leads the party in the Welsh Assembly (Kirsty Williams); and two represent us in the Lords (Baronesses Kramer and Tyler). Fourteen are active Lib Dem members, including two parliamentary candidates: Layla Moran, aiming to win back Oxford West and Abingdon from the Conservatives, and Antony Hook, looking to represent the South East of England in the European Parliament.

No-one who reads all the essays here will, I predict, agree with all that they say. I certainly don't. Just as *The Orange Book* brought together such disparate voices as David Laws and Vince Cable (who advocated radical market reforms in health-care and further education respectively) with Steve Webb and Chris Huhne (whose ideas on families and internationalism were in line with established party policy), so does this volume. That's healthy in a party self-confident in its own liberal philosophy. We should be relaxed about letting a thousand flowers bloom. Adam Corlett, arguing against the prohibition of drugs, prays in aid JS Mill's fabulous definition of the 'single truth' of liberalism being 'the importance, to man and society of a large variety in types of character, and of giving full freedom to human nature to expand itself in innumerable and conflicting directions.' That descriptor is lived-out fully in the pages which follow.

Those in search of strong meat should turn post haste to the chapter by the lone non-Lib Dem interloper, Sam Bowman, research director for the Adam Smith Institute, who was voted Liberal Voice of the Year 2013 by readers of the LibDemVoice website. There you will find an eloquent advocate of 'bleeding heart libertarianism', the 'new term for an old idea' of combining 'concern for the poor with scepticism of the state'. Readily accepting that few Lib Dems will agree with all his free market ideas, he identifies areas where we could find common cause: liberalising our immigration, drugs and planning

laws, for instance. If we truly believe in pluralism then we need to drop our label-conscious suspicions and be open to exploring areas for agreement across the political spectrum. Though ironically, it is the Conservatives – the supposed party of the market – who will have more problems with reforms in these areas than Lib Dems.

What Sam terms ‘modern mercantilism’ – particularly the protectionism of our planning laws which restricts houses being built and thus prevents those on modest or low incomes being able to afford to buy or even afford to rent – is elaborated by Tom Papworth and Tommy Long. The solutions offered are distinctively liberal. Yes, we need to build more houses, including in places where current residents do not want to see development. But this cannot be achieved through central government diktat, nor by brow-beating local people as ‘Nimbys’ when their opposition, based on their own quality of life, is quite rational. Instead, we need to put the public back in charge, giving local people the right to decide what’s built (or not) in the areas where they live and to determine their own price for it.

This emphasis on local solutions to national problems is echoed by Kirsty Williams, who urges greater devolution both to Wales and to the English regions to stimulate growth, rather than relying – as the current nascent recovery does – on the London-centric, financial services-dominated model which crashed so disastrously in 2008. We need as a nation to develop a distributed economy – ‘of a large variety in types of character’, as Mill might have said – and that is Susan Kramer’s *cri de coeur*, as she champions local banking networks which are focused on their communities and also run by them.

The Lib Dems came into government in 2010 at the worst possible post-war moment. The economic slump out of which we’re gradually emerging has been the longest in a century, even beating the Great Depression of the 1930s. Rightly, this has focused our party’s collective minds on policies that can deliver better standards of living for the least well-off. The initial priority, delivered in Coalition, has been to ensure those earning less than £10,000 pay no income tax. But Nick Thornsby proposes going much further: setting a genuine living wage and raising the income tax and National Insurance threshold to the same level. This would put an end to the government-sponsored ‘boondoggle’, which sees the state tax with one hand and give out benefits with the other – including to wealthy pensioners who need the money a whole lot less than the working poor. As Alison Goldsworthy points out, ‘the public may have more of an attitude for the state to go on a progressive diet than we think’.

Our Conservative coalition partners have also turned their attention to the least well-off – for the purpose of pitting the ‘shirkers’ against the ‘workers’ in a too-blatant attempt at divide-and-rule. Their tactics get short shrift from Stephen Lloyd, as does Labour’s defence of benefit dependency. Both stereotypes – ‘work-shy scroungers’ (right-wingers) or ‘poor, put-upon victims’ who should be left alone on benefit (left-wingers)’ – are, he says, despicable: ‘a concerted, community effort by UK plc to help people get back on the ladder’ is the best liberal response.

Getting those who are able back into work is the destination. How you get there depends on three things.

First, and most significantly, your upbringing. Liberals, scrupulously eager to live and let live, have often backed away from anything that might be couched as 'family policy'. Yet, as Claire Tyler observes, 'it's often from a strong family base that people start providing help and support to neighbours and extended families' – or, to borrow Mill's phrase, 'giving full freedom to human nature to expand itself'. She and Nick Manners suggest a range of ways we can offer support which stops well short of interference.

Secondly, maintaining your health and wellbeing. Norman Lamb, through his prescription for the NHS, and Jonathan Jones, by urging us to look beyond GDP towards the simplicity of what makes us happy, both acknowledge the value of a life well lived.

And thirdly, education – the capacity to learn, to stretch yourself, to make life better for yourself and those around you – whether through formal school education (as Paul Hunt and Layla Moran focus on) or at university or in vocational training (as Stephen Williams emphasises).

Liberalism embraces individualism: the thirst for self-improvement and its diversity of expression. But, just as a concert needs an audience to pulsate with life, so too do each of us find true self-expression through our interaction with others – our family, neighbours, friends and colleagues. We can live as islands, entire of ourselves. But we are social beings who thrive on connections and inter-connections: individuals within families within neighbourhoods within towns within nations within a global community. To be a liberal is to be an internationalist, to recognise and celebrate the commonality of humanity which bridges nations, races, ethnicities and religions. Antony Hook and William Townsend examine how, practically, liberalism can make a difference within the European Union and through our overseas aid programme.

Like a parent with children, as an editor you're not supposed to have a favourite. But David Boyle's chapter on how we need to place the individual at the heart of public services – and in particular start to distinguish between offering genuine choice to people and merely ensuring service providers are competitive – is mine. It illustrates vividly both the potential prize for a liberal approach to public services (flexibility which means the individual gets what they need in the way they want it) and also that such an approach can be both more effective and efficient (ending the waste of giving the public what they don't want in order to meet government targets).

The Lib Dems are now in our fourth year of Coalition. In the easy days of opposition we could only imagine being in government. We lacked the experience of having to get to grips with the nitty-gritty reality of implementable policy detail. And, as Richard Marbrow highlights, there have too often been internal contradictions between the liberal outcomes we seek and the policies for which we end up campaigning: anti nuclear, but wanting low-carbon energy; pro-greenbelt, but wanting more houses; anti-hospital closures, but wanting ever-improving specialised health-care.

There are no excuses now. We have another 18 months in Coalition; and – who knows? – maybe another five years beyond that. We need to work out what are our liberal aims and how we are going to deliver them. The task is much, much harder now we're a party of government. Not only do we need the fully worked through policies which give our manifesto credibility and enthuse party activists, we need also to work up the bite-size policies achievable within the compromise of Coalition that will nevertheless move

us in a liberal direction. Because if we don't claim that space, as we so effectively have on taxation but have generally failed to do on public services, we can be sure the other party we're in any future coalition with will do it for us, whether Tory or Labour.

As a party we love nothing better than a good policy row. The trouble is we too often allow our debates to be defined reactively by our opponents' agenda. We passionately argue for/against free schools or the NHS Bill or the top-rate of tax. They're all interesting debates to be had. But they don't move us much further towards identifying liberal solutions to improve education or health-care, or to raise living standards.

I hope this pamphlet helps the party in the process of identifying those solutions – whether by highlighting ideas we like, or by provoking others to come up with better ideas in response.

Stephen Tall

Stephen Tall has been Co-Editor of Liberal Democrat Voice, the most-read independent website by and for party supporters, since 2007 and is a Research Associate for the liberal think-tank CentreForum. He was a city councillor in Oxford for eight years, including stints as executive member for finance and Deputy Lord Mayor, and appears frequently in the media in person, in print and online. Stephen combines his political interests with his professional life as Development Director for the Education Endowment Foundation, an independent grant-making charity dedicated to breaking the link between family income and educational achievement.

A Whole New Kind of Choice in Public Services - David Boyle

I met a long-term patient while I was doing my independent review for the Government into 'Barriers to Choice'¹ who really made me think differently about the subject of public services.

She had muscular dystrophy and had to see her consultant every six months, which meant a two-hour round trip plus half an hour or more in the waiting room. It meant going over a large river and paying a toll (which she would not have to pay if she was visiting a relative in prison), and all she says, when the doctor asks her how she is, is "I'm fine".

What she really wants is to check in occasionally by phone, and see him when she's not fine. But she can't because his slots are full seeing people who are also fine. There is a clue here also about how to release capacity in the NHS: it might be to examine whether long-term patients might prefer to have a more flexible relationship with consultants.

This particular patient had tried and had been told by the consultant's secretary rather aggressively that, if she failed to turn up for her next appointment, she

would be struck off the list.

But what this story really brought home to me was that she was asking for a rather broader conception of choice. It was a 'choice' about her treatment, in a sense, but not one that is recognised currently by the system in the UK.

When the idea of public service choice emerged in the US public school system, it was envisaged as a lever to enforce quality. It allowed poor, excluded families to send their children to the best schools, when the inner city ghettos had tended to trap them in the worst ones. When school choice was introduced into the UK in 1994, it had a similar intention.

That was not quite how things have ended up. School choice has worked quite well in the UK – though certainly not in London, where choice is a mirage – mainly by lowering people's expectations. It is not so much choice as the right to express a preference.

None of this suggests that choice between providers is a bad thing. The problem with it is that it has been developed, rather

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expensively, by a group of economists as a way of raising standards. It has been politically controversial because of fears that choice would inevitably benefit those who are articulate and demanding enough to make use of it.

Ironically, it has been developed by people who – as one of them told me – are not terribly interested in choice. 'Choice' in Whitehall has become a shorthand for competition. The two terms are used interchangeably. The difficulty is that 'choice' and 'competition' are not actually the same, and the failure to distinguish them has narrowed the idea of choice in a way that has made it politically ambiguous.

As service users know very well, there are times when choice and competition are aligned, but there are also times when they cancel each other out. This is so, for example, when the actual choice is made not by patients, but by service commissioners choosing between two alternative candidates for block contracts. Or when the weight of demand is such – as it is for some popular schools or GP surgeries – that the choice is made by the institution, not by the user. In both cases, there is competition, but no user choice.

This is a long-term problem for the choice agenda in the UK. It means that choice is politically unstable. It is controversial because it appears to have a hidden agenda (competition) and an unspoken by-product (inequality). That makes it appear vulnerable to a change of political leadership, just as it is vulnerable to professionals who disapprove of, or misunderstand, it. In social care, the vast majority of professionals have bought into the agenda of control and personalisation, although there are disagreements about how this is best promoted. In other areas of public service, like parts of the NHS, ‘choice’ is sometimes seriously contested.

What really needs to happen, it seems to me, is to broaden the idea of

choice so that it breaks out of the confines of competition, and covers the kind of flexibility people want in the services they use.

The new emphasis would be not so much on choosing between regulated options, but on making services flexible enough to suit individuals better – closer to the ‘personalisation’ agenda in social care, where service users can get budgets they can (theoretically, at least) use in ways they believe are best suited to their needs. That is what I proposed in my independent report to the Government in January 2013.

The most obvious difference between flexibility and competition is that it does not require a detailed regulatory infrastructure in quite the same way. We need to have general guidance about how flexibility can best be achieved, but not the kind of competition regulators (like Monitor, the sector regulator for health services in England) that are so controversial in the UK system.

Yet experience with personal budgets in social care suggests that risk-averse local administrators can frustrate the broad aims at local level. It also suggests that central regulations are not enough to guarantee personalisation locally. It

“The best approach will be to find ways to strengthen the confidence of service users to ask for something different, and perhaps provide duties on service providers to consider this.”

suggests instead that the best approach will be to find ways to strengthen the confidence of service users to ask for something different, and perhaps provide duties on service providers to consider this.

I imagine this would be like a ‘right to request’ flexible service delivery. In each case, the provider would not be obliged to provide flexibility if it were impossible, but they would be obliged to explain why and that letter would have to be posted on their website.

It would be aimed particularly at situations where systems or bureaucratic arrangements get in the way of what people need. For example, if they want the choice of a consultant who won’t mind them asking lots of questions. Or to study Spanish at A-level when all that prevents them is their school’s timetabling system. Or to go to bed later than 5pm when their carer

comes round.

These are basic flexibilities in the system which articulate people can often get now by being assertive, but which others can't.

There are certainly possible objections to this kind of approach. Patients may choose badly. They may fail to take responsibility for the wider system, by misusing the flexibilities they are offered. There may also be higher costs from treating people more individually, and the costs will come before the potential savings are available. Financial innovations which tie professionals too closely to narrow numerical outcomes, like the current experiments with 'Payment By Results' – which I believe will be hopelessly counter-productive – may also make flexibility more difficult to achieve.

The cost issue is important. The evidence that flexibility can cut costs is ambiguous. Personal budgets in social care is an example of flexibility in action and, although there is considerable evidence of improved satisfaction – even improved outcomes (a recent Lancaster University study found that there was evidence of better well-being (63%) and better physical health (59%)) – there is little evidence in the UK so far that it can cut costs.²

But the evidence from

“One anecdote makes the point. It is about the doctor's surgery with the hedge outside which is trimmed once a year in the summer, and – when it is trimmed – a pile of rejected prescriptions fall out.”

Local Area Co-ordinators in Western Australia suggest that a more informal approach to disability and social care, which has flexibility at its heart, can cut costs by up to a third – and improve satisfaction with the service.³

The truth is that the costs of inflexibility – the failure to be effective – are absolutely enormous.

One anecdote makes the point. It is about the doctor's surgery with the hedge outside which is trimmed once a year in the summer, and – when it is trimmed – a pile of rejected prescriptions fall out.

What was happening was that patients would come out of the door with a prescription they didn't actually want and shove it in the hedge in disgust. The wasted resources represented by these, and all the other ways in which

patients and service users are processed in ways that don't really suit them, are a small part of what the system wastes. Some of these wasted prescriptions are there because patients were mistaken about what treatment they needed, but some are there because the doctor has not listened, or has listened but is constrained by the system.

Either way, the hedge is a symbol of the waste caused by inflexibility.

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1 David Boyle, 'Barriers to choice - a review of public services and the government's response' (London, Cabinet Office, 16 May 2013) <<https://www.gov.uk/government/publications/barriers-to-choice-public-services-review>> [Accessed 9th August 2013]

2 Wood C. (2010), Personal Best, Demos, London.

3 See Ralph Broad (2012), Local Area Co-ordination: From service users to citizens, Centre for Welfare Reform, Sheffield.

Liberal Education: Academies Re-visited - Paul Hunt

Although academies have been welcomed by individual Liberal Democrats such as Simon Hughes¹, Liberal Democrats as a whole have been less than welcoming. The 2010 Manifesto² stated that Academies would be replaced by 'Sponsor-Managed Schools', commissioned by and accountable to local authorities. The Autumn Party Conference that same year said it was 'concerned by the establishment of academies and Free Schools under coalition government policy'.³ This was consistent with the party's opposition to Labour's academy programme at the 2004 Autumn Conference, re-iterated in 2009 at our Spring Conference⁴. Academies are regarded by many Liberal Democrats as socially and educationally divisive, weakening the role of the Local Education Authority, and generally undermining the principle of comprehensive education.

However, although there are many very good comprehensive schools, the fact remains that many pupils still leave school without

adequate qualifications, aspirations and skills for life enhancement and the labour market.

In 2012 almost 650 comprehensive schools out of just over 3,000 failed to achieve the basic standard of five GCSE passes at grade C or above including English and Maths for half of their pupils. That is roughly one school in five. Only 28 schools achieved this standard for 90% of their pupils with a further 123 achieving above 80%. I do not know the locations of the best performing schools, but I have a strong suspicion that they are likely to be in the more prosperous middle-class areas.

This twin reality of failing schools (particularly in our inner-cities), and a flourishing independent sector for the few, places a severe restriction on the freedom of children from ordinary or poorer backgrounds to 'get on in life', to use the current party mantra. Every child should be entitled to a liberal education: an education which promotes the freedom of the individual, both in terms of enabling them to get on in life (socially

and economically) and to flourish in terms of intellect and cultural enjoyment. Even in London, where strategies such as the London Challenge have transformed some schools during the past decade, 40% of state school children are still not achieving five GCSEs including Maths and English at grade C or above.

The social mobility once offered by grammar schools to a minority of children from poorer backgrounds – the Alan Johnsons of the world – no longer exists to the same

“Freed from the restraints of local education authorities, academies are effectively independent schools in the state sector”

extent. This makes it even harder to accept the increasing dominance of the 7% of pupils educated in the independent sector and who go on to be over-represented at Oxbridge and in Russell Group universities and,

inevitably, in the major professions. One-third of the undergraduates at Russell Group universities and half of the undergraduates at Oxford and Cambridge are from independent schools.⁵ According to the Sutton Trust, three in four judges and half of leading company chief executives, barristers, solicitors, journalists and civil servants were likewise educated. Independent school alumni are also represented disproportionately in politics, medicine, sport, drama and music, both popular and classical.⁶

So why should Liberal Democrats be more sympathetic towards academies as a means of promoting a liberal education, given that they are often viewed as a source of further division?

The key point is that, freed from the restraints of local education authorities, academies are effectively independent schools in the state sector.

This allows, therefore, for greater economic freedom with full control over budgets including, not least, pay scales. Academies have the freedom to use this mechanism as a means to attract and retain academic high-flyers who can inspire and encourage pupils to apply to the better universities. This is consistent with the call in the 2009 Lib Dem policy motion

Equity and Excellence to reform the national pay structure 'giv[ing] schools and colleges more freedom, including in offering financial and other incentives to attract teachers - particularly in shortage subjects and in schools with the most challenging catchments'.⁷ Graduates from the leading universities are disproportionately represented in independent schools, which not only have their own pay scales and conditions of service but, and this is the important point, allow the head teacher flexibility within the scale when making appointments and retaining staff. The net migration of some 1,400 teachers each year from the state to the independent sector tells its own story. This migration is not simply in response to better pay and better motivated pupils. When I asked a recent migrant to the private sector about the biggest difference between the sectors, his response was that he was now treated as a true professional and trusted to get on with the job without the attendant bureaucracy.

Academies also have greater freedom to innovate financially. For example, the remarkable Durand Academy in Stockwell, London -- a primary school with the same catchment area as it had before it achieved

academy status and in which pupils are now two years ahead, on average, at the end of Year Six -- has built its own housing to attract new staff as well as a community sports centre. This provides additional income streams as well as a community facility.

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Freeing governing bodies and giving them real responsibility for their school is equally important if we are to encourage better leadership and management. Our 2010 manifesto spoke of giving all schools the freedom to innovate with the involvement of “educational charities and parent groups” and “other appropriate providers”. This is precisely what academies do and it is worth noting that under the Coalition Government the emphasis has moved away from encouraging sponsorship of academies by businesses to sponsorship

by high performing schools and educational charities. Educational sponsors (whether individual schools such as Wellington College, or school federations such as the Woodard Corporation) have the opportunity of bringing their expertise, experience and distinctive ethos to the work of governing bodies. This ought to lead to more informed and better leadership and decision making. Good governance, along with aspiration, are the key government themes.

“The best academies offer pupils greater opportunities in sports and other activities to match the extra-curricular programmes in independent schools”

Cultural freedom, by which is meant the opportunity to widen cultural horizons and expression, should not be limited to pupils in independent schools and in a minority of state schools. The best academies offer pupils greater opportunities in sports and other activities to match the extra-curricular programmes in independent schools. Such opportunities have declined in many state schools since the teachers' disputes in the 1980s and teachers, burdened by much additional examination preparation

and bureaucracy, have understandably lacked the time and possibly the willingness to go beyond the core activity of teaching.

The freedom to flourish intellectually must be encouraged and no liberal society should, in effect, write off children who have no real choice but to go to their poorly performing local school in which education is as much about crowd control as it is about teaching. The best academies have a strong record in public examinations and university applications. For example, at the Mossbourne Community Academy in Hackney, which replaced the notorious Hackney Downs Comprehensive closed by ministerial order in 1995, 40% of its pupils qualify for free school meals. Nevertheless, 80% of pupils in its first GCSE cohort obtained five GCSE passes at grade C or above including English and Maths. In 2011, 70 pupils obtained places at Russell Group universities with nine winning places at Cambridge.

The elephant in the

“The elephant in the classroom is the role of the local authority.”

classroom is the role of the local authority. The 2010 Manifesto called for 'Sponsor Managed Schools' to be commissioned by, and accountable to, local authorities instead of Whitehall. The motion passed in September 2010 called for local authorities to retain strategic oversight and secondly that they 'should continue to exercise their arms-length support for all state schools funded wholly or partially with public funds'.

It all depends on the length of the arm! Some of us will remember the bureaucratic local education authorities of the past with their teams of advisors. In East Sussex in the 1980s, for example, it was not possible to go on a course without approval from the subject advisor based at County Hall. The Inner London Education Authority was notorious for its bureaucratic centralisation and ideological commitment to the comprehensive principle and it presided over some of the most ineffective schools in the country. Good and effective schools are usually the result of effective leadership in the school not in the local authority. It is essential that the local authority has strategic oversight in terms of the number of school places required and to ensure that schools remain truly comprehensive in their

intake but do they need to do more than that? Independent schools, both primary and senior, have flourished without such bureaucracy and many belong to wider groupings of schools such as the United Westminster Schools Charitable Trust which provide some more centralised services and support without interfering in each school's freedom to run itself. Headteachers in maintained schools, especially small primary schools, might well argue, with justification, that they are educators and lack the expertise to run a business-like organisation. There is no reason, however, why services such as human resources should not be shared between groupings of schools based on locality or shared ethos. Church Schools, for example, would have access to diocesan services and academies can access expertise through their sponsors or federation.

Changing the name of a school and adding the word 'academy' as a suffix does not by itself transform a poorly performing school into an outstanding one. There are weak academies and strong comprehensive schools. However, academies can be transformative for pupils in a way in which many comprehensives, especially in areas of high deprivation, have not been. One of the key objectives of the Lib Dems' 2009 policy paper

Equity and Excellence was 'to close the gap in opportunity between the private sector and the state-funded sector'. That is what academies can do. There is a danger that we become wedded to an ideal of comprehensive education in the name of 'fairness', thereby allowing the perpetuation of an educational divide which is patently socially unfair. The academy system at its best bridges the gap between the state and independent sectors and, in the name of liberal education, is surely worth at least a more sympathetic evaluation by Liberal Democrats.

The Reverend Paul Hunt is the Senior Chaplain of Emanuel School (an Independent Day School in South London) with responsibility for Emanuel's partnership with a state primary school. He has taught in both comprehensive and independent schools since 1979 and has been Chair of Governors of a Voluntary Aided School.

<http://www.educationengland.org.uk/documents/pdfs/2009-libdems-policy-paper-89.pdf> [Accessed 9th August 2013]
 5 The Sutton Trust, 'The Educational Background of the Nation's Leading People' (November, 2012). < <http://www.suttontrust.com/our-work/research/item/the-educational-backgrounds-of-the-nations-leading-people/> > [Accessed 23 August 2013]
 6 Ibid.
 7 Liberal Democrat website, 'Liberal Democrats back plans to cut primary class sizes to 15' (7 March, 2009) <http://www.libdems.org.uk/education_detail.aspx?title=Liberal_Democrats_back_plans_to_cut_primary_class_sizes_to_15&pPK=78ba6751-741c-43cd-ab37-1fcf824b8a79> [Accessed 9th August 2013]

1 See Andrew Adonis's 'Education, Education, Education: Reforming England's schools' (Biteback Publishing, 2012), p.71

2 Liberal Democrat Manifesto 2010 <http://www.libdems.org.uk/our_manifesto.aspx> [Accessed 9th August 2013]

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Social Policy

- Baroness Claire Tyler

I want to focus on some of the big social policy challenges for the Liberal Democrats, building on both my work inside Parliament, -- as Vice Chair of the All Party Parliamentary Group (APPG) on Social Mobility, Chair of the Party's Balanced Working Life policy group, and member of the Lords Select Committee on Ageing -- alongside my work outside of Parliament in various capacities supporting children and families. It has sometimes been an under developed area for Liberal Democrats and one to which I feel the party needs to give more attention.

The main themes I want to focus on are:

- falling living standards,
- families on low to middle income juggling caring and working responsibilities,
- the impact of an ageing population,
- family policy, and
- social mobility.

These may appear at first glance to represent fairly distinct aspects of social policy. All my experience tells me that people's lives do not fit into neat public policy compartments and policy needs to respond directly to people's everyday experiences.

Most of the ideas I want to put forward are distinctly practical and concern family and working life. I also want to show how resilience – the ability to be able to deal with life's knocks – both at an individual and family level runs through and connects these issues.

I am proud of Lib Dem achievement in the Coalition Government in areas such as the Pupil Premium and taking people on low income out of income tax. My hope is that the Lib Dems can continue to lead the way in these and other critical areas of social policy.

Modern British families face many challenges from declining living standards to the lack of affordable childcare to the need for more flexible working practices. As chair of the party's Balanced Working Life Group it's been clear to me how these everyday issues affecting low to middle income families are all too often ignored in policy debate. Improving the living standards of such a significant group will require better targeted policies.

Living Standards

It is undeniably the case that, since the financial collapse of 2008, many people have felt their household budgets squeezed and are struggling to make ends meet. In the first quarter of 2012, real household income fell to its lowest level since 2005.¹ Figures from the Resolution Foundation suggest that just under 60% of those on low and middle income are struggling to keep up with their bills whilst a further 7% are falling behind with their debts, leaving themselves vulnerable to loan sharks.² Rises in the cost of fuel, food and housing have made life particularly tough for many families. So what can be done directly to help with living standards?

Through various tax credits to low-paid earners, the government is effectively subsidising wages and thereby enabling employers to pay low wages. Certain sectors, particularly those with large numbers of low-skilled employees, have exploited this situation. The Resolution Foundation's figures suggest that up to £3.6 billion of gross savings could be made by the Treasury if all employers

“Fundamentally it seems to me a much more empowering and therefore liberal approach if people could maintain or improve their standard of life through earning their own money, rather than through complicated tax credits, the take-up rate of which is only around 65%.”

paid the Living Wage. So, in addition to the moral case for paying people a fair wage in return for their labour, there is clearly an economic one too. Fundamentally it seems to me a much more empowering and therefore liberal approach if people could maintain or improve their standard of life through earning their own money, rather than through complicated tax credits, the take-up rate of which is only around 65%.

I'd like to see the Living Wage being adopted by the party and a gradual roll out begin across sectors that can clearly afford it. It makes sense for the central government to lead by example and local authorities should be encouraged to do likewise. Public procurement should also take account of the commitment of suppliers to pay a living

wage. Transparency can be a powerful tool in the private sector which is why companies employing over 250 staff should state clearly in annual reports how many employees they pay less than the established Living Wage. Finally, the rise in the number of 'zero hours contracts' – up more than 150% since 2005⁴ – is a matter for real concern and a radical overhaul to prevent exploitative practices is needed.

Caring Responsibilities

This issue is rightly rising ever higher on the political agenda and likely to be part of the battleground for the next election. For parents, the four main factors that matter when thinking about childcare are affordability, accessibility, adequate provision and convenience / flexibility. It's fundamental both to growing a stronger economy (by enabling parents who wish to do so to return to work), and also giving children the best start in life. Good quality early years education has been shown to be critical to child development and helps promote social mobility.

The loss of female employment after childbirth, due to the current lack of flexible and affordable childcare, is a serious loss of skills to the economy.

“Of course some mothers choose to stay at home and look after their children and that must always be a matter of individual choice based on their own circumstances. But some people are denied that choice because the childcare simply isn't there. “

Of course some mothers choose to stay at home and look after their children and that must always be a matter of individual choice based on their own circumstances. But some people are denied that choice because the childcare simply isn't there. It's worth noting that the Institute for Fiscal Studies has shown female employment to be the key driver for increased income among low to middle income families in the last 50 years.⁵

But what are the solutions? I'd like to see the number of free childcare hours increased on a stepped basis from 12 months upwards until children start primary school. This could start small, say 10 hours a week between the ages of one and two, to help the parent keep in touch with the workplace, retrain or ease herself (or indeed

himself) back gradually into the workplace. It would also bridge the current gap between the end of parental leave and the existing free entitlement for two year-olds. To be progressive, I believe these extensions to existing provision should be limited to a certain maximum household income, say £80,000 or £100,000 per year.

We also need much more flexibility in the hours that childcare is available to help the large number of people who no longer work traditional 9-to-5 office hours. A 'one stop shop' approach, with Children and Family Centres and other full day-care settings operating as childcare hubs linking together more formal childcare settings, with wrap-around care provided through a network of quality-assured childminders, would mean that parents could access all their childcare needs through one central place and help construct a flexible and individual tailored package.

Another key caring issue is the plight of the so-called 'sandwich generation' - those people, nearly all women and mostly in their 40s, 50s and 60s, trying simultaneously to bring up children (and/or provide vital care for grandchildren allowing young parents to work) and at the same time looking after elderly or disabled relatives. It's

an issue crying out for more policy attention. The number of 'sandwich carers' is projected to increase in the UK until at least 2030. Clearly inter-generational caring responsibilities of this kind can put individuals and families under huge strain and too often lead to women dropping out of work altogether.

To prevent this skills loss we all need to accept that employees will sometime need to take prolonged periods off work to provide intensive period of care to an elderly or very vulnerable relative in crisis - often, in turn, preventing that relative from becoming dependent on full-time and costly hospital or social care. I would like to see the introduction of a statutory right to a maximum period of six months of Carer's Leave with the state paying a Carer's Allowance at a basic level which could be topped up by an employer keen to hold on to valuable employees.

In addition to more support to family carers, we need more family-friendly and accessible friendly public services - such as allowing patients the flexibility of Skype or telephone consultations with their GPs, creating family as distinct from individual GP and hospital appointments to minimise travel and childcare problems and making it easier for people

to choose a GP based on proximity to work rather than home. Small changes like this could go a long way to help families juggle their priorities and complicated commitments and would require public services to start fitting around service users' lives rather than always being the other way round.

An Ageing Population

Family concerns - when acknowledged at all (a matter I will address below) - nearly always focus on parents and children, and rarely take into account the growing number of older relatives and the households in which three, four and five generation families are becoming increasingly common. Taking part in the House of Lords Select Committee which produced the report 'Ready for Ageing?'⁶, I was struck by the scale and the pervasiveness of the implications of an ageing population. The most dramatic demographic shift facing this, and indeed other developed countries, is our ageing population. There will be almost 40% more people aged 85-plus in England within a decade compared to 2011, and twice as many by 2030 compared to 2010.

Whilst strongly acclaiming the great boon and benefits of living longer for many of our fellow citizens, the Committee concluded,

unhappily, that the Government is “woefully underprepared for ageing”. So what are some of the challenges and what needs to happen?

- The impact on our public services is already apparent: treatment and care for people with long-term conditions accounted for 70% of the health and social care spend in England in 2010, while the number of people aged 65-plus in England and Wales with dementia is expected to rise by over 80% by 2030.
- The NHS and social care sector face major increases in demand and cost. Without radical changes in the way that health and social care is funded and delivered, needs will remain unmet and cost pressures will rise inexorably. If we want to keep older, frail people out of hospital far greater emphasis must be placed on preventative and community care and resources shifted from hospitals to the community and home based care.
- As the baby boomer generation gets older, and with growing numbers of childless couples and individuals, radically new types of social care will be needed. These are likely to be a far cry from the rather dismal type of institutionalised residential homes for the elderly with which we are depressingly familiar. There is a growing

market for networks of older people living together in supported communities but still retaining real independence and choice. Government should be helping to shape this, along with far better convalescent accommodation for older or indeed childless people who no longer need to be in hospital but aren't yet well enough to live completely independently.

- Living much longer means many people will want or need to work for longer; there needs to be an informed public debate about how to make extended working lives and gradual retirement the new norm.
- This Government have made welcome progress with the single state pension; but many people who will face an alarming drop in their income on retirement are as yet unaware of this. The Government has estimated that 10.7 million people in the UK can expect inadequate retirement incomes. Government, business and the pensions industry must commit to work together to reform defined contribution pensions. These are now the main type of occupational pension but are seriously inadequate for many.
- Central and local government, housing associations and house

builders need to ensure that the housing needs of the older population are far better addressed, not least because this is one way of freeing up larger properties for younger families.

There's also an important issue of inter-generational fairness to consider from the above. The current welfare state model has largely been based on people paying in when young and drawing out when they are old. This is right – but we do need to be wary of shunting too many costs on to younger and future generations. In particular, the property boom has led to a substantial transfer of wealth to older, better-off house-owners, which has increased housing costs for the younger generation. This makes an effective equity release market – retaining use of your house while obtaining a lump sum or a steady stream of income, using the value of the house – to unlock the housing assets held by older people absolutely crucial if we are to avoid ever growing inequalities between income groups and generations. The next government (of whatever hue) needs to be brave enough to lead a national debate about the big choices ahead of us – for individuals, families, businesses and society at large – including the very nature of our welfare settlement.

Family Policy

So far, I've very much focused on families across the different generations. I've always felt that liberals and Liberal Democrats have a tendency to shy away from what's generally called family policy, perhaps because our philosophical starting point is very much founded on the importance of the individual and our policies are largely based on individual empowerment. Of course, all politicians need to tread carefully in this terrain – attempts at family policy are littered with scandal and banana skins. Indeed, the very term 'family policy' is, for some, inextricably linked with an idealised family structure and an often misplaced notion of personal morality or family values, especially when dealing with family breakdown.

“We may be far more comfortable talking about constitutional reform, civil liberties or Europe but ... for us to fail to acknowledge the importance of family risks us sounding out of touch and removed from the realities of most people's lives.”

Having worked in my professional life in the children and families sector for a number of years I know that the reality is very different. Modern families come in all shapes and sizes and that is something to celebrate. I'm a liberal and I certainly don't think it is the job of the state to tell people how to live their private lives. However, families and personal relationships are hugely important to people. Indeed most surveys show they are the most important aspect of people's lives and intrinsic to good health and wellbeing. We may be far more comfortable talking about constitutional reform, civil liberties or Europe but, important as those issues undeniably are for Liberals, they are rarely the stuff of everyday conversation, be it as the bus stop, the supermarket or the pub. And for us to fail to acknowledge the importance of family risks us sounding out of touch and removed from the realities of most people's lives.

I think the best approach for liberals is one based not in terms of what is going wrong for families (ie, a deficit model) but rather a 'strengths-based model', assessing how families survive and thrive and understanding them as valuable assets to the community with real potential for personal empowerment. Family resilience is an idea that

is becoming increasingly important and relevant, providing a broader understanding of resilience to help deal with adversity and life's ups and downs, be they health, work or family related. Thus we all have an interest in families being able to function effectively as a unit, provide for one another, and develop healthy emotional bonds. Emotional and psychological resilience and the quality of relationships really do matter to the wider community and social networks – a concept that Liberals generally seems much more comfortable with.

It's often from a strong family base that people start providing help and support to neighbours and extended families, be it helping with the shopping, gardening, picking up a prescription, taking the dog for a walk when the owner is ill, or providing some respite care for a full time carer. These little acts really matter and I'd like to see policy makers and service providers recognising the vital role that the family unit can play – and actively supporting the family unit – in many wider social policy objectives.

Social Mobility

Finally, my recent work on social mobility has been very much tied up with the all-party parliamentary

group (APPG) which last year produced a report called, '7 Key Truths about Social Mobility'⁷, highlighting the importance of different aspects of the life course to improved life chances. This included the importance of early years, the home environment and, particularly, the style and quality of parenting to social mobility. Evidence shows that the home is just as important as school and, during a child's early years, to their emotional and cognitive development and their future prospects. I have found the concept of social mobility to be a fairly polarising one amongst Liberal Democrats, with some saying that the focus should not be nearly so much on individual efforts to improve their own life chances but more on wider questions of social inequalities including income inequality. Despite the very recent and welcome news about the first fall in income inequality since 1986⁸, which is a significant achievement in such difficult economic times, the influence of parental income on the income of children in Britain is amongst the strongest in the OECD. This was clearly demonstrated in Richard Wilkinson and Kate Pickett's work, 'The Spirit Level'⁹. My view is simple: both are important and neither could or should be ignored when designing policy. However policy ideas to tackle poverty and social disadvantage and improve

individual life chances would require an essay on that alone.

I will just mention one newer aspect of this debate which was highlighted recently when the APPG organised a summit¹⁰ on developing resilience and character – sometimes called the 'soft skills' – in young people as a way of narrowing the life chances gap. 'Soft skills' seems to me something of a misnomer because these aren't fluffy or cosmetic skills we're talking about – this is about having the fundamental tenacity, resilience and perseverance needed to make the most of opportunities that come along and help deal with setbacks.

The summit looked at the growing body of research highlighting how character traits and resilience are directly linked to being able to do well at school, university and in the work place and that these skills can be taught through a range of different ways such as school ethos, volunteering and out of school activities. We heard how working on developing resilience to setbacks, and an increased sense of control of their lives for young people with low confidence and self esteem, had led to increased literacy and numeracy results. So these so-called 'soft skills' can lead to hard results.

Increasingly we are hearing some schools – in the state as well as the independent sector – saying that developing these traits is their core business and that for employers these more intangible skills of 'sticking at it', of 'not giving up' or 'accepting second best', of empathy and teamwork are precisely what they're looking for in potential recruits.

That's why I would like to see the Pupil Premium being used directly to develop character and resilience and the identification and spread of good practice. I also think it should be integral to teacher training and included in the OFSTED framework, as well as recognised in a Certificate of Achievement recording both academic and wider, whole person, skills.

To conclude it is only through giving more profile and debate to well-researched social policy based on the reality of how people's daily lives that we will be able to find practical approaches capable of having a direct, tangible impact on people's quality of life. And in so doing it is my belief that we will be building a more liberal society.

Claire Tyler is Chair of the Children and Family Court Advisory and Support Service (CAFCASS), President of the National Children's Bureau (NCB) and Vice President of Relate, of which she was Chief Executive between 2007 and 2012 following a number of senior positions within Government. In the House of Lords, as Baroness Tyler of Enfield, Claire takes an active role in health and social care, welfare reform, social mobility, well-being, children and family policy, machinery of government and the voluntary sector. She also chairs the Liberal Democrat policy working group on a Balanced Working Life and is Vice President of Liberal International Great Britain.

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Collapsing Under the Weight of Our Own Contradictions

- Richard Marbrow

Governing is about choice – policy making is about aspiration. Where Liberal Democrats tend to come unstuck is where we need to turn policy into decisions.

We are rightly proud of the fact that our Party has consistently produced fully-costed manifestos. Financially, we know which choices we have made and so do the electorate. What we have not always done is produced a fully coherent body of policy by eliminating contradictions between decisions made at different party conferences. This leaves us with a delivery problem when we have mutually contradictory delivery priorities, all of which have their own champions.

“The contradiction in our policies is that we want to see affordable housing for all -- but at the same time we have policy that wants to protect pretty much any form of green space anywhere.”

My first example is housing.

The financial crisis was allied to a house price bubble. The dirty little secret that never gets talked about, though, is that any situation where house prices rise faster than wages has to be a bubble. That isn't a policy statement, it is a mathematical one. And we can't pretend that what happened from the late 1990s through to 2008 was in any way normal. The house price bubble combined with equity release exacerbated the intergenerational transfer of debt that we are now living with, as well as promoting an artificial picture of the economics of our housing market. This bubble left behind a property ladder that is often missing its lowest rungs.

Solving this problem requires us to create more affordable housing and the easiest way to provide that is to build more houses. There are a finite number of households and greater supply will drop the price. The contradiction in our policies is that we want to see affordable housing for all -- but at the same time we have policy that wants to protect pretty much

any form of green space anywhere. Areas viewed from Surrey as 'brownfield' are 'community spaces' in Liverpool. What Macunians think of as 'urban London' is 'green belt' to a Kingstonian. We want to make sure that people can live in the area where they grew up, but at the same time we want to preserve rural character. There are a series of choices to be made and we can't have it all. The party tries to get around some of these contradictions by talking about tenure but in reality we can only get more affordable housing by building more houses intended for all types of tenure. It is estimated this country needs to build a net 250,000 new houses each year to meet demand.

A Land Value Tax would help by making land banking less profitable. With LVT, sitting on land has a cost, reducing the ability to use land in one location as a means of raising money to invest elsewhere and also presenting an incentive to improve the land and realise the sale value quicker. It would also help if there was a

serious effort to require increased numbers of housing completions where planning permission exists - detailed planning permission exists for 487,000 housing units to be built in the coming 3-5 years. But fundamentally we need to build more houses, in areas with high demand, and that will need land. The temptation by local campaigners to demand the protection of green space could mean maintaining the views and amenity of the better off at the price of condemning the less well off to increasingly unsuitable and unaffordable housing. This is not a consequence that liberals should be happy with. Rebalancing the economy so that there is less emphasis on London and the south-east would also help, but would be very much a secondary solution compared simply to building more houses.

Of course, increasing supply would have the effect of reducing the price of all houses. That will present issues with negative equity particularly for those who have only just got onto the housing ladder but there may be no choice. If we start from the premise that the current housing market is unsustainable then prices will have to fall for some people for whom this will cause significant problems. A separate policy response will be needed to this but

it can't be rationally used as a reason to continue with unsustainable house price increases. The larger benefit is that a sustainable housing market will also reduce the economic impact of unearned wealth where the constant increase in house prices steadily increases the amount of wealth transferred from new house owners to established ones in the form of equity. If wages can't keep up with house prices the disposable income of the younger generation will be steadily handed to the older generation (a generation that also benefited from public service privatisation). This converts earned income into unearned income and prevents the economy becoming more balanced intergenerationally. A more balanced economy geographically and socially is an outcome that liberals should welcome.

The major barrier to delivery will be that not everyone can win and we should be honest about that as well as making clear that the bubble was not normal. It was abnormal and deeply damaging and creating another one will endanger all of our other priorities.

My second example is energy. Energy demand in the UK is not static, it varies with time of year and time of day. It is also wildly carbon intensive and the

move to electric cars is just shifting the carbon problem from cities to power station smokestacks. Variability in demand is currently handled by gas that can be turned on and off quickly and by renewables such as wind acting in equilibrium. Providing more renewable capacity would wean us off gas to some extent, and adding carbon capture and natural gas is the lowest carbon form of fossil fuel. Shifting the balance in dealing with variable demand to renewables and using hydroelectric pumping schemes as a means of providing storage for peak demand is good policy and adds up economically.

Where we hit our contradictions again is in the generation of baseload power, the stuff we need at a constant level all of the time. At the moment in the UK this mainly comes from a combination of coal-fired power stations that are not as easily turned off and on as gas-fired ones, and an aging group of nuclear power stations. We could try and retrofit all coal-fired power stations with carbon capture and storage (CCS) and flue-scrubbing, but there is a limit to how viable that is and the cost increases for energy would be significant. In addition the Coalition Government has consistently failed to make CCS happen despite protestations of support.

“To be both committed to preventing climate change and anti-nuclear doesn’t add up; as things stand right now, and absent a compelling new way of producing energy, it won’t in the near future.”

We can also keep extending the life of older, less safe nuclear power stations but if we actually want to both decarbonise electricity generation and keep the lights on the current obvious option is new, safer nuclear capacity. Renewable electricity is a major part of the solution but storage of power (particularly from wind) is still a tricky issue. Also, we run into the same problem with wind power as we do with houses – namely that we would have to stick turbines on land that Lib Dems will fight to protect, quite apart from the fact that the best places to generate the electricity are not the same as the places where the electricity is used and you lose a lot of power transporting it round the country. We could move over to a hydrogen economy if someone wants to plonk a few hundred billion on the table – but, if not, nuclear has some

advantages. With nuclear we bury the waste, with coal we pump it into the air. Nuclear power has killed far fewer people than coal mining, too.

To be both committed to preventing climate change and anti-nuclear doesn’t add up; as things stand right now, and absent a compelling new way of producing energy, it won’t in the near future.

Our inability to make rational choices outside of finance is a major barrier to delivery for us as Liberal Democrats, and the perversion of community politics into pandering to the voters causes local politicians to struggle when confronted with the necessities of power.

“Campaigning for smaller facilities to stay open because they are ‘local’ and reduce journey times is a way to guarantee greater suffering for many conditions.”

My final example is the NHS. All the science shows that larger, specialist facilities have better outcomes for many kinds of medical intervention. Campaigning for smaller facilities to stay open because they are ‘local’ and reduce journey times

is a way to guarantee greater suffering for many conditions. This isn’t always true and primary care should be local – but highly specialised areas should not. When you go for a hip replacement, you don’t want a doctor who understands where the shops are in your town, you want her to have done hundreds of hip replacements, so that when the 1-in-100 complication happens she has seen it ten times before. When it comes to elective neonatal surgery, campaigning for local facilities sooner than supercentres isn’t just inefficient: it is actually killing babies in the name of localism.

The contradiction between evidence-based policymaking and ‘local’ prevents the delivery of better outcomes for patients. Our overall policy programme should not just be fully costed, it should be fully coherent. It is not possible to deliver the outcomes of policy in a world where we support mutually exclusive programmes. Community politics -- re-engaging people with political action on a local level – helps us to deliver when what we are campaigning with people for is both achievable and reasonable. When it becomes about special pleading, or about service provision based on geography rather than need, it becomes a barrier

to implementing policy
because politics is the art
of compromise and of
delivering the possible.

The country is in a mess
because politicians
promised the voters they
could have a free lunch.
We could be the party that
helps them to understand
the bill and in doing so
unlock the ability to deliver
better, if not perfect,
services and policy now
and for years to come.

Richard Marbrow has been a member of the party since he was 14 and has been North West Regional Treasurer for the last 5 years. In the 1998 Lib Dem landslide in Liverpool he was elected as the youngest councillor, serving 3 years as a member of the council's executive board. Now working as Campaigns and Communications Officer for Chris Davies MEP he has first hand experience trying to translate Lib Dem policy to action in the North West.

Four Changes for the NHS of the Future

- Norman Lamb MP

It is clear that we face big challenges in health and care in the UK – as in every other developed country. We have a population that is living for longer than ever before, and an increased number of people living with long-term conditions such as diabetes, heart disease, dementia, or cancer. Furthermore, we are dealing with all this at a time in which no Government of any political persuasion can claim to have money to spare to throw at the problems.

“The NHS as it stands is far too fragmented in its approach to patient care. This means that too many people fall through gaps in the health and care system.”

So while I strongly believe that the NHS carries out fantastic work on a daily basis, I also believe it must adapt to meet new demands. I would like to see four major shifts in culture within the NHS to help achieve the essential objective of improving

care within tough financial constraints. We have to do this in order to ensure that the NHS is sustainable.

Fragmented to Integrated

The increasingly complex health needs of patients as they get older mean that the NHS is more and more likely to be dealing with individuals whose treatment requirements span physical, social and mental health services. The NHS as it stands is far too fragmented in its approach to patient care. This means that too many people fall through gaps in the health and care system. This in turn leads to an unacceptable level of pressure being placed on our crisis care services as people turn to A&E as a first port of call. To be blunt, this is not good care.

That's why I am championing a move towards an integrated approach which means that care is shaped around the needs of the patient, not the institution. Somehow, over the years, we have managed to institutionally fragment mental health from physical health, primary care from

secondary, hospital care and healthcare from social care. This makes no sense from the patient's perspective. Importantly, we should not be seeking to impose any top-down model, assuming that one size fits all. We need to give local health and care organisations and professionals the freedom and resources to innovate, and find out what works best for the patients under their care.

Through the Government's Pioneer sites programme which I announced earlier in May¹, we are promoting at least 10 local 'integration pioneers' whose ideas in implementing joined up care should become an inspiration for other organisations across the NHS and care services. The model introduced by the Torbay Care Trust is an excellent example; the Trust introduced a single point of contact for patients, with a local database of medical history shared between different local services, which stops patients from having to repeat their stories to endless separate consultants and means they are able to access the right services quickly. Ultimately, I want to see

all patients experiencing this sort of approach from local health services. I strongly welcome the recent spending review which announced a £3.8 billion pooled budget for health and care services – a fantastic base from which to develop more integrated ways of delivering care.

Repair to Prevention

The NHS currently focuses too much on ‘repairing the damage’ once it has occurred and not enough on preventative measures that could stop problems down the line. Integrating health and social care services will enable a shift towards a preventative approach that ensures a patient’s wellbeing is dealt with in a holistic fashion. The vast investment in the NHS over the last decade was both welcome and necessary. But it was spent predominantly at the acute end of the spectrum. The payment system introduced by the Labour Government – so-called ‘payment by results’ – incentivises acute hospitals to do more. The more patients a hospital admitted the more money they received. Actually, hospitals should be encouraged to work alongside the rest of the system to keep patients healthier, to prevent crises from occurring and, ultimately, to reduce hospital admissions. Working to introduce

a parity of esteem for mental health must be a key priority for achieving this approach. This means valuing mental wellbeing on an equal level with physical wellbeing and ensuring openness and recognition of mental health conditions across the NHS. There has always been a serious lack of awareness about mental health conditions and their impact on a patient’s wider wellbeing. Prevent a deterioration of someone’s mental health and you save money to the system. Far more important, though, you improve that person’s life. Good preventive mental health services should be integrated with primary care.

Finally, while the Coalition Government was right to scrap the profoundly flawed £6bn NHS IT project started by Labour, we must not lose sight of the fact that effective use of IT is crucial to preventative care and effective teamwork. I have seen myself how some integrated care organisations, notably in America, make intelligent use of computerised records to monitor the ‘big picture’ with individual patients, ensuring that decisions are made on the basis of as much information as possible, warning signs are recognised early, and health needs are less likely to slip through the net.

“As a Liberal, I hate the idea of the system making assumptions about what is good for people. Rather, we need to provide people with the freedom and the control of resources wherever possible to make the treatment and care choices that work best for them.”

Paternalistic to Personal

We need to move from a culture of paternalism which makes people feel as though decisions about their health care are being taken without their involvement or consultation, to one which puts patients in the driving seat. As a Liberal, I hate the idea of the system making assumptions about what is good for people. Rather, we need to provide people with the freedom and the control of resources wherever possible to make the treatment and care choices that work best for them. Of course, with that freedom, comes some responsibility, to self care as well as possible – provided you are given the tools to do so.

Many people visiting their doctor, or going into hospital, first and foremost want to feel they are in safe hands. But more and more, people are not

going into hospital for a 'quick fix', and visits to their doctor are becoming a routine part of their lives. For elderly people with slowly-deteriorating health, or the many people living with stable but chronic health conditions, there is often real value putting patients in control of their own packages of care and support, and letting them design a provision to suit their own needs and determine what their priorities are.

"I am strongly in favour of the idea of personal health budgets – pools of money provided to a patient to enable them to tailor their care package around their individual needs. These can be hugely effective in empowering patients to remain independent."

That's why I am strongly in favour of the idea of personal health budgets – pools of money provided to a patient to enable them to tailor their care package around their individual needs. These can be hugely effective in empowering patients to remain independent. The Government has committed to supporting personal health budgets, first of all for those patients receiving NHS continuing health care. The Government is introducing

a 'right to request' a personal health budget in such circumstances. I would like this to become a 'right to have' a personal health budget as soon as possible.

It is also incredibly important that carers, who are so fundamental to our system of social care, feel that their contribution is valued, and that they are being listened to. The Government's current Care Bill² makes significant progress by ensuring they receive the support they need. Too often, carers feel ignored. They should be partners with health professionals.

Exclusivity to Inclusivity

The number of people over the age of 85 is expected to double by 2030. This fact alone makes you realise that things have to change. Our system of care is already under a lot of strain. Integrating health and care services will help achieve better care within the financial constraints - which will simply get tougher - but there also needs to be more than that. Traditionally statutory services behave in a rather exclusive way. They tend to do what's necessary to get you better and then discharge you, hoping that you will cope on your own. Instead, we need collaboration between statutory services and the family, neighbours and the

wider community.

"Creating the NHS of the future means moving away from a top-down approach that prioritises systems over individuals."

In particular, this means encouraging community-based care and services provided by the voluntary sector so that people can benefit from a network of support that goes beyond that of the hospital environment. Already there are communities across the UK employing a 'neighbourhood watch' type of approach to ensure that vulnerable individuals are supported by the community. Loneliness and isolation, particularly amongst elderly and disabled people, has risen rapidly in recent years. If you live on your own and have complex care needs, your life can be pretty miserable with very little human contact. Re-building basic neighbourliness where it has broken down can do so much to give people a better life – and that tends to result in better physical and mental health.

Creating the NHS of the future means moving away from a top-down approach that prioritises systems over individuals. Instead, we need a flexible, human approach to healthcare that gives people access to the tools and resources

to make the choices that work best for them. We also need to help local authorities to be innovative and tailor their approach to local communities and their needs. Too often patients are left feeling that the system is working against them; we need to create an NHS that patients feel they can work with.

Norman Lamb was elected as Liberal Democrat Member of Parliament for North Norfolk in 2001 and has been Minister of State for Care and Support since September 2012. He was the party's shadow secretary of state for health from 2006 to 2010. You can find out more at <http://normanlamb.org.uk>

1 See 'Letter for health and social care integration 'pioneers'', Department of Health (13 May 2013) <<https://www.gov.uk/government/publications/social-care-integration-pioneers>> [Accessed 23 August 2013]

2 'Government publishes Care Bill', Department of Health (10 May 2013) <<https://www.gov.uk/government/news/government-publishes-care-bill>> [Accessed 23 August 2013]

A Liberal Solution to the UK's Housing Crisis - Tom Papworth

The Housing Crisis

The UK faces a housing crisis. Housing affordability has been worsening for decades. In the 1940s the average household spent around a tenth of its income on accommodation. By the 21st century that figure had increased to a third of household income (despite the enormous rise in female labour market participation). Between 1971 and 2011 the price of housing in the UK increased by nearly 40 times, and the cost of rents rose by a similar amount.

In English-speaking countries, the 'median multiple' (the ratio of median house prices to median household incomes) required to buy a home has generally clustered around 3:1 – it costs three times the average family income to buy an average home. Nowhere in the UK can one buy an average home for three times the median family income: in the regions where people most want to live (Greater London, the West Midlands,

the South West) the figure is greater than six times the median household income.¹

The number of households in England is projected to grow to 24.3 million in 2021, an increase of 2.2 million (10 per cent) over 2011, or 221,000 households per year.² Yet the average number of new homes built over the past decade is 160,000. In no year since the turn of the century have we managed to build this number of houses – indeed, only in the peak year of 2008 (during what proved to be an unsustainable credit boom)

did we manage to build over 200,000.

The result is an economic, social and human catastrophe. Economically, people are less able to move to take up job opportunities, thus impeding the efficient allocation of resources and preventing individuals from maximising incomes. At a governmental level, the cost of the housing benefit bill to the UK taxpayer has also spiralled out of control. In 1970, housing benefit cost £250 million (in 2013 prices). By 2017 it is expected that the bill will have escalated to £24.1

Year		England	Net change	Net change as % of existing stock
2001		21,208	-	-
2002	P	21,338	131	0.62
2003	P	21,482	144	0.67
2004	P	21,635	155	0.72
2005	P	21,805	169	0.78
2006	P	21,992	186	0.85
2007	P	22,190	199	0.90
2008	P	22,398	207	0.93
2009	P	22,564	167	0.74
2010	P	22,693	129	0.57
2011	P	22,814	121	0.53

Table 1: Number of homes existing and newly built in England 2001-2011 (figures in thousands)³

billion.⁴

This 100 times real-terms increase is the equivalent of 6p on the basic rate of income tax⁵, or around £1,000 from the typical worker. Socially, we have rising levels of overcrowding, homelessness and intergenerational inequity (as those who bought homes in previous decades sit on increasingly valuable assets while the young are unable to afford homes). At a human level, individuals and families are crammed into small, poor-quality housing, for which they are paying vastly inflating costs.

“The supply of housing in the UK is a national disgrace. But it is not the real problem. The much-vaunted ‘Housing Crisis’ is a symptom of a deeper problem. The real crisis is in planning.”

The supply of housing in the UK is a national disgrace. But it is not the real problem. The much-vaunted ‘Housing Crisis’ is a symptom of a deeper problem. The real crisis is in planning.

The Planning Crisis

England is a “green and pleasant land.” In fact, 90 per cent of England is

classed as Greenspace and Water. The next biggest category, making up four tenths of what is left, is domestic gardens. Just 1 per cent of England is housing, and half as much is non-domestic buildings. The idea that the England has been ‘concreted over’ is nonsense, resulting from the perceptions of people who live in urban environments. The most acute areas of housing demand are in London, the South East

prices. They are a function of supply and demand. For decades the number of households in the UK has been growing faster than the supply of homes. However, the supply of housing is entirely a function of the supply of land available for domestic development. It is the acute shortage of land that is zoned for housing that leads to the shortage of construction and so to the shortage of housing. This is a problem that has been

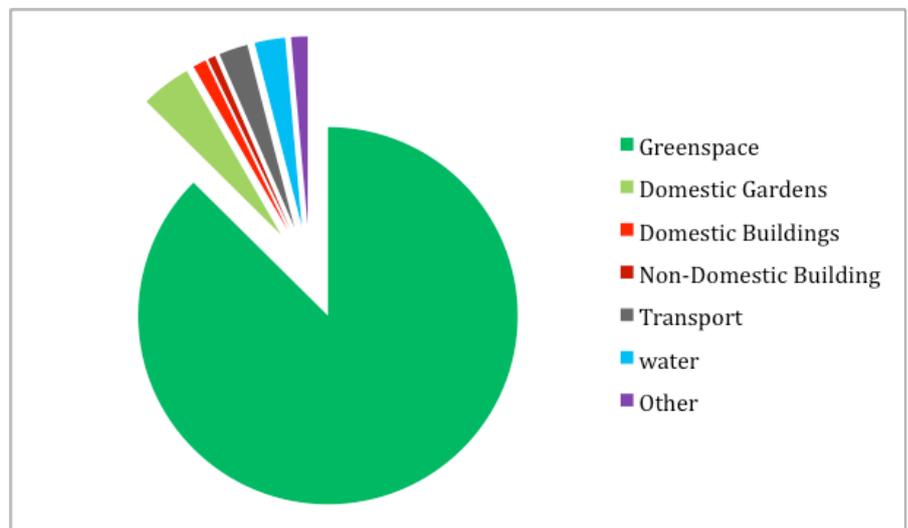


Figure 1: Land-use in the UK in 2005

and the West Midlands. According to the Greater London Assembly, London’s population is expected to grow by around one million over the next twenty years, and the number of households by nearly 700,000. Yet even the South East isn’t overdeveloped: the South East of England is 84.7 per cent Greenspace and Water and just 2 per cent buildings.

There is no magic to house

endemic since the middle of the last century. It stems from the Town and Country Planning Act 1947 – one of the most resilient pillars of the post-war command-and-control state.

Land Use Planning in the England

Broadly speaking, the right to develop land has been separated from the right to use land (‘ownership’). Development decisions are politicised, and

thus fall foul of all the challenges resulting in any 'public choice' arena.⁸ The result is an all-or-nothing, winner-takes-all approach to planning. There is no requirement, or effort, to compensate, or incentivize, third parties who might be adversely affected by development. Meanwhile, large swathes of undifferentiated land are placed under blanket protection. The system is based upon an unswerving faith in the ability of a bureaucratic planning process to achieve superior outcomes to those achieved in the spontaneous order resulting from voluntary action, and upon the belief that the public good can be correctly assessed by political decision-makers and that it is therefore justified to impose third-party costs on the losers. (Note, in this context, that it is as much a third party cost to a would-be developer to refuse development rights as it is a third party cost to a neighbour to grant them).

To understand the root cause of the problem, we need to examine the winner-takes-all nature of planning in particular detail. Under the present system, developable land is in short supply. Politicians talk a lot of nonsense about developable land. For example, in June 2013 Ed Miliband proposed that under a Labour Government 'Developers

holding on to land with planning permission will be warned to 'use it or lose it'⁹. According to the Labour leader, planning permission has been granted for 400,000 homes – equivalent to a city the size of Birmingham. Yet as Table 1 shows, this represents just two to three years new housing. Rather than representing a shocking example of land banking, this represents the development 'pipeline' – the land that developers will build upon over the coming three years.

The reason for this shortage of developable land is that local people – those that have the most influence over local decision-makers – bear all of the social cost of a new development and gain little of the benefit. A new housing development will marginally reduce the cost of housing regionally, but the beneficiaries will be every would-be homeowner in the area. By comparison, the loss of amenity (in the form of local greenspace, population density, etc.) will fall entirely upon neighbouring residents. In a liberal economy, there would be a mechanism for compensating those who suffer these 'negative externalities', but under the UK's nationalised planning system, there is no need to compensate losers. Consequently, all the social benefits of development can be captured as private

gain for the landowner.

The numbers involved are staggering. In the South East, agricultural land sells for just 1 per cent of the price for which land with permission for housing sells. That means that a typical 50 hectare farm, which might be worth £1 million, could increase in value to £100 million just through the owner getting planning permission. This represents the social value of the thousands of homes that could be fitted on that land, all of which is captured as a private, windfall gain by the owner.

A Liberal Planning Policy

What would we expect to see from a liberal planning policy? Firstly, it would be voluntary. Too often governments have relied upon top-down targets, or have imposed development solutions. These are incredibly unpopular and hugely illiberal. They are also ineffective: Labour's Regional spatial strategies, for example, did not result in the UK building enough homes over the decade to 2010.

Secondly, a liberal planning policy would devolve planning decisions as much as possible. This needn't be to local authorities: it has never been a point of liberal principle (though it has too often been a point

of practice) that power should be passed 'from Whitehall to the Town Hall'. A liberal planning policy would seek to devolve decision-making as near to the individual as possible while preserving the rights of all.

“The most effective way of ensuring that developers are not able to over-charge for new housing, build low quality products, that land-banking is impossible, that rents are reasonable and that standards are maintained is the existence or threat of competition.”

Thirdly, it would have no truck with monopoly. Monopoly is the scourge of markets, yet our present planning law creates monopolistic development rights.¹⁰ The most effective way of ensuring that developers are not able to over-charge for new housing, that they cannot build low quality products, that land-banking is impossible, that rents are reasonable and that standards are maintained is the existence or threat of competition. This would also mean that the system would not allow individuals to prevent development or seek compensation on the grounds that it would cause loss to the value of their property due to the increase in supply. It

is perfectly reasonable to expect to be compensated for a loss of amenity but it is not reasonable to seek compensation because more housing is brought onto the market.

Fourthly, such a policy would internalise externalities: in other words, negative costs that fall upon third parties would be subject to compensation by, and at the expense of, the developer. This would bring planning in line with the rest of the economy: if I wanted to carry out any other economic activity and it caused a direct cost to you, you would be able to seek compensation, if necessary through the courts; it is a strange anomaly of our legal system that the courts will not consider claims for damages arising from neighbouring development. Thus the system would allow individuals to seek compensation on the grounds that it would cause loss to the value of their property due to a change in circumstances (eg, a loss of a view or access to a wood or field; increased population density; etc).

Fifthly, it would encourage the enlightened self-interest of all parties. So, for example, on top of compensating local people, it might go further and allow them to reap some of the rewards for permitting development.

The current land use planning system for the UK fails against each of the above tests. It is highly centralised and highly politicised. It awards localised monopolies on development that are worth millions to the few to whom they are granted. It passes the entire social cost onto neighbours. And it fails to incentivise local communities: on the contrary, it encourages them to nimbyism.

“The current planning system awards localised monopolies on development that are worth millions to the few to who they are granted. It passes the entire social cost onto neighbours.”

A Specific Proposal for a Liberal Planning Policy

A liberal planning policy would begin by dismantling its socialist predecessor. The Town and Country Planning Act and its successors would be repealed. Instead, planning authority would be invested in local communities. These communities would be neighbourhood-level, not the vast local authorities we have today. Existing planning authorities are too large. There is no reason to believe that residents of an entire district or borough share a common

interest when it comes to developing land on the edge of a particular town or village. They are also multi-purpose authorities: the local planning authority is also the local education authority, transport authority, waste authority, etc. Thus they are inclined to allow non-planning related matters to influence planning decisions.

“A liberal planning policy would begin by dismantling its socialist predecessor. The Town and Country Planning Act and its successors would be repealed. Instead, planning authority would be invested in local communities.”

The new planning authorities would take the form of mutuals or cooperatives, jointly owned by the property owners within the neighbourhood. The planning authority would exist solely to consider planning applications. It would use the granting of planning applications to raise revenue: perhaps through the auctioning of development rights. This may build on the Community Land Auctions proposed by the LSE economist and Liberal Democrat member Tim Leunig¹¹. Alternatively, this may take the form

of a system of zoning, as practiced in many parts of the United States, with the right to develop being either auctioned off or issued to residents in a tradable format.

Investing development rights in a planning authority would ensure that the local community still had a mechanism for determining which areas of their locale were developed and which were not. Auctioning those rights would enable the local community to price the value of that land: rather than assuming that people either do or do not want a certain field built upon, it would let them set a price and so provide a more accurate way for the community to express how much it valued different uses of the land. Auctioning those rights would also enable the planning authority to compensate those affected, in varying amounts depending on the extent to which development impacted upon them. Finally, separating the planning authority from the local authority would ensure that decisions were taken by the local community with land-use in mind, rather than for other reasons. Similarly, elections to the executive of the planning authority would not be influenced by matters other than those related to planning.

Summary

The current land use planning system in England is highly illiberal. It stems from an age when we believed that central planning could create a fairer and more ordered society. The result has been a highly inefficient distribution of development that has also seen housing becoming less and less affordable. This particularly hurts the poor and the young, at the expense of landowners and those with political influence. We need radical reform if we are even to meet new housing needs, let alone rebalance supply and demand and make housing cheaper and of a higher quality. As the above demonstrates, this aim can be achieved in a way that empowers individuals and communities and is compatible with our liberal principles.

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2 Household Interim Projections, 2011 to 2021, England, Department of Communities and Local Government, 9 April 2013.

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6 Land Use Statistics (Generalised Land Use Database), 2005,

7 Greater London Authority, 2009 Round of Demographic Projections from Focus on London 2010: Population and Migration

8 For an extensive account of the failure of "Public Choice", see James M. Buchanan and Gordon Tullock *The Calculus of Consent: Logical Foundations of Constitutional Democracy*. For a more contemporary summary of the half a century of Public Choice Theory, see Eamonn Butler, *Public Choice - A Primer*, Institute of Economic Affairs, 2012. For an account of how Public Choice Theory interacts with land use planning, see Mark Pennington, *Liberating the Land: the case for private land-use planning*, Institute of Economic Affairs, London 2002.

9 Ed Miliband issues warning to developers over 'hoarding' of land, *The Guardian*, 21 June 2013.

10 The term "monopoly" is rarely used in its strict sense, to denote a single entity in control of supply. With the possible exception of infrastructure networks, real monopolies are entirely functions of government. Ironically, that is also true of the quasi-monopoly in development rights, which are an enormously valuable gift to those able to persuade government to grant them.

11 See Tim Leunig, *In my back yard: unlocking the planning system* and Tim Leunig, *Community Land Auctions: working towards implementation*, published by CentreForum.

Family Law: A Liberal Agenda for the Future

- Nick Manners

When discussing reforms to family law, we need to start with a basic re-assessment of what 'family' constitutes in the 21st century, and what this means for modern liberalism. Crucially, we must pull back from traditional assumptions and fully recognise the slow evolution of the 'typical' family over the last half century.

Single parent, mixed race, gay and lesbian, multi-generational and step-parent families form a growing and diverse range of non-traditional family units, which have rightly been encouraged and acknowledged by liberals (often in direct contrast to the suspicion of some on the right)². However, policy in this area remains in danger of being framed with only the traditional family in mind. Liberals must resist this.

A first simple example can be seen in the Conservative party's stated aim to introduce tax breaks for married couples. 'Transferable tax allowances' feature in the Coalition Agreement, but liberals must be true to our principles; though we are honour-bound by

the Coalition Agreement to abstain on a vote in Parliament, we should do all we can to oppose it beyond Parliament. To favor only the traditional (married) family unit over others is deeply unfair and illiberal, and is, in effect, a tax break favouring children in married families over children in non-married family units³.

"We should be clear that people have a choice in their private lives and the state should not fetter this, but simply enable equality and choice for all forms of family"

The liberal response should be unambiguously neutral: it is not for the state either to favor marriage or to undermine it. We should be clear that people have a choice in their private lives and the state should not fetter this, but simply enable equality and choice for all forms of family, while ensuring the safety of both adults and children from all forms of exploitation and abuse.

A liberal agenda could

seek to implement the following non-exhaustive set of ideas and principles:-

A) Family Law Reforms

1. Reform of the law for cohabitees

Legislation should be brought forward to equalise the rights of cohabiting couples so that they share the same privileges in law as those who are married. Increasingly, couples are choosing to form stable family units without committing to marriage. Yet the legal and fiscal benefits of marriage (eg, double 'nil rate bands' for Inheritance Tax purposes and transferring assets between couples free of CGT) are denied to cohabitees. This is wholly unfair. When the Conservatives tried to open up a debate in this area in 2009 it was shouted down as 'anti-marriage'⁴. But in reality, it is 'pro-family', and liberals should pursue it.

Liberal Democrat peer Lord Lester proposed a backbench Cohabitation Bill prior to the last election aiming to give legal protection and recognition to unmarried couples. This proposal should be

resurrected, with reference to the Law Commission's 2007 report⁵, which surmised that:

It is not in anyone's interests for separating cohabitants to have to resort to lengthy and expensive litigation over the application of principles of trust law that are more suited to commercial relationships. Whilst cohabitants have not undertaken the public commitment of marriage... there should be a legal regime that allows just outcomes to be reached quickly and efficiently.

Forming a stable and loving home as a couple should be promoted, not penalized. If one cohabitee sacrifices their earning potential and career to start and care for their family, they should not find themselves without any protections in law should the relationship break down.

2. "No-fault" divorce

Historically, one party must prove that the other is at fault for a marriage to be dissolved. However a liberal agenda should remove this antagonistic requirement. Instead, we should provide for a regime of consensual and mutual separation leading to divorce. People should be free to leave a marriage succinctly and with dignity, irrespective of the reason. The liberal stance of respecting one party's control and

autonomy over their lives must be observed here. It should only be restricted where the rights of the other within the relationship are adversely affected, and those who are vulnerable protected.

Any debate in this area draws shrieks from the right wing media, stoking fear that this will make divorce 'easier' and lead to more relationship breakdowns. But this is statistically disproven in some of the countries⁶ who have already adopted this regime. For instance, in Australia, where no-fault divorce was introduced in the mid-1970s this change has not lead to a higher divorce rate (there are more divorces, but only because more people are getting married!)⁷. Instead the change has provided people with more freedom, dignity and choice.

If a process of mutual consent and separation leading to divorce were introduced, childless couples could be divorced quickly on the grounds of 'mutual consent'. For relationships involving vulnerable parties protections could be incorporated; so for couples with children, or where one partner was reluctant to separate, there could be a period of "specific separation" to allow for outstanding issues (such as children, finance, etc.) to be resolved. Such a protective balance

has been incorporated into Scottish and Swedish divorce law, with neither country having seen a great social upheaval as a result.

3. Reform of the child support agency (CSA)

Almost half (49%) of couples divorcing in 2011 had at least one child aged under 16.⁸ To help care for their children, the main method of financial recourse for a single parent is to seek child maintenance from the non-resident parent via the CSA.

In January 2013, the Department for Work and Pensions (DWP) reported that around 80% of parents are making maintenance payments to the CSA, up from just over 45% in 1995-96⁹. But we must aspire to safeguard all children.

The figures also did not reveal whether the full maintenance obligation was being met by all the payees. Improving the enforcement of the payments must be a priority. The same DWP report also noted there is some £3.8bn of cumulative unpaid child support which had not been collected since the CSA's launch in 1993. Some of this will be genuinely unrecoverable, and will have to be written off, but we must work harder to alleviate the clear injustices where a father (or mother) simply

has not paid. Cost effective and practical reforms, such as reducing delay from when CSA payments are taken directly from the payroll of the paying parent (Deduction of Earnings Orders) to when they are received should be considered, along with even moving enforcement directly to the Inland Revenue. For liberals this intrusion into a private individual's finances is a necessary one as it safeguards children from the dangers of poverty. The Coalition has now proposed user charges for parents to use the forthcoming "Child Maintenance Service"¹⁰ - these need careful reflection, as they are potentially punitive on the poorest in society.

"The cost of living and housing has risen so significantly that mothers may have no choice but to return to work because their family cannot survive on a single (or no) income. Liberal values of choice and autonomy must be returned."

B) Employment and Working Culture Reforms

A modern paradox is that whilst women have more rights, choice and autonomy than ever

before, mothers (both in single and co-parent families) often cannot provide for their children unless they rejoin the workforce after childbirth. The cost of living and housing has risen so significantly that mothers may have no choice but to return to work because their family cannot survive on a single (or no) income. Liberal values of choice and autonomy must be returned.

Families must not be 'squeezed' by modern working culture. Sensible remedies, such as promoting more flexible working hours and equalising maternity and paternity leave and pay, must be pursued more vigorously to allow fathers to spend more time with their children. The cost and necessary regulation to enforce this, to which some liberals may naturally be suspicious, would be a necessary trade-off to grant the individual the freedom to bring up his or her family as they please.

The culture of fitting childcare around work, instead of work complementing child and wider family care must be explored, with employers encouraged (through innovations such as using a simple paid time off' scheme instead of the traditional sick day/holiday system, or more widespread use of un-paid leave) to allow

parents in all family units the choice to spend more time with their children. The positive Swedish experience¹¹ of improving parental leave for fathers is a point in case¹². Recognition must also be made that it is not just in the weeks immediately after birth when parents need to spend time with their children. Other key stages during children's development should be recognised, for example there are post-birth parenting classes in Sweden while the Coalition has confirmed a new legal right for men to take unpaid leave to attend two antenatal

More must also be done to allow workers the choice to care for elderly relatives. With our increasingly ageing population, the same practices that surround childcare should be adapted to apply to wider family care. Provision of free childcare by the tax-payer may become a necessary burden, where the state must look to shoulder some additional burden to allow people the choice to look after and care for the elderly.

C) Related Welfare Reforms

Welfare is changing. The Universal Credit – which merges several benefits and tax credits into one monthly payout intended to ensure being in work

always pays more than being on benefits - is planned to be rolled-out nationally by 2017. Key liberal principles must not be lost in the rush to improve the system. In creating conditions where people are encouraged to return to work there is a danger that a parent's choice to look after their children at an early age will be lost in the race to penalise so called 'scroungers'.

Forcing the poorest into longer working hours or increased part-time work risks limiting the amount of early age intervention these parents can provide, widely acknowledged as key to a child's early development. Liberals cannot allow only those who can afford it the choice to take extra time off work to look after their children. The children of the poorest in society should not be punished by reforms which leave them with less parental time at a young age. The same is true with care for the elderly.

Pensions reform must continue to ensure that women are not disadvantaged - something the recent reforms to the state pension piloted by Lib Dem pensions minister Steve Webb went some way to address this.¹³ However as the moves towards more defined contribution schemes take hold (as opposed to defined benefit) women

(or even stay-at-home dads) who have had breaks in their employment (often to care for their children) could risk being disadvantaged. Further, if a spouse dies prematurely, annuity purchases can often only be made for a single annuity. Thus women or men who have taken a career break on the basis they will share in part of their partner's pension in the future could lose out. Liberals must continue their reforms and further equalize this area.

“Liberals need to explain and promote the importance of good family policies with a focus on education throughout adulthood”

D) Education

Finally, liberals need to explain and promote the importance of good family policies with a focus on education throughout adulthood. Targeted advice and assistance must be provided to those considering starting a family, contemplating marriage, suffering family breakdown, or unexpectedly facing becoming a single parent. The balancing act between accusations of the “state knowing best” versus individual choice must be squared with our duty to ensure children are not prevented from

having best start in life. This subject can be linked in with schools. For example, confidential parental counselling (or similar) could be more widely available through schools and local authorities, and efforts made to make these chances the norm as soon as possible.

In addition, for both cohabitees and married couples, at the key relationship transitions such as parenthood or buying a house together, couples could take up ‘voluntary relationship education programmes’. These would address practical aspects for young couples such as debt, tax, parenting issues, etc. Couples of all types would be free to attend and employ these sessions as they liked, with the ‘menu’ flexible to meet the needs of each individual case.

Clearer information campaigns or wider promotion of existing charitable campaigns¹⁴ could encourage fathers to spend more time with their children.

Conclusion

Set out above is just a flavour of the reforms to family policies liberals should consider implementing. By promoting freedom, choice and equality to all types of family in our modern

society, not only would core liberal principles and the liberal tradition be upheld, but individuals, families and wider society would be the key beneficiaries.

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The Dignity of Work

- Stephen Lloyd MP

After 20 years spent in business, one of the key issues that drove me back into politics was the sense of horror at the sheer scale – I would even go as far as to call it a scourge – of benefit dependency in our country. By this I do not mean those who for reasons of impairment cannot work and need the support a civilised nation should provide – a safety net, as Beveridge intended – but the many hundreds of thousands of working-age people in the UK who have ended up stuck on benefits, with no clear way out.

“It has become all too easy to park people, giving them enough benefit to survive but not much more, and which then imposes a framework locking individuals into a cycle of dependency, literally trapping them in poverty.”

Under the current system a situation has developed over many years where it has become all too easy to park people, giving them enough benefit to survive but not much more, and which then imposes a framework locking

individuals into a cycle of dependency, literally trapping them in poverty.

This is what the Coalition Government is trying to address with the Work Programme. Billions of pounds have been invested into it and a whole plethora of schemes developed, with payment by results a key part of the process. Another key part includes the much reviled Work Capability Assessments (WCA) where contractors are re-evaluating the needs of everyone who has been on benefit for a certain length of time. It is unpopular for a number of reasons and not only because it's seen as unjust. Another reason that is less discussed by some commentators is the whole reality of dependence – when someone has become utterly reliant on any form of support, meagre or otherwise – means that any attempts to change it will, naturally, be met with fear and loathing.

This is perfectly rational. Leaving aside that there are some aspects of the programme itself that I'd do differently, why do I believe the programme still fails the Liberal test? Essentially it's down to tone.

It is because some of our Conservative partners in Coalition fail to sell it the way it should be sold. This is not in reality about 'workers versus shirkers' but about our neighbours, our friends, our families; in short our own backyard. It is about a large number of fellow citizens who for one reason or another have become trapped.

Consequently, I believe that if we sell it more for what it really could be – a concerted, community effort by UK plc to help people get back on the ladder – then it would be viewed as something transformational. Instead, we have allowed the scheme to become traduced by the Daily Mail tendency on the right whilst allowing the left to cry 'shame', while at the same time being broadly passive if not comfortable with leaving so many people and their children to a life of permanent dependency. I am not sure which I detest more; right-wing, boneheaded vituperation of our fellow citizens or left wing complacency. On balance, frankly, I think the latter is more pernicious as it can be even harder to challenge. If someone is a

bully you can stand up to him. You can harness your anger and fight back. But if someone is patronised, in the way the left are so adept at doing, you feel marginalised or, even worse, ashamed. In these sorts of instances it does not take long to sink into a victim mentality which, as social scientists have known for years, is the hardest mindset of all to escape from.

My liberal solution is based around the, to me, obvious understanding that it is often no-one's 'fault' they have become benefit dependent, particularly when we have such a sclerotic system of tax and benefits.

My liberal solution is based around the, to me, obvious understanding that it is often no-one's 'fault' they have become benefit dependent, particularly when we have such a sclerotic system of tax and benefits. Without a major, positive drive to support and encourage people to join the Work Programme on the basis that we as a society really do care about them, it will be hard if not impossible to move beyond the negative headlines.

The Coalition are trying to tackle the iniquities of the system with Universal Credit, which in principle

I believe is going in the right direction. However, these changes are being implemented in the face of a fierce, accusatory headwind of either allegedly 'work-shy scroungers' (right-wingers) or 'poor, put-upon victims' who should be left alone on benefit (left-wingers). Both stereotypes are despicable and I believe the Lib Dems should challenge each with the same vigour.

We should constantly confront those in government on the inappropriate language that is sometimes used – and I do so regularly on the Work and Pensions Select Committee – but we should also not shy away from those who persist in the cruel lie that people on benefit should just be 'left alone'. Since becoming the MP for Eastbourne one of my priorities has been jobs and it's working locally. Our unemployment figures are down, we've secured over 2,000 new apprentices since May 2010 and there is a real sense of a town working together to help people find employment.

I work closely with all the statutory authorities, the local FE college, Job Centre Plus, the Chamber of Commerce, training companies, charities, work programme providers and the local council, all of whom are trying to do the right thing for our neighbours. It hasn't been easy and we still face real

challenges with the state of the economy, but there is no narrative in Eastbourne of 'shirkers', or accusations of people being 'work-shy'; instead there is a genuine collective desire to help get people back into work.

I recommend it and I recommend we as liberals face down the noises off from right and left. If we do we will be doing a service to those who society (and Labour) had given up on and we will be defeating the ugly face of a certain type of Gradgrind conservatism. This way, we as a Party can offer what I believe the public really yearns for – a welfare state that acts as a trampoline, and not just a safety net.

Stephen Lloyd was elected MP for Eastbourne and Willingdon in 2010. He is particularly interested in the area of disability, having been hard of hearing from childhood as well as losing his sight for a period of six months in his 20s. In Parliament, he serves on the Work and Pensions Select Committee, is Chair of the All Party Parliamentary Group (APPG) for Citizens Advice Bureau, and Co-Chair for the APPG on Further Education, Skills and Lifelong learning. Find out more at <http://stephenlloyd.org.uk/>

Evidence-Based Education Policy. Why the Lib Dems Have it (nearly) Right

- Layla Moran

As Liberal Democrats we pride ourselves on the creation of policy based on values. But we also care that each policy will yield results and deliver the sort of change we want. While at times this results in policies that can seem complex in the eyes of the general public, our considered, long-term, evidenced-based approach also distinguishes us from the other parties; and it is one of the major reasons why I am a Liberal Democrat.

Getting education right is a fundamental for any government. The child is father – and mother – to the man. The way we interact with our teachers, peers and community, our ability to move into further and higher education, and how we view and contribute to society are all influenced by our experience in school. It is therefore no surprise that governments seek to make their mark by strongly influencing education policy.

But let us beware: the way we experience school is determined not simply by the school itself, but by wider societal factors. The most important of

these is the background of our parents (or more broadly, family), closely followed by that of our peers. This is especially stark in the UK. In fact, in a survey of 52 countries, Britain came top in the link between background and future attainment.¹ 14% of the variation in student performance within school is explained by students' socio-economic background and, when taking wider family background into account like immigration status, this rises to over 25%.

More striking is that 77% of the differences in student performance between the best and worst performing schools is explained by differences in socio-economic background of the students and not features of the schools themselves.² This is much higher in the UK than in every other OECD country bar Luxembourg.

Let's take this one step further. This OECD data suggests that just 23% of differences between schools in attainment can be attributed to features of the schooling system itself. Perhaps 23% seems a relatively small percentage given that it encompasses

everything involved in the school environment – teaching standards, buildings, disciplinary procedures, curriculum – and it could be argued as a result that, whatever improvements we make in schooling, will have only marginal effects. However, I disagree fundamentally with this interpretation. Even a few percentage points can make a major difference in all sorts of outcomes later in life: earning power, health outcomes, life expectancy. It is worth doing. But the point is, it cannot be done in isolation.

In order for any policy to have any measurable impact on the children most in need, it needs to reach out beyond the school and address the deeper issue – the backgrounds of the

“For any policy to have any measurable impact on the children most in need, it needs to reach out beyond the school and address the deeper issue - the backgrounds of the students themselves.”

students themselves. If we are to substantively tackle the pervasive issue of educational inequality, focusing only on school-wide initiatives will not work. This is what makes the Lib Dems' proposed 'Nursery Premium' – additional money for children who need it most – so powerful.³ It targets resources not just at the children but also their parents and helps untie the knot between background and a child's prospects.

As stated before, the background of those who surround us, our peers, has almost as great an impact on our future prospects as the background of our parents – and of course these two factors are linked. The research suggests that this is due to a host of factors including, but not limited to: better networks, best encapsulated in the adage 'it's not what you know but who you know'; increased social currency (the ability to access and use information to your advantage); and higher emotional security.

Another important factor to consider is that when there is a concentration of underachieving students in a school, this diverts resources away from others. In a class of 25 if a small number of students are taking much of the teacher's time for either academic or behavioural reasons, the others in the

class suffer. Teachers are adept at differentiating their teaching to accommodate the varying needs of students but it is extreme cases that matter particularly. This can be addressed by providing extra support for those students either through teaching assistants, pull-out programmes, or extra classes. And what is best for that school should be determined by the school itself.

The Lib Dems' 'Pupil Premium' – additional money targeted at pupils eligible for free school meals – is an attempt to address this by tying money directly to those students needing most support. This is one of the things private education does so well: targeting resources at weaker students to bring out the best in them. If properly managed and accounted for – ie, if the Pupil Premium is actually spent on those students and is not used to fill other holes in a school budget – then the experience from the private sector shows that this policy, introduced by Lib Dems in Government, will work at raising overall attainment for all.

Liberal Democrat education policy is making good progress, but I also believe we have some way to go. Our policies at the moment do nothing to address the stratification of schools based on

background. The detriment is that by allowing such stratification, the evidence suggests it lowers attainment overall.

This poses some rather uncomfortable questions. For example, when the evidence suggests that increasing school choice for parents increases educational inequality⁴ and, as a result, social mobility should we continue to support such policies? Our constitution seeks to 'balance the fundamental values of liberty, equality and community'. Does liberty equate to parental choice and is the balance right at the moment? An important distinction between the consumer market and the market for education is the knock-on effect of one family's choice on another's. The number of school places is a relatively inflexible quantity. We could think of choosing a school like vying for a seat on a low cost airline. There are roughly the same number of seats as passengers, but some seats are more desirable than others. Middle class families – though mechanisms such as being able to buy houses in the right catchment areas or having the money to provide transport for schools further away, and being generally better at playing the system – get the equivalent of Priority Boarding passes. By the time many lower-class families come to choose

a school, the effect of the middle class push is fewer good seats for poorer students. This might be fine for a short haul flight, but education is for the long haul and has lasting effects on future prospects.

One solution is to help cover transport costs to even out an aspect of this inequity of access. A policy to be proposed at the 2013 autumn conference – and one that I hope will be passed - would provide free transport to school for pupils eligible for free school meals (FSM): this is a move in the right direction. Over half the students in the country have at least three schools within a five mile radius of their home.⁵ Another solution I would propose is to bias choice in favour of children on FSM while having staggered and supported application processes for those families administered through the previous stage of education (ie, nursery for primary school).

“If independent education reduces the number of students from well-off backgrounds to state schools, which in turn leads to depressed attainment overall, why do we still allow these schools charitable status?”

Another question we have never addressed

is this: if independent education reduces the number of students from well-off backgrounds to state schools, which in turn leads to depressed attainment overall, why do we still allow these schools charitable status? The main argument for it is that they give back through facilities and assisted places while not costing the taxpayer anything to educate those children. But this could be seen as a false economy given that the segregation that occurs by removing children from wealthy families from the state system decreases social mobility and future job prospects for the rest of the population. This argument has been made to the Charity Commission in a tribunal in 2011 (which rejected it⁶) based on a lack of clear evidence. However I believe these arguments should be pursued. Just because the proponents for including factors such as decreased social mobility in the assessment of charitable status made a less than robust case in this one instance, this should not mean this is the end of the story. Given the prize of improving social mobility and diversity in schools I argue this should be a priority in terms of policy making for our Party.

Finally, there is a wider political point about the fairness to students in having an education system that keeps

changing. How can we expect students to make good choices for their future when year upon year the goalposts keep shifting? It is true that our education system needs improvement, but we need to be wary of change that is based solely on ideology as it can have far reaching consequences on life chances of the children who only go through the system once. Paying careful attention to the whole body of research (rather than picking and choosing statistics to back up one ideological viewpoint) is the best way to ensure we suggest and implement policies that will benefit the maximum number of children and we need to leave some time for these policies to work. Teachers would also welcome the stability this would afford as their greatest complaint is that more training and redesigning, rather than refining of practice and courses, encroaches on the time they have to do what they do best, to interact and bring out the best in their students.

For now, I am content that we are moving in the right direction and remain confident that our policies will have a positive impact. That said we must also ensure that our party continues to strive for a long term, well-grounded set of policies that stand a chance of working in the local context. We must

learn from the international success stories but beware of blindly borrowing policy or digesting statistics in isolation. Every county, every community, every child is different. As Liberal Democrats, it is our job to embrace this and put the best interests of children at the heart of all our policies. After all: they are our future.

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A New Mandate for Development Aid: Beyond 0.7%

- William Townsend

This year the Coalition Government aims to achieve a target of spending 0.7% of its gross national income (GNI) on aid – up from 0.56% in 2012.¹ Development aid is a central component of our party's ethos; it reflects the kind of country that we want Britain to be and we support it not because we must, but because we feel it is right to do so.

“In our ambition to become a ‘development superpower’ we have mistakenly and disingenuously placed quantity ahead of quality – how we spend our aid budget is just as important as how much we spend.”

Through my work with international campaigns and, more recently, Liberal International, I have met groups who do miraculous things with UK aid money, from the UN Refugee Agency to people who have imported to India water irrigation technology designed in Israel. Yet in our ambition to become a ‘development superpower’ we have mistakenly and disingenuously placed

quantity ahead of quality – how we spend our aid budget is just as important as how much we spend.

Using aid money virtuously and effectively takes resources and requires caution. Many of the challenges that the Department for International Development (DfID) faces today echo the findings of a report published in 1969, entitled *Partners in Development*², which warned of tied aid, private investment and, yes, a fixed percentage of GNI being used to alleviate poverty overseas. If aid is poorly directed, we risk stifling long-term development in recipient countries.

Central to these pervasive challenges has been the struggle to devise a strategy for undertaking development in countries with objectionable governments. The Rwandan government, for example, has been in receipt of more cash from the UK than almost any other bi-lateral aid partner. Yet in 2012, perhaps in an attempt to avoid tarnishing what is widely seen as a poster-child for international development, the then DfID Secretary

of State, Andrew Mitchell, authorised a £16 million aid payment in spite of a 44-page UN report documenting long-term Rwandan support for rebel groups in neighbouring Democratic Republic of Congo – to say nothing of the Rwandan government's human rights violations within its own borders.³ With pressure to spend aid money to avoid more uncomfortable surpluses, awkward checks and balances are likely to be swept away in an effort to hit the 0.7% spending target. Our obsession with development targets should not mean that a country that is doing well by quantitative development indicators, such as GDP, is able to shirk overarching liberal and democratic values without any censure.

When it comes to development, planners in the West simply have very few answers for dealing with bad leaders in poor countries. It is tempting to circumvent these actors by channeling funds through non-governmental organisations (NGOs) instead. However, creating parallel systems of government or infrastructure will inevitably

have corrosive effects on political systems as illustrated in Haiti, cynically referred to as the 'Republic of NGOs',⁴ following the development community's lopsided response to the 2010 earthquake. In Haiti, people looked to unaccountable NGOs before elected politicians to provide essential services; with the best educated Haitians enticed into working for international organizations who were able to offer higher wages, an immobile democracy was made virtually inoperative. Added to this the risk that recipient governments will concentrate more on mollifying their donors than doing what is best for their own citizens also increases.

Furthermore, aid channeled through NGOs tends to provide essential, short-term relief but fails to create the long-term structures required for successful development and independence from aid. So while DfID is brilliant at leading campaigns that aim to save 250,000 newborn babies' lives by 2015,⁵ or tackling malaria in at least ten hot spots in Africa and Asia,⁶ it has made far less strategic impact in convincing governments to use the wealth generated from natural resources, say, to build hospitals. Sustainable development requires new attitudes that move us beyond issuing bed-nets and drugs.

Other Western countries have responded to the problem of delivering aid to states with bad governments in a similarly unhelpful way. Canada, the Netherlands and Denmark have moved closer to a model which amalgamates their aid departments with their foreign and trade ministries. Ruling parties in these countries claim to be responding to the changing nature of development, in which the private sector and economic development are seen as key.

Although a well-regulated private sector and inward investment are crucial for development, there is a limit to what the private sector alone can achieve. Driven by profit, private companies are risk-averse and have a poor record of listening to local people⁷ in order to get micro-economies moving. Investment in entrepreneurs takes time and requires patience – virtues for which global conglomerates are not renowned. Crucially, development returns must consider social impact as well as economic development. Helping more poor people will require us to tweak the power relationships between donors, aid recipients, and the private sector in order to build solutions from the perspective of those we are trying to help.

Dirk Niebel, the German federal minister of economic cooperation and development, recognised this point when I met him at a forum with the Lib Dems' sister party, the Free Democratic Party (FDP), in Berlin recently. Niebel called for a marriage, or at the very least a civil partnership, between the state and private sector, acknowledging that development aid can facilitate but not replace private sector investment.

DfID must not be afraid to pursue a policy that places certain expectations on governments which receive UK aid. This may seem controversial. Yet a recent study by a university in Virginia,⁸ which assessed the dispensing of aid on merit, found support in both donor and recipient states; the study cited Liberia under President Ellen Johnson Sirleaf as an example of a country that has done particularly well under the scheme. Promoting reform before spending money in this way has the added advantage of making development aid palatable to the electorate. By contrast, DfID's attempts at target setting have, in the past, been lacking: only 3 of the 18 priority⁹ countries that DfID works with in Africa have consistently met a target, agreed to in 2001, to spend 15% of government money on health.

DfID must do more to encourage progress beyond the alleviation of poverty. Steady economic growth and the holding of elections are, in isolation, not stable indicators of a country that no longer requires development assistance. In this vein, DfID has frustrated its own ambitions to help the poor following a decision to reduce support for numerous Middle Income Countries, the 86 countries that fall into the middle-income range set by the World Bank, where the majority of the world's poor are found. In South Africa, for example, where the ruling ANC's vote has never fallen below 60%, the Government is able to fund a health service but its investment in civil society, which helps develop a democratic culture through checks, balances and transparency, has been minimal. Consequentially, South Africa's government is mired in accusations of corruption, nepotism and other dodgy deals - in the meantime, half of all children live below the poverty line.¹⁰ South Africa represents a prime opportunity to not only help people out of economic poverty but also empower them politically.

Contrast the UK's approach to aid with that of Norway. Norway is one of the largest aid contributors to Afghanistan and, although development indicators

there are moving upwards, it still insists that a system of 'mutual accountability' is respected. So, ahead of the presidential elections in 2014, Norway has been vocal in its intention to suspend aid, as it has done previously, if the Kharzi Government fails to put in place the agreed democratic architecture.

“DfID is likely to lose the confidence of the UK taxpayer (and by extension its mandate) if it continually capitulates to the sensitivities of bad leaders for the sake of meeting arbitrary funding quotas.”

We are not admitting defeat by acknowledging that there is no prescription hidden within the development apparatus to transform 'bad' governments into 'good' governments. UK aid has necessarily evolved from reactive pledges of aid to include assisting countries with weak infrastructure; it has transitioned from helping poor people to helping poor governments. However, DfID is likely to lose the confidence of the UK taxpayer (and by extension its mandate) if it continually capitulates to the sensitivities of bad leaders for the sake of meeting arbitrary funding quotas, as it previously has done with Meles Zenawi in

Ethiopia.¹¹

Final Thoughts

We have come a long way from (as we once did) sending a country what it doesn't need, making them pay for it, and calling it all 'aid'. Today, however, as development programmes in other countries are re-orientating towards self-interest and the Coalition retains its commitment to the 0.7% spending target, we must ask ourselves some important questions.

There should be less hurling buckets of cash at the problem, in true New Labour fashion. Instead, our development assistance should be informed by the facts. DfID's budget is dwarfed by diaspora remittances (money sent home to developing countries by expatriates) and uncollected revenues within developing countries – Africa loses twice as much in illicit financial outflows as it receives in international aid. If we truly want to lift people out of poverty, we should be more focused on working with governments and local agencies to ensure monies are collected, put into the state coffers and used to sustain development and attract private investment. We have seen in countries like Georgia¹² how technical assistance can transform attitudes towards pernicious practices like corruption and bribery.

“DfID was created to put principle before profit, or, to paraphrase Roy Jenkins, to first ask what is right and then ask whether it is politic. This sentiment I endorse wholeheartedly.”

Politicians and experts who work in development see the best and the worst that humans can do for one another and to one another. There are never obvious solutions and certainly few votes in it, but DfID was created to put principle before profit, or, to paraphrase Roy Jenkins, to first ask what is right and then ask whether it is politic. This sentiment I endorse wholeheartedly, but with the 0.7% target I fear we have reversed engineered our objectives: our support for development must be based on the needs of target countries and the peoples therein, not a conceptual target which was arrived at based on discussions that started back in the 1950s.

William Townsend is the Communications Officer for Liberal International, the global federation of more than 100 liberal and progressive democratic political parties. He has previously worked for the Liberal Democrats and the Royal African Society.

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Where Nick Clegg MEP Left Off - Antony Hook

The Orange Book¹, published almost a decade ago, intended to change Liberal Democrat thinking. British party politics was changing: New Labour's popularity, following the Iraq war, was falling from its pre-2003 heights; Conservatives, facing a third successive election defeat in 2005, began to plot a renewed more liberal presentation of their party. The Orange Book's chapter on Europe ('Europe: a Liberal future') was written by Nick Clegg, who was in transition from East Midlands MEP to, after dedicated campaigning, Sheffield Hallam MP. Given that he, the Liberal Democrats and the political landscape were changing, Clegg's analysis of the political situation of Britain, Europe and the Liberal Democrats remains remarkably apposite. The strategy Nick Clegg argued for offers a good direction for the party's next 10 years.

"Disfigured by Intellectual fundamentalism"

Nick Clegg summed up the British debate about Europe as polarised- laden with vitriol and rigid wording. The public had been subjected to relentless misinformation

and failure of New Labour nerve to offer leadership on and in Europe. Political debate was 'disfigured by [the] intellectual fundamentalism' of forced and absolutist anti-European or pro-European sides. He observed:

- Public anti-Europeanism was widespread but shallow: people generally "reflect the sceptical twist of much of the media and political comment, but... their opinions [on Europe] are essentially fluid";
- People are more positive about Europe when reminded of the basic premise (or promise) of the EU that countries are more effective together. Pooling decisions extends the range of policy options and, thereby, our sovereignty;
- Much of the public wrongly believe that Liberal Democrat support for Europe equates to defending everything about the EU or all of its policies;
- Confusion and lack of familiarity with Europe ought not to be insurmountable. Brussels is no more complex than Westminster or Washington;
- Much anti-European feeling is based on myths that need to be corrected

with simple facts: the Commission is smaller than many local authorities; the EU is not awash with money (spending about 1% of GNP as opposed to about 40% by the British government) EU fraud is not to be ignored, but it is smaller than DWP fraud and the European Parliament scrutinises the Commission more intently than most national parliaments scrutinise national governments.

Clegg called for Liberal Democrats to avoid black-and-white terms of debate and to 'show that being pro-European is compatible with legitimate doubts'. He wrote that 'pro-Europeans must be creative, innovative and bold in proposing reforms' and remind people that Liberal Democrats have long advocated a 'more open, decentralised and accountable' Europe.

Clegg sought to exorcise the notion that the party should hide from debating Europe. Liberal Democrats needed to engage with, and make our case on, Europe.

Clegg's Positive Case for Europe

Clegg was specific about the case that Liberal Democrats needed to relentlessly put across to the public:

1. The EU does not decide things for us. We decide things in the EU with others.
2. If we don't like what the EU does we should blame ourselves.
3. Ministers get away with a lot behind closed doors. We need to hold them to account.
4. The EU bureaucracy is tiny.
5. The EU budget is 1% of the EU economy.
6. We need stronger parliaments at both Brussels and Westminster.
7. The UK has more influence abroad as a leader of the EU.

The Liberal Democrat agenda for Europe needed to involve 'stopping perpetual revolution', 'make all power accountable' and 'streamline EU power'. When The Orange Book was published, the draft EU Constitution (which was adapted into the Lisbon Treaty) was being debated across Europe. Clegg wrote,

Liberal Democrats should embrace this acrimonious debate on the constitution as an opportunity to explain the limits to EU action... checks and balances... and the

prospect of stability.

Liberal Democrats should 'attack the unaccountable nature of the Council' and 'encourage scepticism to the Commission'. He argued that,

The Commission is a remarkably effective organisation... [an] engine room of integration, counter-balancing... national governments.

But, he observed, too much power was concentrated in the Commission and Liberal Democrats must advocate accountable government. The 'absurd idea' that the EU must constantly accrue new powers to retain momentum must be rejected. Clegg's rule was that EU involvement must be limited to where cross-border action can clearly help. That test should cause no lack of work for the EU as it would include:

- Lifting barriers to free flow of goods, services, capital and people;
- Environmental policy;
- Anti-monopoly regulation;
- Asylum and immigration;
- Co-ordination of foreign policy;
- Single commercial policy where we negotiate as bloc with the other great blocs of the world;
- Promoting cross-border infrastructure.

Clegg was clear about what work the EU could cut: agriculture and social policy (such as working

time hours) should be left to member states themselves. The EU needed, he argued, to face up to economic underperformance, and focus more on Europe's shared international issues such as:

- Terrorism;
- Failed states; and
- Relations with Islamic countries.

Clegg's chapter closed with a call to arms: With persistence and clarity such a Liberal vision will emerge as the only positive, compelling vision for Britain's wholehearted commitment to the European vocation, responding to the real needs of Britain and Europe in the early decades of the twenty-first century.

“Positive advocacy for Britain in Europe sharpened by a liberal programme for EU reform, as outlined by Nick Clegg in The Orange Book, should remain the strategic ethos of the Liberal Democrats over the next 10 years.”

Advocacy for our country's place in Europe, with a liberal programme for EU reform, as outlined by Nick Clegg in The Orange Book, should remain the Liberal Democrats strategic ethos over the next 10 years. This is the right course

for Liberal Democrats. It represents the best policy choice in the interests of people in Britain. It is sensible in the party political electoral contest.

The 'disfigured' and 'absolutist' discourse that Nick Clegg described in 2004 persists. We must deal with the exigencies of a 24-hour news society in which the next political horizon always feels close, in which 'speed kills', and sounding right too often beats being right. But we should, as a party of values, always make time to consider the long-term. A century from now a fundamental question for historians will be 'to what extent did the nation states of Europe work together over the twenty-first century?' The challenges of this century will require us to work together. Those challenges include terrorism, climate change, immigration, and taxation in a globalised economy. The next century also bring opportunities that can best be fulfilled if we work together: pushing medical research forward to cure cancer and other diseases, the exploration of space, and the elimination of conflict, hunger, and non-democratic political systems. If we work together do so then we, and the values we broadly share in Europe, will prosper. If we fail do so the future will be less happy.

The need for co-operation

is not just a theme for the century but also the urgent issue of this moment. Europe is presently in economic crisis. Joblessness, particularly among the young, is high across Europe. As of May 2013, average unemployment across the EU was about 12%, with Greece and Spain reaching 25%, Britain at about 7% and every member state except Austria being over 5%. Among young people, problems are severe: youth unemployment in 20 of the 28 states² is above 20%, including in Britain.³

No society can prosper with so high a proportion of healthy adults not in productive work. The consequences of unemployment go beyond pure economic loss. It means that many more people will fail to fulfil their human potential and will not lead happy lives. Mental and physical health suffer. Families and community bonds break down. Mass unemployment leaves many of those affected with a sense of alienation from society and can undermine acceptance of the democratic political system.

To borrow Lloyd George's phrase 'we must conquer unemployment'⁴ in Europe. British politicians have done little to explain to the public that our interests

are not only in curing unemployment at home but throughout Europe. The other EU states are Britain's biggest market for exports of goods and services: almost half of UK goods exports are to the EU. Unemployment in other states limits their ability to buy UK exports.

It is beyond the scope of this chapter to provide a detailed prescription for Europe's economy but in broad terms Liberal Democrats should push for:

- Completion of the single market, particularly for the digital economy and the services sector;
- Bi-lateral trade agreements between the EU and other parts of the world, such as the proposed Transatlantic Trade and Investment Partnership⁵ treaty between the EU and US, to open more markets for our industries;
- Encouragement of more mobility among British people for study or work;
- Assistance for more British small- and medium-sized businesses to exploit their right to sell throughout the single market;
- Direct EU funds towards innovation and research that will provide economic advantage;
- Sounder economies in southern European states where deficits were previously dealt with by devaluation but where fiscal discipline is required to remain in the Euro and

to enjoy the advantages of the single currency (eg, lower interest rates and no exchange risk to business).

Liberal Democrats should be bold advocates for Britain remaining within the European Union because of the economic benefits. Three and a half million jobs in Britain are linked (directly or indirectly) to our membership of the EU and access to the single market. If we left no-one says these jobs would be lost overnight but there would be a steady trickle away. The free movement of people, capital, ideas and information enables the modern economy to work best. To the extent that regulation is legitimately needed (for example to ensure competition or basic product safety) it is more efficient to agree common regulations across the EU. After all, which manufacturer would want to produce 28 different versions to comply with 28 different member states' sets of rules? Indeed, the regulations adopted in Europe frequently become the standard in other continents. We should want British representatives to be active in deciding those rules in the EU.

But as Nick Clegg argued in *The Orange Book*, while we advocate Britain's continuing role in Europe, we should be critical when the EU is wrong and call for change. Liberal Democrats

should:

- Invite businesses in our constituencies to inform us of regulations that are problematic and if those concerns are well-founded we should push for their repeal or modification;
- Fight to ensure the EU budget is well spent - not wasted and not excessive; and
- Push for openness and competitiveness against other parties or member state governments who from time to time are inclined to protectionism.

“the environment and security are vital areas where co-operation is essential to protect the happiness, peace and prosperity of citizens.”

Both the environment and security are vital areas where co-operation is essential to protect the happiness, peace and prosperity of citizens. It is axiomatic that pollution does not stop at member state borders. We must agree, and visibly enforce, shared rules to cut pollution. We need Europe's combined diplomatic weight to persuade the US, China, Russia, India and others to take environmental protection seriously.

So also with security threats: serious crime and terrorism. Both are cross-border and require cross-border arrangements to fight them, including regarding information sharing between police and greater mutual assistance. There have been real successes in recent years. Data on previous convictions are shared in Europe. This means that, when a local Magistrates' Court in England considers bail for someone, they will know whether the defendant has a record of serious crime, perhaps of skipping bail, in another member state. But there is much to do. Huge legal obstacles remain, for example, to a British police officer interviewing a witness who happens to be in another member state. Identification of criminal or terrorist assets (so they can be seized or restored to victims of crime) remains very difficult across state borders.

On the environment and security, as with the economy, Liberal Democrat have a great story to tell about how our member states can together tackle the challenges we face. There is a massive political benefit from being open and proud about Liberal Democrat belief in Europe, tempered by an agenda for reform. It will win us more votes:

1. Most polls currently show that British public opinion is roughly evenly split between those in favour and those against the UK's continuing membership of the EU. The pro-EU vote is typically 45-49%, which is remarkable given the relentless negativity of the British press towards the EU. The Eurosceptic half of the population has a menu of parties to support: UKIP which wants exit; the Tories, many of whose MPs openly want exit and whose leadership certainly will put membership at risk; or Labour, in which neither Blairite nor 'Old Labour' wings of the party are fully reconciled to a Europe of openness, civil rights and free trade.

“Liberal Democrats can justifiably present ourselves as the natural choice for the half of the population that believes in Europe.”

Liberal Democrats can justifiably present ourselves as the natural choice for the half of the population that believes in Europe. This will very often be people who share our outlook on the economy, environment and security. Liberal Democrats are the only one of the three main parties who do not have a significant anti-EU wing. Only Liberal

Democrats are united in favour of membership and we are the only main party for whom support for membership is part of our core identity. Even if Liberal Democrats were to win only half the votes of the pro-European population that would be more Liberal Democrat votes than were won in 2010 or in any election since.

2. The public respect authenticity. People are better than many politicians think they are at detecting when someone says what they believe – and people respect it. A commonly heard sentiment about Margaret Thatcher was that people saw that she knew what she stood for, they respected that and many voted for it. Many people can watch a news report with opposing political figures giving rival views and will not really know which is right. But if one speaks more clearly than the other and sounds authentic in their beliefs, people will find that person more attractive.

By analogy, within my profession (as a barrister specialising in jury trials) there is considerable belief that jurors are influenced by whether they think counsel believes the case he or she is arguing, as opposed to merely following their professional ethical duty to put their client's case as best they can regardless of their own view about it. A

great actor may be able to persuade the public he believes something that he does not believe but neither counsel nor politicians are (or should be) great actors. We should be the original pro-European reformers rather than another derivative Eurosceptic voice.

The approach of 'persistence and clarity' that Nick Clegg called for all those years ago will require:

- MEPs to make their work as directly and visibly relevant as possible to the lives of their constituents at the local level;
- Local parties to communicate this work to people through local campaigning, with an emphasis on jobs, the environment and security;
- Our MPs and spokespeople in the media to unashamedly put the liberal and pro-European case;
- The permanent personal commitment and example of the party leader in doing so.

All of our opponents' claims on, for example, EU spending, immigration, human rights, and red tape have good answers. The party must put in place the research and information apparatus to equip local Liberal Democrat campaigners with the points they need to put

our case and rebut our opponent's assertions.⁶

A Referendum

Nick Clegg argued in the Orange Book we should welcome a referendum on the Constitutional Treaty for Europe as a chance to put forward a Liberal position of being in favour of Europe with demands for reform. It was a pity that when the Constitution was modified into the Lisbon Treaty the party abandoned that position.

It is likely that before the end of the decade a further Treaty will bring forward reforms of Europe. It may well trigger a referendum under the European Union Act 2011 (which requires a referendum on any movement of power from Westminster to Brussels) in the next parliament. This will give both supporters and opponents of the European Union a chance to air their competing visions for the future. It may well be in effect, as Nick Clegg says he anticipates it will be, a referendum on the UK's continued membership; indeed this is to be recommended at the Liberal Democrats' autumn 2013 conference.

An earlier referendum on membership, in 2014 or 2015 as some have urged, would cause economic uncertainty; and, while the recession continues,

that would be deeply damaging to investment in the UK, jobs and the public interest.

There is one referendum we could have now. Conservative Home Secretary Theresa May has recently said the UK will not participate in the creation of a European Public Prosecutor (EPP), which can and will go ahead with nine or more member states involved. Ms May has given no reason for her position other than it would be a 'transfer of sovereignty'.⁷ Given that the EPP could only bring cases in member states' own courts, will be restricted to prosecuting fraud against EU funds, and that in England and Wales any person or organisation can bring a prosecution this is an odd claim that Ms May makes. There is a counter-argument to Theresa May that the EPP would be a valuable step in the fight against cross-border crime. The European Union Act 2011 specifically provides for a referendum on UK participation in the EPP.

Liberal Democrats should not accept Ms May's isolationism and should call for the referendum provided for in the Act. I believe Liberal Democrat arguments – that we need action to combat cross-border crime – would prevail in such a referendum.

Conclusion

Co-operation through the Europe Union is young in the context of our continent's too often un-cooperative, long history. It is our new frontier. It holds out our best hopes for the future. It involves not only a set of promises but a set of challenges, requiring bravery of political leaders to ask people wary of change to meet these challenges. The whole Liberal Democrat party must commit itself to provide the persistence and clarity needed for such a Liberal vision of Britain at the centre of ever closer co-operation to take hold and meet the genuine needs of the public.

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¹ The Orange Book: Reclaiming Liberalism, Eds David Laws and Paul Marshall (Profile Books, 2004)

² Including Croatia which joined the European Union in July 2013.

³ All figures from 'Taking Europe's pulse', The Economist, 18 July 2013 <<http://www.economist.com/blogs/graphicdetail/2013/07/european-economy-guide>> [Accessed 17 Aug 2013]

4 'We can conquer unemployment' was the title of the Liberal Party policy document for the 1929 General Election considered by many as bold plan that would have done more to push back the depression than the policies of non-Liberal governments in the 1930s. See < <http://www.britainforpeace.org/Unemployment%20Lloyd%20George.pdf>> [Accessed 17 August 2013]

5 See <http://ec.europa.eu/trade/policy/in-focus/ttip/> [Accessed 17 August 2013]

6 The websites of our MEPs, not least the author's running mate in 2014, Catherine Bearder MEP, are good sources for this information. See <http://bearder.eu/en/page/euomyths> [accessed 17 August 2013]

7 'Theresa May boots out new plan for EU prosecutor', The Daily Telegraph, 14 July 2013 <<http://www.telegraph.co.uk/news/worldnews/europe/eu/10178193/Theresa-May-boots-out-new-plan-for-EU-prosecutor-Home-Office-Dominic-Raab.html>> [Accessed 17 August 2013]

Bleeding Heart Libertarianism

- Sam Bowman

Suppose you wanted the state to do everything in its power to improve the welfare and opportunities of the poor, but were extremely sceptical about its ability to do so effectively. This mixture of traditionally 'left-wing' ends with traditionally 'right-wing' means to achieving them is a growing cocktail among many classical liberals and libertarians, variously described as 'libertarians', 'Rawlsians' (followers of both John Rawls and FA Hayek) and, most popularly, as 'Bleeding Heart Libertarians'.

“Bleeding Heart Libertarians combine concern for the poor with scepticism of the state. It is a new term for an old idea, one that has been at the core of classical liberal thought since Adam Smith.”

Bleeding Heart Libertarians, or BHLs for short, combine concern for the poor with scepticism of the state.

The question they ask is this: knowing what we do about markets and the problems with state action – that state failure is just as (indeed, sometimes more) real and dangerous as market failure, that knowledge is limited so well-meant state actions often have very harmful unintended consequences, and that the state can become captured by special interest groups and act in ways that are not in the best interests of society as a whole – how can we design our institutions so that they best improve the welfare of the poor?

Bleeding Heart Libertarianism is a new term for an old idea, one that has been at the core of classical liberal thought since Adam Smith. Indeed, the most common perception of what defines libertarians – a belief that the protection of private property rights is all that matters – only really describes followers of Murray Rothbard and Ayn Rand (the latter of whom explicitly rejected the label 'libertarian'). Many of the most well known libertarian thinkers — FA Hayek, Ludwig von Mises, James Buchanan

and Milton Friedman — believed in property rights protections as tools to improve people's welfare, not as ends in themselves. In particular, Hayek and Friedman were both willing to concede numerous areas of policy where property rights violations were justified.

What would a 'political economy' of Bleeding Heart Libertarianism look like if BHLs focused their efforts on a few policies that would deliver the best results for the poor? Pursuing reform in areas like immigration policy and welfare for the rich, and focusing on the state's regulatory activities in general, is far more important than opposing the sort of redistribution of wealth carried out in most modern social democratic states. The upshot of a new focus on these 'BHL' topics would be that traditional alliances between libertarians and conservatives would become defunct, as BHLs would have as much common ground with the political left as with the political right.

The BHLs' preoccupation with the welfare of the poor

suggests that traditional free market areas of interest like tax and redistribution become less important or even lose their importance altogether. Virtually nobody would dispute that very high redistributive taxes can be harmful to the poor by discouraging capital accumulation and thus long-term growth which, compounded over time, can lead to much less extra wealth creation at all levels of society than would otherwise have taken place. However, this does not imply that the optimal rate of redistribution is zero. Just as too much redistribution has costs, too little wealth redistribution might as well.

But there is no shortage of people who can tell us either of these things. There are several 'low-hanging fruit' policies that would do the most good for the poor without requiring a major change in governance in general and which are underemphasised by libertarians and the political left alike.

Although these policies should be achievable on their own – that is, without dismantling the entire apparatus of the state (however appealing that may be) – they should also not be heavily determined by what currently seems politically achievable. Taking the 'extreme' position in a debate can help move the window of

debate in the direction we want, giving cover to allow others to take more 'moderate' positions closer to us. Political change requires ideas first.

I suggest that three areas of policy where liberalisation would have a profoundly positive impact for the poor are:

1. Immigration
2. Drugs legalisation
3. Modern mercantilism (aka corporate welfare)

Some degree of libertarian reforms in each of these areas would mean a massive improvement in people's lives. The founder of the BHL blog¹, Matt Zwolinski, has also suggested these areas, as well as militarism (which may be less relevant in the British context).

Immigration is probably the most important policy issue in the world today. A study by Michael Clemens² of existing economic literature that tries to estimate global GDP benefits from freer trade compared to freer migration dramatically illustrates the importance of immigration reform to the poor. Removing all barriers to trade, it is estimated, could increase global GDP by between 0.3% and 4.1%. Removing all barriers to migration could increase global GDP by between 67% and 147.3%.

That staggering extra wealth would in large part

accrue to the poorest people in the world. As Clemens has pointed out, a taxi driver working in New York City can create an order of magnitude more wealth than if she was doing the same job in Addis Ababa. Matthew Yglesias points out that low-skilled immigrants are actually particularly good for the poor, because they typically provide goods and services that are directly consumed by other poor people, reducing prices for them.³ The idea that immigrants 'steal' native jobs is untrue – they may displace native workers but the extra demand they generate creates other jobs. There are other objections to immigration but none for which tight immigration controls are the best solution. The welfare benefits are so enormous, and accrue to such poor people, that arguments for controls should face an extremely high burden of proof.

“Our drug laws can reasonably be described as the most anti-poor domestic legislation that we have, and are part of a global network of laws that indirectly cause tens of thousands of people to be killed every year.”

Drugs legalisation is often dismissed as a middle class hobby-horse. In fact, our drug laws can reasonably be described as the most anti-poor domestic legislation that we have, and are part of a global network of laws that indirectly cause tens of thousands of people to be killed every year. In the UK as in the US, drug laws disproportionately affect black people: according to the Transform Drug Policy Foundation, "there are a higher proportion of black inmates on drug offence charges (28%) compared to white (13%). This is despite the black community having a per-capita level of drug use lower than whites."⁴ Crime, which affects poor areas most badly, is in large part driven by drug addicts' compulsion to fund their habit – over half of property crimes are driven by drug use, according to the Number 10 Strategy Unit, including 80% of domestic burglaries.⁵

Outside Britain, the impact of drug prohibition is much worse. Drug wars in Mexico have killed 60,000 people since 2006, according to the BBC⁶, and extremely poor countries like Guinea-Bissau have been brutalised by international drug cartels. These cartels owe their existence to drugs prohibition in the Western world. The tide seems to be changing in the United States towards some legalisation, but we

cannot expect widespread liberalisation until a large country takes the first step. That country could be Britain.

Many free marketeers and economic leftists already share much common ground over corporate welfare. Obviously, bank bailouts are a transfer of wealth from the poor to the rich and a dangerous distortion of market incentives – in the words of former chief executive of Eastern Airlines, Frank Borman, capitalism without bankruptcy is like religion without hell. Sweden's experience in the early 1990s points to a 'bail-in' strategy for letting banks fail that avoids taxpayers picking up the bill.⁷ And there are many other more subtle forms of corporate welfare. The modern-day equivalents of medieval guilds are the professional lobby groups that restrict the supply of, say, lawyers or taxi drivers through professional licensure, protecting their own incomes; or that lobby for government subsidies, as farmers' groups do.

But just as bad are the middle classes who use their voting power to support policies that protect their wealth at the expense of the poor. Although planning laws are typically justified in terms of 'protecting the countryside' and other forms of conservation, they owe their popularity

to the effect they have on the value of existing properties. By raising the costs of construction, fewer houses are built and the price of existing stock is protected. For people who own their homes, this is very attractive. For people who rent – which includes many, if not most, of the country's poorest – this means that the price of housing has risen far beyond what they can manage.

Other middle class subsidies include universal healthcare and education, but I do not expect people who are not already sympathetic to free market ideas to change their mind about these issues. If a cross-ideological consensus could be forged over issues like planning and bailouts for private businesses, the absurdity of poor people shouldering the burden of welfare for the rich could be ended. The 'modern mercantilism' of corporate welfare and middle class subsidies is as much of a threat to today's poor as its predecessor was in Adam Smith's day.

Lots of other things matter too, of course. School choice and monetary reform are both critically important to the poor. In particular, the Bank of England adopting a nominal GDP targeting regime – as advocated by my Adam Smith Institute colleague Scott Sumner⁸ – would help to end the current economic

stagnation and avoid more demand-led recessions in the future.

Most of the policies I have outlined are uncontroversial positions in orthodox libertarian dogma, but what may be new is the suggestion that these issues matter far more than do things like tax and overall government spending. What is remarkable is how many of these issues are more typically associated with left-wing political stances than right-wing ones. Could it be that some of the most important issues for libertarians are the ones about which we agree with the hitherto hated left?

Such an overlap should not be as surprising as it might initially seem. Nor is it to be feared. Murray Rothbard's fears about losing 'the tight-assed majority' by associating with 'free spirits' on the left were misplaced – libertarianism never has and never will command a majority of the political tight-asses. Its best hope is to shape other ideologies in ways that bring out the best in them: giving conservatives a taste for free enterprise. Or, we may hope, giving leftists a taste for getting the government off poor people's backs.

But for this to work, libertarians must change their rhetoric and, to some extent, their minds. They should be humble about the policies they propose, and disaggregate the

bundle of policies they want from one another. You need not believe in abolishing the NHS to accept libertarian arguments about school choice. I am sceptical about claims that (for example) employment deregulation will impoverish the poor, but I cannot dismiss them out of hand. Similarly, people on the left cannot dismiss the market liberal critique of social democracy out of hand. Regulations do indeed impose costs and often hurt the people they are designed to help.

So I suggest that libertarians concerned with the plight of the poor should abandon their opposition to wealth redistribution in practice and focus instead on the regulatory state, where we have a much greater degree of certainty about the harm caused. For libertarians who wonder if they are BHLs, the question might be: If libertarian institutions existed and serious, significant poverty persisted, would state action be justified in acting to relieve at least some of that suffering, if we had a pretty good reason for thinking that that action would work?

I think that it would, and if you have a serious commitment to welfare so should you. The only problem should be an empirical one, which I cannot say is strong

enough to reject all wealth redistribution. While I am extremely confident about the benefits of liberalising planning to allow new homes to be constructed in the UK, I feel less confident about saying that all redistribution is harmful.

So I propose a compromise: a 'libertarian welfarism'. This might see us reform tax credits and the welfare system into a combination of universal basic income and a 'negative income tax' that acts as a top-up to people's wages, adjusted to give a little more to people in low-income jobs and the unemployed. The details of this approach to income redistribution are not important for now: what matters is the idea of a simple, cash-based redistributive mechanism. I find myself very comfortable with this kind of redistribution; other libertarians will be less so. But perhaps they could accept it as the cost they have to pay to persuade others about the other, much more important, things they have to say.

We should not forget that political reform is like a game of Jenga: removing the redistributive supports for the poor before we remove the legislative contributors to their poverty will simply cause harm (and make it harder to dismantle what we really do want to get rid of).

“Political reform is like a game of Jenga: removing the redistributive supports for the poor before we remove the legislative contributors to their poverty will simply cause harm (and make it harder to dismantle what we really do want to get rid of).”

Politically, these ideas are mostly non-starters. But all political movements have to start somewhere. Those of us who agree that political institutions – whatever they are – should be designed so as best to improve the lives of the poor should put aside suspicion and stop assuming our ideological rivals do not share the same ends that we do. Where there is common ground over means, as in the areas I have outlined, we can work together to achieve a more just world.

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Is Drug Prohibition Liberal?

- Adam Corlett

The Liberal Democrats have clear views on many civil liberty issues. To lead the debate, we must also craft a consistent and recognisable position on drug policy and public health more broadly. Alongside debates around measurable costs and benefits, liberals must also ask what value - if any - we should place on 'freedom'.

Drug prohibition certainly comes with some practical harms. It creates a lucrative and violent criminal trade; makes drugs more dangerous; impedes research and medical use; ostracises users; exposes them to criminals and harder drugs; drives acquisitive crime and prostitution through high prices for dependent users; attracts the poorest into dealing; deliberately punishes through sentences and criminal records; and costs taxpayers money. The real debate is whether these and other harms are outweighed by benefits.

Another battleground is in the objective assessment and comparison of drug harms, and indeed the riskiness of other activities. Just how risky an activity is may affect how it should be treated, but

the answers are rarely simple, and popular perception usually a poor guide. As a party, we must ensure our policies and perceptions are informed by scientific research, and avoid being biased by headline-grabbing, non-representative extremes. We must also avoid conflating the intrinsic harms of drug use with the harms added by prohibition.

But here I want to address a separate question that gets too little political attention where prohibited drugs are concerned: is there an issue of freedom? What does it mean for drugs policy to have freedom and liberty in our party's constitution, and to use On Liberty as the party president's symbol of office? Below, I first compare drug prohibition to the four corners of liberalism. As John Stuart Mill (and Harriet Taylor Mill) knew, these liberal values are not necessarily ends in themselves. Rather, they are short and long-term routes to maximising utility.

Economic, political and social liberalism

For Mexican cartels and UK dealers, the lack of any real state power over

the drugs trade may be welcome. Prohibition of an entire trade, however, can by no means be called economically liberal. Drugs policy could be seen as a good example of how government restrictions can - in this case deliberately - turn potentially dirt-cheap crops and chemicals into ultra-profitable commodities. We see how disputes are resolved without access to a strong legal system; how the black market inexorably fills gaps between supply and demand; and even how import quotas and a lack of competition harm the legal supply of essential opiates to health services.¹ In contrast to the default view of economic liberals, prohibition assumes that individuals are not best placed (even with assistance) to decide what goods they need. Behaviour is distorted, but not necessarily for the better. Chemists design drugs to get around the letter of the law, suppliers favour products that are easy to smuggle, and users may be nudged towards legal (but possibly more harmful) drugs. Unless policy is smart, these economically inefficient distortions often work to make people less safe.

“Experimentation and diversity are key not just for capitalism and individuals, but also for policy making.”

Experimentation and diversity are key not just for capitalism and individuals, but also for policy making. Drug prohibitions exist at an international level, with little room within the law for nations - let alone smaller units - to decide what alternatives are better for them. There are good reasons for coordination of drugs trade policies, but if we want evidence-supported policy and to find the best solutions, we must let countries generate evidence. Those who emphasise localism or parliamentary sovereignty must consider the long-outdated conventions and unaccountable watchdogs that govern global drug policy. While fighting the many serious human rights abuses committed around the world in the war on drugs, British foreign policy must not discourage new approaches in South America, Europe and the USA. Within the UK, we must continue to make use of devolution to experiment with policy, and let local authorities do the same.

Social liberalism gives the state a significant role to play in enabling,

empowering and supporting individuals where necessary. But for adults, at least, this must not be in opposition to personal liberty. We must strive to ensure people have the education, resources and safety net to achieve their goals, but that does not mean choosing those goals for them and taking away decisions. What's more, as I argued at the Liberal Democrats' Autumn Conference 2011, problematic drug use can often be laid at the doorstep of failures elsewhere in government or society. Employment, child and family services, health, education, housing and community links are the best way to prevent problematic drug use. Those of us concerned about social liberalism should therefore be wary of efforts to demonise particular chemicals as scapegoats for failings in these areas - especially when there will never be a shortage of alternative

“Mill saw On Liberty - which argued against alcohol and opium prohibition - as being about a ‘single truth’: ‘the importance, to man and society of a large variety in types of character, and of giving full freedom to human nature to expand itself in innumerable and conflicting directions.’”

escapist substances or activities.

Personal liberalism

Most important of all here is personal liberalism. Mill saw *On Liberty* - which argued against alcohol and opium prohibition - as being about a ‘single truth’: ‘the importance, to man and society, of a large variety in types of character, and of giving full freedom to human nature to expand itself in innumerable and conflicting directions.’¹²

Drug prohibition takes away freedoms, doing long-term harm to society as well as short-term individual harm through removal of choice and the poisoning of the relationship between these citizens and their own government and police force. More broadly, Liberal Democrats should oppose the very concept of ‘victimless crimes’. We must similarly question the argument that certain activities might in some cases, ultimately lead to harm to another and should therefore not be considered victimless (the possession of certain weapons may be a legitimate exception, given how direct their relationship to physical harm). As Mill noted, this can lead to almost any activity - or thought - being banned, with unreasonably long chains of events between the ‘crime’ and

the potential damage we ultimately wish to avert. Each new crime in turn opens up new areas of behaviour to the creeping expanse of the law, not least when the crime may simply be to do something that others may copy. In particular, one oft-implicit justification for prohibition is not that you risk your own health but that children (teenagers) may copy you and so risk their health. The population does not consist entirely of consenting adults, but this cannot be used to undermine all liberal arguments of informed freedom, nor to manipulate all adult behaviour for the purpose of 'sending messages' to today's children.

The removal of freedoms becomes even more worrisome if our drug laws are not objectively-based. If activities are legal or illegal based not on their harms and benefits but on how many voters use them, this is simply a tyranny of the majority, which must be opposed by a party committed to 'fostering diversity' (though note that the 'minority' using illicit drugs each year totals 200 million or more worldwide³). Nor should freedoms be given out or taken away based on tradition and cultural history, and this is particularly the case when choices of drug use can be based on class or ethnic background. Indeed, drug prohibitions have long been related to fear of

immigrant culture and of 'the other'. Enforcement often doubles down on this discrimination, with ethnic minorities and poorer areas disproportionately targeted and prosecuted by the criminal justice system.⁴

Within personal liberty, we might argue especially for 'cognitive liberty': sovereignty over one's own mind.⁵ This may be an issue that rises in importance, with drugs to boost mental performance and digital technology that might do the same. The cognitive liberty case is particularly striking if we consider the reverse. If the government were to mandate the taking of particular chemicals to make us better citizens, that would likely be seen by liberals as one of the worst possible transgressions of liberty. But it is no better to insist that we each stick to our natural mental states, with the government proscribing any recreational use that might harm worker productivity, or even functional use that might improve it (caffeine excepted).

Addiction and evil

An alternative to the utilitarian and liberal view may be that drug use is simply 'evil' or intrinsically immoral - perhaps on religious grounds. Whether this opposition should be at any cost, or ignore millennia of experience of drug use as an

important part of human culture, is secondary. More importantly, it is hard to see how defining some activities amongst consenting adults as intrinsically immoral can any more fit with our party's ethos than prohibiting certain books or homosexuality. It would be difficult also to draw a line between moral and immoral substances when there is such a wide range of 'drugs' and circumstances (including, for example, amphetamines prescribed to air force pilots).

Instead, it might be argued that addiction itself represents a loss of liberty, to be prevented by whatever means. But we first need to ask why addiction should be such a concern. Is nicotine addiction wrong in itself, or only insofar as smoking is harmful to long-term health? Is heroin addiction only an issue if obtaining supply interferes with day-to-day life? Does our concern extend to non-chemical addiction, and is the severity of withdrawal key? But even if these questions lead us to a liberal argument against addictive drugs (only), we must consider the social liberal point above, as well as asking whether personal liberalism should prevent adults - no matter how well informed - from (risking) 'creating rocks they cannot lift'. The role of the state in helping citizens

overcome bad habits of all kinds is discussed further below, but on the whole it would be disproportionate, for example, to say that because some people become addicted to alcohol that alcohol possession must be universally criminalised.

“It is odd that liberals are so vocal about individual freedom on issues such as communications data, CCTV and DNA databases, but much quieter about the ability of the police to storm homes and arrest people for owning certain plants, for example.”

Comparisons & regulations

Is drug prohibition liberal? The considerations above suggest it is not. Whatever answer you come up with, however, it is useful to test these views on other issues to come to a consistent, liberal position, and establish what policy tools this gives us.

It is odd, incidentally, that liberals are so vocal about individual freedom on issues such as communications data, CCTV and DNA databases, but much quieter about the ability of the police to storm homes and arrest people for owning certain

plants, for example. Are the objections to ‘snooping’ entirely practical ones, or are there liberal principles that may also be relevant to public health? Has the fear of an Orwellian police state led us to place too much attention on how the government protects us from violent crime and not enough on how it tries to protect us from ourselves? Typically, the first government powers over drug use arose during World War I, and have expanded within the Home Office ever since.

Our philosophical position on drug prohibition should inform - and be informed by - other areas of public health. If you support the state restricting these freedoms, why should we not use those same tools to prevent harm caused by mountain climbing (where on some there is one death for every three successes⁶); horse riding (unfavourably compared to ecstasy by Professor David Nutt⁷); alcohol and tobacco use; or soft drinks and crisps? Readers may disagree on the relative harms of these, but in principle should any activity more risky and harmful than the least risky illegal drug be criminalised? Public health philosophy affects the lives of everyone in the country - most of them drug users - so we cannot afford to ignore these debates. At present we seem to follow a ‘status-quo bias’, responding to new suggestions of

loss of liberty without noticing or caring about those we have already lost. Relatively minor new restrictions in some areas (such as plain cigarette packaging) are deemed illiberal, yet proposals tougher than 1920s-style alcohol prohibition (such as Portuguese ‘decriminalisation’) are perceived as a liberal option when moving in the opposite policy direction with other drugs.

However, in public health, the debate is not just about legalisation, but of what restrictions, taxes and nudges it is appropriate for the state to use. The libertarian argument would be that any interference whatsoever is an infringement of personal and economic liberty. However, there is room to acknowledge - as policy increasingly does - that humans are not perfectly rational, long-term planners with infinite will power and all the information they need. It is therefore appropriate that people can use the government they elect and pay for as a tool to help them achieve their goals, such as by ‘nudging’ themselves towards healthy eating, pension saving or drug harm reduction. There is some room to manoeuvre then, with policies that can help the majority of people realise their own goals (communicated by voters) without removing liberties from others. Any

loss of freedom from using healthy default options, or providing health warnings on packaging, for example, is almost incomparable to the total prohibition of some activities.

The range of relevant policy discussions is vast, including advertising and packaging, minimum pricing, medical prescriptions, the location of premises, drug strength limits and more. There is also the question of whether it is better to fund our NHS on a collective basis for everyone's self-inflicted harms, or whether alcohol users as a group, for example, should pay for some of their additional harms, or whether costly users could and should be more precisely targeted.

Liberalism in government

Given the case for liberalism, what should unite all public health proposals, however, is a consideration of personal freedom. At present, this is lacking. Freedom is the first of the coalition's three core principles⁸, and one of the Home Office's priorities is to 'protect people's freedoms and civil liberties: reverse state interference to ensure there is not disproportionate intrusion into people's lives'.⁹ But, remarkably, its other priorities are not assessed against this goal and 'there is no formal framework for considering whether drug policy represents

'proportional intrusion' into people's lives'.¹⁰

The Government's public health strategy goes further, using a 'Ladder of Interventions' model formalised by the Nuffield Council of Bioethics.¹¹ The ladder represents the broad range of possible measures, from simply providing information at one extreme to the criminalisation of both retailers and users at the other. Their approach seeks to 'balance the freedoms of individuals and organisations with the need to avoid harm to others [...and] determine the least intrusive approach necessary to achieve the desired effect.'¹² Using the ladder, 'the government intends to 'stay out' of people's everyday lives wherever possible.'¹³

"liberals should be those making the strongest case for the burden of proof hurdle to be set at the highest level"
– Jeremy Browne

These considerations need to become institutionalised within government. And the question is not just whether a policy is stricter than it needs to be to achieve 'the desired effect' (though that would be a good start). It is not enough to show that a policy may reduce a certain malady

by a certain amount: it must also be shown that this benefit outweighs the costs and the harms done by reducing liberties. New policies moving onto or up 'the ladder' must be scrutinised for proportionality, but existing policies must also be frequently reviewed - this being especially important for the most illiberal measures.

This means that the onus should be on the Home Office to regularly show - for each drug - that the criminalisation of drug possession and sale is sufficiently more effective than measures lower on the ladder to justify its costs and warrant its continuation. As Liberal Democrat MP Jeremy Browne, currently Home Office drugs minister, once wrote: 'Liberalism is the greatest protector of personal freedom, but it should be applied with rigour and vigour, and liberals should be those making the strongest case for the burden of proof hurdle to be set at the highest level.'¹⁴

None of this requires us to be 'pro-drugs' (or 'pro-obesity', etc.). We can place some value on freedom while still disapproving of and discouraging those activities. Many voters have a poor idea of what the Liberal Democrats stand for, and indeed whether there are any dividing lines between major parties. It

would help if they knew what the 'liberal' party thinks about 'nanny-state' issues - from sugary or alcoholic drinks to 'E' and e-cigarettes - and a consistent position would help us fight for better health while safeguarding and extending freedoms.

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7 'Equasy - An overlooked addiction with implications for the current debate on drug harms', January 2009, Journal of Psychopharmacology. Professor Nutt, currently professor of neuropsychopharmacology at Imperial College, London, is a former chairman of the Advisory Council on the Misuse of Drugs (ACMD). He was sacked in 2009 by Labour home secretary Alan Johnson.

8 David Cameron and Nick Clegg 'rose garden' press conference, May 2010, and 'The Coalition: our programme for government' (20 May 2010) <<https://>

Grassroots Economics - Kirsty Williams AM

Devolution and the Welsh Economy

The decline and fall of the Welsh economy since the industrial revolution is well documented. Once the powerhouse of the world it has since suffered from decades of decline. Traditional industries such as mining and steel-working have disappeared and the investment by foreign manufacturers has vanished as it became more economically viable for them to invest in Eastern Europe and the Far East, where wage costs are substantially lower.

This economic history was one of the strongest reasons why people backed devolution in 1997. The sense that the Welsh economy needed attention from people that understood it was re-enforced by Wales' experience of the Thatcher years. Thatcher's economic policy bolstered the financial sector in London, but at the cost of traditional industries in areas like Wales.

Unfortunately, this economic decline has continued since the

establishment of the National Assembly. The headline figure for measuring the Welsh economy is regional Gross Value Added (GVA), which compares Welsh economic output per head to the UK average. Since 1997, GVA has fallen from 78.1% to 75.2%¹, although there have been rises in recent years, most likely due to the impact of the recession on UK economic output.

This has led some to question if Welsh devolution has the capacity to bring about the change required. Professor Kevin Morgan, who lectures in governance at Cardiff University and was a key figure in the 1997 referendum campaign, has openly stated that "there is no necessary economic dividend to political devolution."²

Like Professor Morgan, I take the view that devolution needs to be strengthened to ensure the Welsh people receive this dividend. A good example of the divergent paths of economy under devolution is shown by the economic growth in different areas across the UK.³ Seven of the top 15 areas for economic

growth in the UK between 1998 and 2008 were in Scotland and saw growth of over 70%. These include rural, urban and deprived areas. None of the top 15 were in Wales.

Scotland has enjoyed a greater range of powers than Wales, including primary legislative powers from day one, based on a reserved power model that offers greater stability and clarity. In addition, Scotland benefits from the operation of the 'Barnett formula' – the Treasury adjustment of public expenditure allocated to the different areas within the UK – which has been shown to fund Wales less generously than if it were a region of England.⁴

"We must remember that one of the most successful economies in the history of the world, the American economy, is built around a federal system with a significant amount of tax decentralisation"

The Scottish experience demonstrates that

devolving responsibility for economic growth without significant powers to stimulate it is insufficient. Other federal models also demonstrate this – we must remember that one of the most successful economies in the history of the world, the American economy, is built around a federal system with a significant amount of tax decentralisation.

Of course, much of the blame for Welsh economic underperformance is about policy failure too. The Labour party in Wales has shown an inability to produce economic change due to a lack of vision, a lack of delivery and a lack of a financial incentive to improve. Further devolution will change some of this, but I am in no doubt that, as in any democracy, the government has sometimes pursued the wrong economic choices. However, while it is up to the electorate to change the government, it is up to politicians to develop the optimal constitutional arrangements within which government operates.

“For the very first time, the amount of money a Welsh government spends will be directly linked to success in promoting economic development. That should sharpen minds in Cardiff Bay.”

The Increasing Demand for Change

In Wales, the Silk Commission⁵, whose first report recommends a significant shift in tax powers from Whitehall to Wales, has stimulated debate on these issues. The report recommends borrowing powers for the National Assembly and proposes the devolution of a series of taxes. Many of these taxes are low-yield, such as air passenger duty and landfill tax. But its most radical recommendation is that the National Assembly should be responsible for a proportion of income tax. For the very first time, the amount of money a Welsh government spends will be directly linked to success in promoting economic development. That should sharpen minds in Cardiff Bay and would also bring the same level of accountability to Wales that exists in almost all national parliaments.

The Silk Commission proposals would devolve specific new economic powers to Wales and increase the ability of Welsh politicians to address economic decline. It is not just a constitutional reform; it is an economic reform too. The recommendations should be implemented by the UK government during this parliament.

However, this is not simply a Welsh issue and it is not only Welsh politicians

who are making the intellectual case for greater autonomy in economic matters. Across England, the decentralisation of economic growth is beginning to occur. The ‘City Deals’⁶, promoted by Nick Clegg and agreed between the UK government and some of England’s largest cities, represent a significant change in the relationship between central and local government and offer the opportunity for English cities to shape their own economic recovery. The more interesting ideas, however, are the proposals for regional equivalents.

Local authorities in the north-east of England are being encouraged to form a ‘combined authority’ with powers over economic development, transport and planning.⁷ If these plans are carried out, it will represent a significant opportunity for the north-east to re-assert its economic identity.

These proposals are interesting because north-east England has similarities with Wales, especially regarding its economic legacy. The reasons given for the establishment of this proposed new authority are similar to some for the reasons for the establishment of the National Assembly – a recognition that a shared identity and shared economic problems can be better solved at a

local level, rather than in Whitehall.

Likewise, Lord Heseltine's 2013 report into economic growth, 'No stone unturned – in pursuit of growth', argued that huge swathes of the economic development budget should be devolved to a regional level⁸. To what extent this will be implemented is unknown, but the idea of devolution of economic powers is gaining traction.

The London Finance Commission has recommended that a series of taxes be devolved to the Greater London Authority (GLA).⁹ Specifically, it recommends that the GLA be given control over property taxes such as council tax, business rates, stamp duty, land tax, annual tax on enveloped dwellings and capital gains property disposal tax. These proposals are valuable in themselves but they also represent a sea-change in political debate. Talk about taxes being levied by regional bodies in England, and by a Conservative Mayor of London, demonstrates that this kind of economic thinking is surpassing geographic and political boundaries.

Delivering change

The biggest obstacle for change is often Treasury officials or dogmatic unionists who insist that only central government

can be relied upon to deliver economic growth. The Treasury is nervous about giving away powers to untested bodies and centralists in government hang on to the belief that a benevolent central authority is best placed to run the country.

These are often the same people who tell us that constitutional reform is a distraction from the real issues of the day. But there is no tension between stimulating economic growth and constitutional reform. In fact, stimulating economic growth is reliant on constitutional reform.

“A British economic recovery will only come about when every part of the UK's economic machine is working properly. Every cog must be well-oiled.”

The government of the day is elected mostly as a result of elections in marginal seats, usually in the south-east of England. As a result, any government will be overly focussed on an economic policy that benefits those areas. But a British economic recovery will only come about when every part of the UK's economic machine is working properly. Every cog must be well-oiled.

The Treasury will realise this when it sees the benefits to itself of a UK-wide recovery.

Its own revenue streams will be boosted if areas like Wales, or the north-east of England, or the Scottish central belt return to economic productivity. Decades of centralised government have shown us that this does not happen automatically. But recent experience suggests that devolution, when accompanied by real power to improve the economy, can make it happen.

Economic growth is improved when local units have control over economic levers and a radical approach to the distribution of power must recognise this. If the competitiveness of the UK economy is one of the biggest long-term challenges facing politicians, then we must make sure our constitution gives us the power to compete.

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¹ Source: Office of National Statistics, National assembly for Wales Research Service. The most recently available figures are from 2011.

² Kevin Morgan, 'Dirty Little Secret' in Agenda vol. 39 (Institute of Welsh Affairs,

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Banking

- Baroness Susan Kramer

For the better part of the last year my life was dominated by the Parliamentary Commission on Banking Standards. Now with our final report published¹ and new banking legislation shortly to arrive in the Lords, it seems a good time to try and set down my thoughts on the way forward for this vital but so often flawed industry.

The process of re-examining the banks began with the crash in 2007-08 when crises in the sub-prime mortgage market in the USA and the interconnectedness of today's banking system led liquidity in the banking sector to dry up virtually overnight. Within months the UK taxpayer largely owned Lloyds (38%) and RBS (84%) and had injected some £65 billion into the system to prevent collapse.

“Our banking sector is so huge compared to our GDP that it threatens our whole economy when it goes wrong.”

At first, conventional wisdom held that

interconnectedness and 'too big to fail' were the key problems. Governments and banking regulators launched strategies to combat these. Without question the UK has been the most radical, in part because our banking sector is so huge compared to our GDP that it threatens our whole economy when it goes wrong.

The independent Vickers Commission (set up by the Coalition Government to review the structure of the banking system) recommended in 2011 “ring-fencing” those parts of the system that a Government would step in to save if ever necessary with the assumption that anything outside the ring-fence can be allowed to fail². It is likely that inside the ring-fence will be little more than current accounts, savings accounts, possibly overdraft facilities and possibly some basic derivative transactions for small businesses. The ring-fenced banks will operate with only a “sibling” relationship with any other activities of the banks. They will have not just independent boards but independent treasury functions, HR departments, etc.

The Parliamentary Commission recommended “electrifying” the ring-fence so that the regulator can separate the ring-fenced entity easily if it sees attempts by a banking group to cheat; Government has agreed to this. But we also wanted to enable Parliament to separate the entire industry if it became clear that wholesale abuse was taking place – I will be fighting for this in the next months.

But of course no-one wants a repeat of bank failures. So the banks are also required to increase their capital (a battle goes on between the Commission and the Government over the level and which ratios should be included), and they must have detailed plans for “recovery and resolution”, which are being introduced. Some of this last is technical (requiring internal systems to permit separation), but some is based on a concept known as “bail-in”. Most people were quite rightly furious that, when the UK Government saved our banks, they also saved the creditors who had lent money to the banks. It would happen in no other

industry.

So the international community is setting out to make sure that next time creditors lose money before taxpayers. The concept must be right, both to protect the taxpayer and to make sure that creditors keep a watchful eye on the banks. The problem is the practicality, and here I am one of the sceptics. My question is who should hold these 'bail-in bonds'? No bank can be allowed to hold them or we will be back to 'interconnectedness'. Do we really want our pension funds or insurance companies to hold these bonds unless they cut back on their shareholdings in the banks which would defeat the purpose of strengthening their capital? Are hedge funds and sovereign wealth funds big enough to hold all the 'bail-in bonds' we need for the entire global sector of financially significant banks which is the concept? I am waiting for answers.

But even if we sort out 'too big to fail', are we left with 'too big and too complex to manage'? One of the startling pieces of evidence – heard over and over by the Parliamentary Commission – was that senior management were quite unaware of problems in their banks. From mis-selling of PPI and interest-rate swaps to money laundering to submitting false information into the

LIBOR-setting process, the flaws were apparently invisible at the top. This was despite the fact that these abuses would generate huge and unlikely profits for the banks which contributed to the amazing pay and bonuses for senior management. You cannot have an organisation so complex that it can only be run by exceptional geniuses. And while we have had a dreadfully weak regulator in the past, there really are questions about whether any regulator can penetrate extreme degrees of complexity.

Many of our banks grew by aggressive acquisition. The consequence was that already complex institutions became involved in areas of banking about which they knew little. But, such was the hubris, they hardly bothered to notice. Growth became everything. So the collapses of HBOS and of RBS were not really due to the financial crisis of 2007-08; that crisis only dictated the timing. Both banks were stuffed full of rotten loans and were indeed, as one of our reports said, accidents waiting to happen. In effect, they lost money the old-fashioned way by poor business practices. Neither the then senior management nor the then regulator seems to have caught on at all. The banks are now running down these books of bad loans. And to give the new management at the

major banks credit, they are beginning to simplify. Ring-fencing and resolution mechanisms will encourage more transparency. The new regulators are better empowered. But I very much doubt that all the bad habits are eliminated.

“The revenue generators in the banks and the senior management who sat above them enjoyed a one-way bet. If profits came pouring in they received huge bonuses but if transactions turned sour they lost little or nothing.”

These concerns lead me into the next set of issues stemming from the lack of individual responsibility. I suspect I am not the only member of the Parliamentary Commission who was startled to learn that pretty much everything was a 'collective' responsibility so that no individual was ever at fault unless they were found with their fingers pretty literally in the till. Risk management was totally compromised in most institutions, with those making the money so powerful that the controls one would expect on them were hopelessly undermined. Remuneration was all about revenue generation and not about risk control. And the money was extra-ordinary. The

revenue generators in the banks and the senior management who sat above them enjoyed a one-way bet. If profits came pouring in they received huge bonuses but if transactions turned sour they lost little or nothing. Those in charge of compliance and risk management were treated as underdogs. Even the head of risk usually reported to the legal department not the Board. Add to that the lack of skill at board level, and the choice by banks of aggressive, charismatic risk-takers for CEOs, and it is easy to see why so much went wrong.

So as a Commission we have been very tough in this area. Remuneration has to be subject to long periods of claw-back; much of it will be in 'bail-in bonds' and even pensions can be attacked. We want the whole regime for licensing bankers changed. Bankers themselves have proposed a professional association to manage such standards. The idea is fine but it will be decades before it has teeth. So we have toughened the licensing regime to be used by the regulator, including requiring the banks to allocate key responsibilities to specific individuals and providing a criminal penalty for reckless conduct in the management of a bank. The goal is prevention. The senior management of banks have to recognise

that, if their institution goes rogue, the whole economy is at risk.

“If you speak with most people about switching banks they say that no other bank is different so why bother. Essentially we have four major clones. This should have been tackled a decade ago.”

But one area that has received less media attention is our concern for the extra-ordinary concentration that exists in UK banking. Essentially four banks dominate, holding well over 80% of current accounts and small business loans. No other major country lives with this. If you speak with most people about switching banks they say that no other bank is different so why bother. Essentially we have four major clones.

This should have been tackled a decade ago. It allowed the banks to forget serving their customers and just to use them as a source of revenue, abandoning a customer culture for a sales culture. It is an even more acute problem now that we need a significant increase in credit to support small businesses as the economy starts to recover; yet the major banks struggle, both because

they are re-building capital and because they long ago reduced their trained people at branch level. One reason for separating RBS into a 'good' and a 'bad' bank is to give the good bank more capacity to lend.

This is not the place to go into lots of technical stuff but actually the I.T. matters. Because they have been so complacent, the current banks have never dealt with their legacy and out-of-date technology – we all pay far too much for inefficient services. Innovation has been slow for an industry which is basically about information transfer – just compare it to Google or iTunes. The Government has finally caught on to the fact that allowing just the major banks to own and manage the plumbing of the entire banking system has undermined innovation and been a huge disadvantage to new players. New rules on account switching arrive in September 2013. A road-map is being prepared in which key parts of the plumbing will likely become a public utility.

Historically the regulator has been resistant to new competition. I popped open champagne this year when the new regulators turned a century of behaviour on its head and issued revolutionary plans to actually encourage new banks to enter the market

rather than seeking to strangle them before birth.³ While we will now get new banks to challenge the old (there is huge interest from investors), these will take time to grow. But we are also seeing the rise of non-bank alternatives. Peer-to-Peer (P2P) and 'crowd-funders' cut out the banks altogether and will grow faster as a proper regulatory regime is introduced. Vodafone, Google or Apple will likely come into the market. In a decade we will not recognise this industry.

But none of these changes deal with the problem of the missing layer of banking. If you live in a disadvantaged community, if you are yourself on benefits or a low income, if you are trying to start a new small business, there is really no place in the banking system for you. By the end of the year, and thanks to work I have done with colleagues, the big banks will be disclosing by post-code which types of lending they are doing and how much. I suspect we will see real vacuums. Add to that the limited capabilities in basic bank accounts and the success of the price-gouging payday lenders and it is clear that we need banking services of a different kind altogether. We should be building a network of Community Development Banks, Credit Unions and Funds (CDFIs) focused on our local communities

who will also run them. The high street banks, as part of their banking licence, should support these CDFIs with both capital and skills. Local authorities, charities and social enterprises need to be part of the CDFI structure.

The CDFI template comes from the USA, where it has over \$30 billion in assets under management. The network provided much of the resilience in the US during the last recession, especially in keeping funds flowing to small and new businesses. It is frankly not work that big high street banks can do with their overheads, their centralised structures, and their stratified career paths. We do of course have credit unions and CDFIs in this country but they are small and fragmented. The challenge is to get scale and coverage. One of the reasons I am interested in the break-up of RBS is to see if we could use this to seed such a network. But at present we have no road-map. The current CDFI players are looking at the issues. I will personally spend much of the next two years on a project to shape policy on CDFIs. This really is an urgent area,

"If we have successful change, banking will be a normal industry, paid normally and focused on customers."

drawing together issues of social justice, economic growth, local economies and local empowerment.

So we really are in a time of change for banking. Some of that change is defensive. Banks cannot be allowed to play fast and loose in the expectation that the taxpayer will rescue them. But we must also seize new opportunities. If we have successful change, banking will be a normal industry, paid normally and focused on customers. We will have different banks to choose from on the high street and on the web; new non-bank player such as P2P will be major competitors; and most importantly, CDFIs will be part of every disadvantaged community so that we have real financial inclusion. We need a banking system that serves the real economy. We must not miss this chance to shape it.

Susan Kramer is a Liberal Democrat peer and was MP for Richmond Park from 2005 to 2010, speaking for the party on international development, trade and industry, and transport. She was the party's London Mayoral candidate in 2000. Before entering politics, she had a successful career in banking in the USA, later setting up a number of financial partnerships in the UK with her husband.

1 Parliamentary Commission on Banking Standards, 'Changing banking for good' (19 June 2013) <<http://www.parliament.uk/business/committees/committees-a-z/joint-select/professional-standards-in-the-banking-industry/news/changing-banking-for-good-report/>> [Accessed 9 August 2013]

2 Independent Commission on Banking, 'Final Report Recommendations' (September 2011) <<https://hmf-sanctions.s3.amazonaws.com/ICB%20final%20report/ICB%2520Final%2520Report%5B1%5D.pdf>> [Accessed 9 August 2013]

3 Bank of England and the Financial Services Authority, 'A review of requirement for firms entering into or expanding in the banking sector' (March 2013) <<http://www.bankofengland.co.uk/publications/Documents/joint/barriers.pdf>> [Accessed 9 August 2013]

A New Deal for Poor Workers

- Nick Thornsby

*'What is Freedom?--ye can tell
That which slavery is, too well--
For its very name has grown
To an echo of your own.*

*'Tis to work and have such pay
As just keeps life from day to day
In your limbs, as in a cell
For the tyrants' use to dwell*

*'So that ye for them are made
Loom, and plough, and sword, and spade,
With or without your own will bent
To their defence and nourishment.*

From 'The Mask of Anarchy' By Percy Bysshe Shelley

Shelley's words, written as they were in his rage at the massacre of peaceful protesters in St Peter's Field in Manchester in August 1819, seem rather overblown now, looking at the state of the labour market in modern Britain.

Since the early 19th century things have improved dramatically for Britain's workers. Capitalism has brought about the greatest improvements in living standards the world has

ever seen. Booming tax revenues have facilitated the provision of universal access to education and health care. Universal suffrage has given everyone the power to effect change.

The past 200 years have been liberalism's success story.

But just as we should not make the mistake of being downbeat about that success, nor should we forget that there is still much for we liberals to do to deliver real freedom.

The Working Poor

Until recently the working poor have been rather neglected in the political debate. Following the introduction of the national minimum wage in 1999, it was often thought that those in employment are getting by: they have a wage floor to protect them, and generously funded public services for their basic needs.

But things have shifted in recent years, with the realisation that simply being employed (even on the minimum wage) does not guarantee a decent

income. An economic recession characterised by falling real wages (though certainly preferable to one characterised by massive increases in unemployment) has brought that point into sharper focus.

In fact, we have as a nation implicitly recognised the inadequacies of the lowest of wages for some time, hence the massive rise in various state tax credits and rent subsidies.

But there has been comparatively little public debate on whether such subsidies are sensible, and what potential alternatives there might be.

I want to draw together some of that thinking, on wages, taxation, social security and employment, to see if we can carve out a distinctively liberal way forward, ensuring that work pays not only to keep 'life from day to day', but to provide the sort standard of living that should be possible in a rich, developed economy like ours.

The Problem

The basic problem, now

generally accepted by all but the most laissez-faire of economic thinkers, is that capitalism, for all its benefits, generally fails if left to its own device to provide the poorest with wages sufficient to maintain a standard of living that delivers the basic freedoms we all desire.

The response of the last Labour government to this problem was two-fold: to introduce a national minimum hourly wage below which level it is illegal to employ people, and to further subsidise those wages through a complex, expensive benefits system.

The first of those is generally accepted to have been a success. The predicted increases in unemployment did not occur, even when the economic boom came to a crashing end in 2008.

The latter is more controversial, and should pose much more of a problem for liberals. Statists, and therefore many in the Labour party, love the labyrinthine system of tax credits, child benefits and rent subsidies devised by Gordon Brown. But it is for precisely the reasons that they are loved by such people that they should be anathema to liberals: such schemes turn industrious, hard-working people into clients of the state, reliant on Whitehall bureaucrats to 'keep life from day to day'.

Such wheezes are also

incredibly wasteful, necessitating vast systems to implement and manage.

The absurdity of the current system is clear to see. Those earning the national minimum wage are taxed, as are their employers, but because the wage is not enough to provide a decent income, the state then gives back some, all or more of those taxes in the form of various benefits.

The Coalition Government has left this element of the system broadly untouched, concentrating on other reforms to the social security infrastructure. But this is a policy issue ripe for liberals to grasp, looking with an open-mind at solutions that move beyond the narrow Conservative and Labour mindsets that built the current system.

A Liberal Solution

The first step on the route to solving this absurdity is already a flagship Liberal Democrat policy being implemented by the Coalition: raising the threshold at which people begin to pay income tax.

It is nonsensical for people to be paying income tax and national insurance contributions (NICs) on wages that the very state which is collecting those taxes deems insufficient.

So we should continue to raise the income tax personal allowance, but

also simultaneously raise the NIC threshold to the same level (or abolish NICs altogether; see below).

After those changes the take-home pay of someone working full-time on the national minimum wage will be roughly at the level of the 'Living Wage' (currently £6.19 outside London) which has formed the basis of a much talked about campaign¹. However, the Living Wage assumes that the current social security system remains unaltered, whereas the aim of liberals should be to provide a decent wage without state top-ups.

So the Low Pay Commission (which calculates the current minimum wage levels), working with the Centre for Research in Social Policy at Loughborough University (which calculates the Living Wage), should be asked to devise a wage that, assuming income tax, NICs and tax credits did

“The absurdity of the current system is clear to see. Those earning the national minimum wage are taxed, as are their employers, but because the wage is not enough to provide a decent income, the state then gives back some, all or more of those taxes in the form of various benefits.”

not exist, could provide a decent living for most people.

That is not an easy task. A young, single woman living with her parents clearly needs less to provide a decent standard of living than a single mother of three children renting a house. But that is inevitable and the gaps can be filled by the benefits that remain, particularly child and housing benefits.

It is worth considering at this stage, too, the issue of regionality. There is always going to be a problem with a minimum wage that takes no account of the massively varied costs of living in different parts of the country. The national minimum wage currently makes no distinction between somebody working in London and somebody working in, say, Burnley, whereas the Living Wage does, by having in effect a London weighting.

There are strong arguments to go further and have a truly regional minimum wage. First, for reasons of fairness: not regionalising the minimum wage will pull down the average, lowering the wages and therefore the standard of living of those in more expensive parts of the country. And secondly, for economic reasons: setting an artificially high minimum wage in the poorest areas, where business activity already tends to be limited,

makes workers in those areas less attractive still to businesses looking to recruit: it weakens their comparative advantage.

When those wage levels are calculated, they should then be implemented in place of the national minimum wage, with tax thresholds raised to the salary one would earn working a 36-hour week on the highest regional wage. That would then allow many personal tax credits (which currently cost around £30bn a year) to be abolished completely, making up for the lost revenues from the increase in the personal allowance.

Preventing a Rise in Worklessness

Despite predictions to the contrary, the introduction of the national minimum wage is generally considered not to have resulted in a decrease in employment levels.²

But a rise in the minimum wage level being considered here would be more significant than any previous rise. And without other measures in place it is likely to lead to an increase in the unemployment rate.

The Resolution Foundation, a think-tank which has done admirable work on the issue of low pay, recently commissioned research on the possible impact of such a rise.³ It assumed an immediate

rise from national minimum wage levels to living wage levels, but no other changes. Standard modelling suggests a reduction in labour demand of 160,000, which the report notes 'represents an important note of caution to advocates of the widespread adoption of the living wage, particularly in the current climate'.⁴

Three points are worth mentioning about this research. First, the rise considered here would likely be lower than that assumed in the modelling, because the tax changes here mean a lower wage level is needed. Secondly, on such aggregate modelling the introduction of the national minimum wage would have decreased labour demand by 22,000: as we have seen this is generally thought not to have happened, so the modelling may overstate the effect of wage increases on employment levels. And thirdly, the modelling does not consider the simultaneous measures that can be implemented to offset the increased cost for employers.

There are several things that can be done to mitigate the increase in wages for employers. First, the other costs of employment faced by businesses can be reduced. Some of this costs government nothing:

it is about removing unnecessary bureaucratic restrictions.

More significantly, government could look at employment taxes, the most significant of which are employer national insurance contributions (NICs). These are paid by employers for each employee who earns more than the threshold amount. Governments for some time has been considering merging employee NICs and income tax, and this would be an opportune moment to do so – but it would also be a good time to abolish employer NICs, which act as a perverse tax on jobs.

“There is a clear path to freedom: making work pay, freeing people from the grasp of an overbearing, inefficient and unresponsive state, ensuring capitalism delivers on its promise of freedom to provide the liberal society we all want to see.”

Employer NICs are forecast to raise approximately £62bn in 2013-14,⁵ effectively increasing the base costs of employment by that amount. A significant portion of the cost of abolishing employer NICs would be met from the savings from the tax credits bill. But those savings will not cover the total cost,

and we would have to consider how to meet that deficit in our overall plans on taxation.

These measures would go a significant way to compensating employers for the extra costs of the new minimum wage. Ultimately, though, employers may have to bear some of the extra cost themselves. The experience of the introduction of the national minimum wage suggests they are willing and able to do so, and as David Laws MP recently said: “Not many investment banks...would go out of business if they paid their cleaners more.”⁶

For small businesses, though, and particularly for those just starting up, the changes may pose extra challenges, and government should be flexible in their implementation, perhaps delaying enforcement in particular circumstances.

It is also worth considering that these measures have the potential to cause disproportionate increases

“Working 36 hours a week in a minimum wage job, earning a salary that fails to satisfy one’s basic needs and relying on bureaucrats at the Department for Work and Pensions to get by is not freedom.”

in unemployment among young people, which would be particularly unwelcome given the already high rates of youth unemployment. A graduated system like the one currently operated should be maintained to minimise this risk.

Conclusion

What is freedom? Just like Shelley, we know what it is not. Working 36 hours a week in a minimum wage job, earning a salary that fails to satisfy one’s basic needs and relying on bureaucrats at the Department for Work and Pensions to get by is not freedom. It might not be slavery, but nor is it a situation with which any liberal should be happy.

But there is a clear path to freedom: making work pay, freeing people from the grasp of an overbearing, inefficient and unresponsive state, ensuring capitalism delivers on its promise of freedom to provide the liberal society we all want to see.

Solving this problem requires us to look at a range of policy areas – wage levels, taxes and benefits – often considered quite distinct. But both our values and our record as Liberal Democrats mean we are well placed to think big on what is likely to be one of the biggest policy challenges to governments for years to come.

Nick Thornsby is a lawyer, co-chair of Liberal Reform and a member of the editorial team of Liberal Democrat Voice.

1 See, for instance, the Living Wage Foundation < <http://www.livingwage.org.uk/>>

2 See, for example, Richard Dickens, Rebecca Riley and David Wilkinson, 'The Employment and Hours of Work Effects of the Changing National Minimum Wage' (National Institute of Economic and Social Research, March 2009) <<http://www.lowpay.gov.uk/lowpay/research/pdf/NMW12.pdf>> [Accessed 10 August 2013]

3 Kayte Lawton and Matthew Pennycook, 'Beyond the Bottom Line: The challenges and opportunities of a living wage' (Resolution Foundation and IPPR, January 2013) < http://www.resolutionfoundation.org/media/media/downloads/Beyond_the_Bottom_Line_-_FINAL.pdf> [Accessed 10 August 2013].

4 *ibid.*, p.27.

5 See Appendix 4 of the 'Report by the Government Actuary on the draft Social Security Benefits Up-rating Order 2013 and the draft Social Security (Contributions) (Re-rating) Order 2013' <http://www.gad.gov.uk/Documents/Social%20Security/GAD_Report_2013.pdf> [Accessed 10 August 2013]

6 'The Liberal Democrat agenda for tackling low pay': a speech by the Rt Hon. David Laws MP at the Resolution Foundation, 12 June 2013 <http://www.resolutionfoundation.org/media/media/downloads/Transcript_David_Laws_speech_on_low_pay.pdf> [Accessed 10 August 2013]

Future Generations Want the State to go on a Progressive Diet.

- Alison Goldsworthy

It is a natural desire to leave future generations in a better place. Until now, every UK generation has, on average, been better housed, more highly educated and experienced rising standards of living than the one preceding it. However, that pattern is set to be broken - UK living standards are no longer rising and the times of austerity are stretching in to the distance. This environment poses new challenges to policy makers.

As our economy struggles to cope, decisions are being made on austerity measures that threaten to pit generations against each other. The sense of victimhood amongst younger generations is acute in the current political climate, as is the discomfort of the older people who are often blamed for creating the problem but must face their own challenges and insecurities as they head towards old age. This is leading some to predict we will find ourselves in generational warfare of old people who 'have' and young people who 'have not'. In truth, the position is far more nuanced than

that. Multigenerational households are becoming the norm, too, creating more networks of support as well as inevitable networks of dependency.

It was against this background that the Joseph Rowntree Reform Trust (JRRT) carried out work with polling firm Ipsos MORI to examine different generations' attitudes to intergenerational justice.¹ The results showed that while young people may resent the idea that they are paying for a social care system that is unsustainable, they do not want to see their grandparents lose out. It is the same principle that means people are reluctant to see new houses built, but suddenly support the concept when it would enable their families to buy a house in the area.

A palpable sense of doom pervades young people when asked about the future: for instance, just 42% of 'Generation Y' (18-33 year-olds) expect they will have a better standard of living than their parents.² Against a backdrop of unaffordable house prices and job insecurity this is unsurprising. The question for policy makers, in a

time of Obama-branded 'Hope', is how they map a way out of this unhopeful mass of contradictions.

"Faced with the double whammy of a public sector debt that has burgeoned, combined with a raft of spending cuts, for many people the current implications of decades of overspending is that 'this shit just got real'."

Hints for the answer lie in a sense that some sacred cows will have to be slaughtered – and the Coalition Government has already slaughtered some. In the JRRT / Ipsos MORI study, just 22% of people wanted to maintain child benefits to all (including the wealthiest) household, indicating that, in popular terms, the Coalition's decision to scrap child benefit in 2012 from households where at least one parent earns more than £60,000 was the right thing to do. Surveys elsewhere show that support for winter fuel payments for wealthy pensioners is dwindling.³ The public may have more

of an attitude for the state to go on a progressive diet than we think.

“What the public need – and deserve – from our politicians is a vision for what that smaller state should look like. That’s why it’s important to outline where a diet would leave the country, rather than slapping on a gastric band and hoping for a quick fix.”

For liberals, these answers should plant seeds of a way out of the current mess we find ourselves in. Faced with the double whammy of a public sector debt that has burgeoned, combined with a raft of spending cuts, for many people the current implications of decades of overspending is that ‘this shit just got real’. The next generation realise that it simply isn’t realistic to keep spending in the way we have. What they need – and deserve – from our politicians is a vision for what that smaller state should look like. That’s why it’s important to outline where a diet would leave the country, rather than slapping on a gastric band and hoping for a quick fix. As anyone who has ever tried one of those ‘six week bikini diets’ advertised in glossy magazines will tell you, they either don’t work or make you feel faint. So this diet must be careful,

considered and balanced.

Our focus should be on creating equality of opportunity. This is about the steps government can take to intervene to make sure that life is fair and people do not end up stuck in the socio-economic class in to which they were born. For all the rhetoric of social mobility in the last twenty years, many remain stubbornly stuck in to the class in which they are born, and there isn’t much equality of opportunity about that.⁴ It’s also a time to reassess what is important. While Peter Mandelson may have achieved traction for Labour in the City by saying he was ‘intensely relaxed about people getting filthy rich’ our language should be that we are ‘intensely supportive of people making the most of opportunities’. Implicit in this is that these are opportunities the state helped to create for them. This doesn’t mean abandoning a safety net for those in need – quite the opposite; we should be doing all we could to provide them with a springboard to bounce back again. For example, in tackling the anxiety of those facing unemployment in middle aged but anxious about their lack of understanding of technology holding them back from getting another job. The JRRT work with Ipsos MORI showed how threatened many

feel in their middle-ages (the so-called ‘Baby Boomers’): that, as their jobs became less secure, they don’t know enough about technology to re-skill and be useful to future employers.⁵ It is not just the youngest generations who will need the state’s support.

Electoral cycles create a tendency for politicians and the public to think in five year loops, trading short term success for long term catastrophe. Examples abound whatever the hue of government: selling off council housing without replacing the stock, raiding pensions so black holes become the norm, failing to raise the retirement age. Voters and politicians were able to turn a blind eye to the long-term effects of these policies as they were shiny and new. Shifting attitudes won’t just mean challenging politicians more – many of them (from all parties) are becoming acutely aware of intergenerational issues – it will mean persuading the public to think more long-term, too.

In Germany, in 2003 and again in 2008, parliament debated the potential to give parents/guardians the right to vote on behalf of their children (Kinderwahlrecht), so future generations’ voices would be heard more loudly. The proposal rightly fell, it was recognised to be slightly

ridiculous and that a parent would be unlikely to cast a vote differently for their child than themselves. But if the aim of the debate was to get people thinking about how the world will look in 25, 50 or 75 years' time, then (once people stopped laughing) they may have achieved it.

Environmental campaigners have often been the best at predicting cataclysm, and, they have certainly got people (excepting climate change deniers) thinking about preserving the planet for future generations. It may not be a coincidence that on this issue, Germany is leading the way with its support for renewable technologies. The share of electricity produced from renewable energy in Germany reached some 25% in 2012.⁶ It may still be baby steps, but it is at least steps in the right direction. The public have become willing to make small change to their behaviour; for example, in Wales in response to the introduction of a plastic bag tax, usage fell by 90%.⁷ Underlying these public policy decisions is a desire to preserve the planet for future generations. Those wishing to extend that principle to preserving the support of the state for future generations should be learning from this movement, and quickly.

It isn't just the young that these messages need to

be directed at, nor should they be so crude as to just take away from older people, many of whom live in poverty. Everyone needs to think about the sort of society they would like to exist, not just for them, but for their grandchildren. People are not feeling the current cuts on a purely generational basis, it is also on a personal one. It is voters' grandparents who are dependent on caring support from their family, or their grandchildren who can't afford to buy a house in the village where they grew up. Imagining generational warfare may make good headlines, but thankfully, it isn't what people want.

“We should fight the 2015 election with an equal degree of honesty, telling some people they will need to pay more and others they may not be able to get support they had expected. We should reassure people that by doing this we will be able to provide a safety net for those who need it and a trampoline for others.”

The Liberal Democrats staked our reputation in four elections from 1992 to 2005 on being honest enough to be the only ones to tell the public that taxes need to go up to fund the services that we wanted to

provide, whether through a penny on income tax for education or a rise in the top rate of taxation. That political capital was dashed on the Party's 2010 U-turn on tuition fees, but it is not lost forever. We should fight the 2015 election with an equal degree of honesty, telling some people they will need to pay more and others they may not be able to get support they had expected, including the potential for future rises in retirement age. We should reassure people that by doing this we will be able to provide a safety net for those who need it and a trampoline for others. Underpinning it all is a vision for what society should look like in the future.

1 Ipsos MORI Social Research Institute, 'Intergenerational Justice: research report' for Joseph Rowntree Reform Trust Ltd (Ipsos MORI, June 2013) <<http://www.jrrt.org.uk/publications/ipsos-mori-report-intergenerational-justice>> [Accessed 10 August 2013]

2 Ibid, p.15.

3 For instance, an ICM poll published in The Sunda Telegraph on 30 June 2013 showed 56% supporting means testing age related benefits like the winter fuel payment and free television licence. Source: Anthony Wells' UK Polling Report blog <<http://ukpollingreport.co.uk/blog/archives/7729>> [Accessed 10 August 2013]

4 <http://www.theguardian.com/news/datablog/2012/may/22/social-mobility-data-charts#zoomed-picture>

5 Ipsos MORI Social Research Institute, p.45.

6 'Renewable energies provide more than a quarter of the electricity', BDEW website, 26 July 2012 <<http://www.bdew.de/internet.nsf/id/20120726-pi-erneuerbare-energien-liefern-mehr-als-ein-viertel-des-stroms-de>> [Accessed 10 August 2013]

7 'Plastic bag use in Wales plummets due to 5p charge, figures show', The Guardian, 4 July 2012 <<http://www.theguardian.com/environment/2012/jul/04/plastic-bag-use-5p-charge>> [Accessed 10 August 2013]

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Higher Education: Britain has a Social Mobility Problem

- Stephen Williams MP

As a Liberal Democrat, social mobility is something that I care a deeply about. A lack of social mobility not only hurts individual fulfilment, it also hurts the potential for economic fulfilment for the entire country. Providing equality of opportunity, breaking down social barriers and enabling those who haven't had the best start in life to develop the skills they deserve to better themselves is at the heart of liberal philosophy. The Pupil Premium – the Lib Dem policy of targeting money at children from low-income families – is the key to breaking down these barriers and at the next General Election we must continue the work we have started by continuing its legacy into higher education with the Student Premium. Such a system would maintain the previous support for students on Free School Meals who continue their education, whether they go on to further or higher education or an apprenticeship.

All my political career I have championed social mobility and the need to tackle inequality. In 21st century Britain we have

too many people destined to stay in the poverty trap that held back their parents. The best escape ladder is education. But there are shocking levels of low attainment in many communities, with over half of children leaving school at 16 without even the basic level of 5 good GCSEs including maths and English. This is the real education problem that needs to be solved. If we are to widen participation at university level then we have to drive up standards within schools. To do this, we must ensure that the foundations of the Pupil Premium go even further.

In the last Parliament (2005-10), I spent over four years as the Liberal Democrat shadow minister for higher education and skills. I tried three times to change our university fees policy. I got my way on some issues – on part time students, a greater role for FE and growth in apprentices. The party also found the right answer to helping children from poor backgrounds – the Pupil Premium. This policy is now being implemented in government, straight from the first page of our manifesto and it will be

worth the full £2.5 billion by the time of the next General Election. The Pupil Premium should be extended for students undertaking graduate study (who would then receive the Student Premium) but extra funding needs to first be identified.

“I watched the student protests triggered by the Coalition’s new fees policy with great sadness, as I feel that the case for the progressive elements of the proposal had been poorly communicated and thus severely misunderstood.”

Of course, following on from the financial crisis of 2008 and the resultant global economic downturn, the Coalition Government has been working to strengthen and increase the resilience of the UK economy. The deficit that we inherited from the previous Labour government, which stood at £121.6 billion last year, fundamentally undermines our financial stability and must be reduced. The Coalition has closely examined the ways in

which this can be achieved and higher education has had to bear the brunt of departmental spending cuts, along with many other areas of government funding.

Higher education policy, or more specifically 'the tuition fees policy', was, rightly or wrongly, most prominently associated with our Party in the 2010 General Election. I watched the student protests triggered by the Coalition's new fees policy with great sadness, as I feel that the case for the progressive elements of the proposal had been poorly communicated and thus severely misunderstood. For when I think about higher education, I think about social mobility. We as liberals should be seeking to improve access to higher education, via the Student Premium.

We should be celebrating those schools who currently receive the most Pupil Premium and encouraging more pupils to continue into all sectors of higher education. But I want to see more money going to those who need it the most, with extra advice and mentoring for children from lower socio-economic backgrounds. Our top universities must, therefore, do more to ensure an intake that is a socially balanced group of the brightest and best. We have made

some progress – the new repayment regime is far more progressive than the Labour model. But our failure over tuition fees was not on policy – the new system is after all a capped graduation tax (a system the NUS actually campaigned for) – it was a failure of communication.

“Under the Coalition, no one pays fees up-front. What graduates do pay back is a tax linked to their earnings. This is fair and liberal – it enables everyone the chance to go to university, regardless of income – and encourages everyone to want to maximize their earnings.”

I often hear journalists and commentators say that “students are put off going to university because they don't think they can afford it”. This is an example of our failure to communicate what exactly we have changed from the Labour system of fees. Perhaps our biggest mistake was to miss the opportunity to change the description from tuition fees to graduate contribution, which matches the circumstances of the reality of the change. Under the Coalition, no one pays fees up-front. What graduates do pay back is a tax linked to their earnings. This is fair

and liberal – it enables everyone the chance to go to university, regardless of income – and encourages everyone to want to maximize their earnings.

Since the introduction of the Coalition's higher education policies, there has been an obsession by some with the UCAS numbers detailing how many people took up university placements. However, I am more concerned with who goes to university, rather than with how many. Thanks to this Government's reforms, all new students will not pay anything upfront, there is more financial support for those from poorer families and everyone will make lower loan repayments once they are in well-paid jobs. To win back the many voters who felt betrayed over tuition fees, we must accept we cannot win the argument by simply talking about fees alone. This is not a numbers game. As liberals we must not pluck some abstract figure from the air and say to the electorate this number will guarantee economic success. But what we should be doing is ensuring higher education is seen as the 'British Dream': an achievable outcome for all in a fairer society.

Education is not just about students, it's also about those who teach them and those who supervise their research. We have

some of the brightest and most entrepreneurial minds in the world. Yet too much emphasis is placed on academics talking at students; what takes place in the lecture hall is not the whole story. I would like to see the student experience include study periods on their timetables with talks from professionals in the sector they study. Most universities do hold careers events – but these are only really accessible to those who can talk ‘the talk’. Furthermore, a lot of careers events are too focused on certain sectors. Breaking down the barriers to higher education is not just about those the students who wish to study but about everyone involved in the sector.

Shaking up higher education and enabling everyone to get on in life is exactly what the new system is attempting to do. We have introduced radicalism into an industry that was still seen by many young people as an option only for the most fortunate. Indeed, the latest figures show the biggest increase in applications to university from those from poorer backgrounds.¹ This has not happened by chance but because of the progressive elements of the new fees system under the Coalition. This could not have been achieved without the presence of the Liberal Democrats in Government. This radicalism, then, is based on the liberal view

that the opportunity to study should be given to all. By shaking up the sector further we should make it easier for new entrants to have a greater choice between taught, research and distance-learning courses. This would dramatically increase choice in the sector and offer a new appeal for those who wish to study in the shortest time possible.

Of course higher education is not just about tuition fees. Most people don’t go to university, nor should they and we have rightly rejected Labour’s 50% participation target. The Coalition Government is putting a huge amount of effort into helping young people secure apprenticeships. It is no secret that for our country to do well over the coming decades we need highly skilled people who can compete globally. For some this will mean further study and university but for many people it will mean getting high quality, on-the-job vocational training.

That is why the Coalition has rapidly increased the number of apprenticeships available. We have almost doubled the number of apprenticeship places available since the General Election. In 2012 alone 520,000 people started an apprenticeship, more than ever before.² Apprenticeships are not only great for young people, but they also

help our economy. The National Audit Office, which looks at the impact of Government policies, estimates that for every £1 spent on apprenticeships the economy benefits by £18.³ But the Student Premium should apply to these people too. Bursaries, mentoring and access must be fully targeted to those who need it most.

It is important to empower all young adults by giving them access to far more information about the courses on offer, the alternatives to university and their prospects in life after higher education. I believe that better careers advice provision in schools about the range of degrees, vocational courses and apprenticeships on offer would not only diminish the number of applicants who drop out of university, but would also allow school leavers to start their chosen career quicker and more cheaply.

“We fought the last election on fairness and in Government we have been consistently calling for a stronger economy in a fairer society. The key to achieving this is recognition that higher education must be about opportunity for all, achieved via the Student Premium.”

To be credible contenders at the next general election in the area of higher education we must move beyond 'tuition fees'; we will not win if we go down this road. Despite the merits of the policy we have implemented in Coalition Government, we have lost the communication battle which matters to voters. We as Liberal Democrats must frame the debate around access. The unprecedented rise in apprenticeships is something we should all be proud of. Ensuring no one pays up-front fees when studying part-time is another. We fought the last election on fairness and in Government we have been consistently calling for a stronger economy in a fairer society. The key to achieving this is recognition that higher education must be about opportunity for all, achieved via the Student Premium. For both university and vocational learning are vital sources of social mobility – we must build on the Pupil Premium to support students from poorer backgrounds after they leave school.

Once we begin to frame higher education as a social mobility problem, rather than an economic problem that is suffering as part of our deficit reduction package, then we will start to win back some of those voters who have left us since the Coalition was formed. The Student Premium is a natural

evolution of the Pupil Premium and I hope it will become a firm feature of our 2015 manifesto as the pupil element was in 2010.

Stephen Williams was elected to Parliament at his third attempt in 2005 as MP for Bristol West. He served as the Liberal Democrat spokesperson for Innovation, Universities and Skills from 2007-10, and is currently the chairman of the Liberal Democrat backbench committee for Treasury matters. Find out more at <http://stephenwilliams.org.uk/>

1 'Demand for higher education from young people is at or near record levels for each country of the UK in 2013. ... Application rates for young, disadvantaged groups have increased to new highs in England.' Source: 'Demand for undergraduate higher education' UCAS, 23 July 2013 <<http://www.ucas.com/news-events/news/2013/demand-full-time-undergraduate-higher-education-2013>> [Accessed 20 August 2013]

2 'New apprenticeship starters top 500,000', Financial Times, 31 January 2013 <<http://www.ft.com/cms/s/0/fee68114-6bb7-11e2-a700-00144feab49a.html#axzz2cXhlselv>> [Accessed 20 August 2013]

3 'Adult apprenticeships', National Audit Office, 1 February 2012 <<http://www.nao.org.uk/press-releases/adult-apprenticeships-2/>> [Accessed 20 August 2013]

Enshrining Individual Rights to Remove the “Planning System”

- Tommy Long

It is undeniable that something is wrong with the UK property market. Since 1952 property prices have risen in real terms by 253%.¹ An average house would have cost you 3.2 years of average pre-tax income in 1952, today it would cost 6.15 times.² What explanation is there for this price rise?

Obviously wages have risen considerably since the 1950s and material costs have likely risen too, leading to higher construction costs. The most striking difference, though, is the change in the cost of land. Between 1994 and 2008 the price of land rose in real terms by 267%.³ Again, why is this? Prices will only increase when supply outstrips demand.

Yes, demand has steadily increased owing to our ever-increasing population; but it has been primarily led by the increase in those choosing to live (or, in the case of family breakdowns, needing to live) in ever-smaller households. This is superbly illustrated by the growth in housing of 12.1 million since 1952 against an overall population increase of only 12 million. Some argue that, after

a century's building, the supply of suitable land is now depleted. Obviously land is finite, but the fact that we find new land to build on each year at a reasonably constant rate whilst prices continue to increase suggests that the annual supply is being artificially limited.

“One of the seemingly unshakeable myths commonly held is that England is already heavily developed. In fact, only 2.3% of land in England is actually built on.”

One of the seemingly unshakeable myths commonly held is that England is already heavily developed. Perhaps this is because 80% of us live in the urban areas that take up around 25% of the nation's land mass. In fact, only 2.3% of land in England is actually built on. Even in the South East, where development is densest, the vast bulk of land is classified as rural. Yes, this is what makes living there so pleasant – but is it really right that the dream of living in the countryside should be permanently

restricted to 20% of our citizens (who are likely the most economically successful)? We often talk of how important it is to preserve green space for our children, so why then do we want them growing up in urban communities, isolated from it? Is ‘the British dream’ really living in a pokey flat with the countryside as something that's either distant or for ‘other people’?

We need urgently to look instead at the mechanism through which supply is governed. The UK planning system grants privilege over whether something is built or developed – or not – to local authorities. This is a decision that becomes inevitably politicised. Building new homes is

“Building new homes is unpopular among those who already own homes and few building programmes ever galvanise more supporters than those they alienate.”

unpopular among those who already own homes and few building programmes ever

galvanise more supporters than those they alienate. Decisions are made at local authority level by a combination of the personal preferences of individual councillors and what the electorate will tolerate. As for the people themselves, their reaction is understandable. Why would anybody actively desire new house-building near them? What benefit is there to an ordinary citizen in seeing new homes constructed on a field near their house? They'll receive all the negatives – their quality of life detrimented by built-up surroundings, increased traffic and more pressure on local infrastructure and facilities – while somebody else benefits from all the positives.

“Ultimately, there are only two ways enough homes will be built: either through ‘brute force’ (illiberal); or by ensuring people are content with, even actively desire, new development (liberal). How then do we make people desire development? We have to give them a stake in it.”

This, then, is the current situation. And the longer it is maintained, the greater the problem becomes. Those who pay a high price to get on the ‘property ladder’

gain a vested financial interest in shutting others out. This isn't a malicious decision, it's simply part of the complex decision-making that individuals instinctively make every day to maximise their own personal outcomes.

We can only ever build enough properties with public acceptance – acceptance not only of the need for more house-building nationwide, but also on our own doorsteps. Perhaps we could benefit from an educational campaign about the need for housing, as well as appealing to people who want sufficient homes for their own children. Ultimately, though, there are only two ways enough homes will be built: either through ‘brute force’ (illiberal); or by ensuring people are content with, even actively desire, new development (liberal).

Liberals should be instinctively suspicious of any attempt by governments, local or national, to manipulate the mechanisms of supply and demand. Are we really surprised that a market in which the government exerts such heavy influence is so horribly broken? Centralised planning was very popular in the 20th century but constantly ended in disaster.⁴ During the 1980s, many markets were liberalised and this is a trend that has since continued, bringing with

it greater efficiency and freedom of choice. The principle that shone so clear in the time of Adam Smith once more emerged; incentives matter.

How then do we make people desire development? We have to give them a stake in it. The planning system currently exists to protect people's rights, although it does so through a community-orientated ‘for the greater good’ approach where it'll often decide (sometimes arbitrarily) to trample over the rights of individuals.

Instead we should look to legally enshrine those rights that we value and wish to protect but give individuals the right to commoditise them so people can reach their own decisions as to the relative merits of a project. I'm sure we'd all agree that somebody living next to a green field that is proposed for development should have a say on the proposal – and indeed probably a greater say than somebody who lives a few miles away, even if they are in the same electoral district.

Rights could be allocated based on a combination of various factors, for instance: loss of light from tall buildings, a blighting of your scenic view, additional noise generated by new residents, or even simple proximity to development. Groups of individuals could pool together their various

rights and trade them for new schools, leisure centres or roads. This direct control by affected parties would mean that all building work was, by definition, popular, at least with a majority; otherwise it would never be signed off. It would also use market mechanisms to find the 'sweet spot' that best suited all parties. Developers would only be able to offer a certain amount for a particular plot before somewhere else became cheaper or the project became unviable. This would mean existing residents couldn't excessively profiteer or the deal would fall through and they'd get nothing at all.

Who would you trust to make the best decision about building on your doorstep? Your local councillor, likely elected by a small, vocal minority, who has extremely limited time; or you and your neighbours, who are directly affected? I would personally choose to have the final say every time (likely following advice given by reputable third parties), just like I do day in, day out..

Of course, there should be exemptions. Areas with national designations should still be protected by national policy. This would include areas of outstanding beauty, ancient woodland and other irreplaceable habitats. It should not however, include the rather

arbitrary Green Belt. If local residents had control over building they'd be able to make their own determinations of how their community should look.

This policy wouldn't apply only to housing. Where a company wishes to build a supermarket or office block the same rules would apply. It would also apply to cases where mineral rights were to be found. Communities are often opposed to fracking for shale gas, and understandably so. Why would you want the risk (however small) of earthquakes and groundwater contamination without some sort of tangible benefit?

There are, it should be freely admitted, some potential pitfalls with these plans. Most notably, we can't say for sure exactly what would happen to the land market. It's possible that the fees required to procure rights would add to the price of housing while not radically increasing supply: in this eventuality the situation would worsen. However, I do not think this is likely to be the case. What is more likely, I think, is that removing control based on estimating demand and moving instead to a free market would bring large volumes of land into use, freeing owners to compete with one another in order to sell otherwise useless land.. We need to be alert to

the unpopular realities of this proposal. If they worked as planned and increased land supply and thereby reduced land prices we would see a serious backlash from those who either enter negative equity as a result, or who had viewed their property value as a 'nest egg'. This is the hardest issue to tackle. While the property market is clearly a bubble waiting to pop, the government which finally pops it will risk vast unpopularity. This should ease over time, though, as anybody hoping to 'move up' the property market realises this is now cheaper.

For those who feel queasy at the thought of this backlash, I ask one question: what alternative is there? Inaction will lead to greater numbers of people living in increasingly over-crowded areas with all the inherent problems this produces. The status quo cannot continue indefinitely. The age at which people can afford their first home is rising and shows all signs of continuing to do so. Eventually, enough people will become alienated from home ownership to take action through the ballot box and the homes will then be built – quite possibly, through 'brute force'. Would you rather change things now on terms friendly to all, or see central government make the decisions for you?

There is always uncertainty plunging into the unknown but past experience has shown that whenever we give people power over their own lives they make better decisions overall than those made previously by others on their behalf.

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1 House prices have increased from an index of 100 to 8623.9 since 1952 <http://www.nationwide.co.uk/hpi/downloads/UK_house_price_since_1952.xls>. £100 in 1952 is now the equivalent of £2,436.64 <<http://www.bankofengland.co.uk/education/Pages/inflation/calculator/flash/default.aspx>>.

2 In 1952, the average wage was £589.59 and the average house price was £1,891 (source: <http://www.moneywise.co.uk/cut-your-costs/family-life/jubilee-1952-or-2012-which-era-was-better>). In 2012, the average wage is £25,800 and the average house price £163,056 (source: <http://www.aviva.com/media/news/item/uk-family-incomes-and-savings-rise-but-household-debt-levels-reach-an-all-time-high-17171/>).

3 Land value increased from an index of 100 to 547.8 between 1994 and 2008 <https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/10669/141389.xls>. £100 in 1994 was the equivalent of £149.07 in 2008 <<http://www.bankofengland.co.uk/education/Pages/inflation/calculator/flash/default.aspx>>.

4 See, for instance, the story of the Soviet shoe industry as outlined here <<http://ingrimayne.com/econ/IndividualGroup/CentralPlanning.html>> and here <http://econlog.econlib.org/archives/2009/09/soviet_shoes.html>

Wellbeing Economics

- Jonathan Jones

Our Gross National Product, now, is over \$800 billion dollars a year, but that Gross National Product counts air pollution and cigarette advertising, and ambulances to clear our highways of carnage. It counts special locks for our doors and the jails for the people who break them. It counts the destruction of the redwood and the loss of our natural wonder in chaotic sprawl. It counts napalm and counts nuclear warheads and armoured cars for the police to fight the riots in our cities. It counts Whitman's rifle and Speck's knife, and the television programs which glorify violence in order to sell toys to our children.

Yet the Gross National Product does not allow for the health of our children, the quality of their education or the joy of their play. It does not include the beauty of our poetry or the strength of our marriages, the intelligence of our public debate or the integrity of our public officials. It measures neither our wit nor our courage, neither our wisdom nor our learning, neither our compassion nor our devotion to our country, it measures everything in

short, except that which makes life worthwhile.

That was Liberal Democrat Robert F. Kennedy speaking in Kansas in 1968.¹ But, 45 years later and 7,000 kilometres away, we still obsess over quarterly GDP figures as if they, above all else, indicate the success or failure of the government's programme.

"There are things we think are more important than increasing GDP; reasons to embrace or eschew policies beyond their effect on growth."

A couple of years ago, Lib Dem business secretary Vince Cable attacked the "ideological descendants of those who sent children up chimneys".² Some dismissed it as Vince using hyperbole to lash out against his Conservative coalition partners. But he was making the same point as Kennedy: there are things we think are more important than increasing GDP; reasons to embrace or eschew policies beyond their effect on growth.

As Liberal Democrats have long emphasised, the ultimate goal is not income or wealth, but wellbeing (or 'happiness'). Lord (Richard) Layard argues in his book *Happiness: Lessons from a New Science* – the bible of wellbeing economics – 'Happiness is that ultimate goal because, unlike all other goals, it is self-evidently good. If we are asked why happiness matters, we can give no further, external reason. It just obviously does matter.'³

And the Prime Minister appreciates this too. Back in 2006, David Cameron said, 'It's time we admitted that there's more to life than money, and it's time we focused not just on GDP, but on *GWB* – General Well-Being.'⁴ Of course, that was a lot easier to say when GDP had grown by 4 per cent in the past year as opposed to 0.5 per cent when he took office. But, to his credit (and thanks in no small part to the Liberal Democrat influence in coalition), he stuck to his guns and, in 2010, asked the Office for National Statistics to start measuring wellbeing in Britain.⁵

“Without measuring the ultimate goal — and the effect of policies on it — it is impossible to form a consistent and evidence-based approach to policy-making.”

And this matters, for without measuring the ultimate goal — and the effect of policies on it — it is impossible to form a consistent and evidence-based approach to policy-making. As Sir Gus O’Donnell told the All-Party Parliamentary Group (APPG) on Wellbeing Economics in 2011, one of the keys to good policy-making is ‘If you treasure it, measure it.’⁶

As the measure is fine-tuned and the data rolls in, wellbeing will rise towards its rightful place atop the political agenda — especially as the economy recovers and becomes less of a concern. Policy-makers will find themselves with better evidence upon which to design the policies that best improve wellbeing, as well as greater pressure to enact them. And the Liberal Democrats are well-placed to lead that process.

In fact, some already have been leading it. It was our own Jo Swinson who set up the APPG on Wellbeing Economics back in 2009. Our policies and priorities

are already infused with an understanding that GDP is neither the be-all nor the end-all. Our commitment to improving mental health — led in government by Nick Clegg, Paul Burstow and Norman Lamb, recognising that it brings benefits beyond the ample economic ones — is one clear demonstration of that.

And, at our conference in Birmingham, in September 2011, party members backed a policy paper entitled *A New Purpose for Politics: Quality of Life*.⁷ It set out a broad Liberal Democrat approach to policy-making that places an appropriate emphasis on wellbeing. For example, it recommends that ‘New policies and proposals in future should be accompanied by a Wellbeing Impact Assessment’, along the same lines as the Environmental Impact Assessments that are currently conducted.⁸

It also suggests that future Liberal Democrat manifestos include a ‘Wellbeing Thread’, highlighting the policies that will improve wellbeing and explaining how⁹ — similar to the green tabs denoting environmentally friendly policies in our 2010 manifesto.¹⁰ Throughout the paper, though, the emphasis is on ensuring a ‘distinctive Liberal Democrat approach to improving wellbeing’¹¹, in

which the government’s main role is to empower individuals to improve their own wellbeing, rather than intervening to do so for them.

Just as the last Liberal government (1905-15) rose to the challenge of responding to Charles Booth and Seebohm Rowntree’s new measurements of poverty (including the concept of a ‘poverty line’) with its radical welfare reforms, so this generation of liberals will be at the vanguard of wellbeing politics.

But that doesn’t mean we will have it easy: we will have to answer the question of what exactly a Liberal Democrat wellbeing agenda looks like. At the macro end, do we aim to maximise overall happiness or focus our efforts on reducing misery? Both Lord Layard and Professor Daniel Kahneman — the behavioural psychologist who has been at the forefront of the science of wellbeing — advocate the latter.¹² But how far are we prepared to compromise overall happiness to relieve misery? Where do we strike the balance? It’s the wellbeing equivalent of the tension between focusing on raising GDP and reducing poverty.

And as the evidence builds up, our dedication to evidence-based policy-making will be tested, and mustn’t be found wanting.

We shouldn't be afraid of truly radical policies where they are justified – the New Economics Foundation, for example, has advocated reducing the normal working week to 21 hours.¹³ And when our preconceptions are contradicted by the data, we cannot afford to cling to them. For instance, the evidence so far suggests we may need to worry about the detrimental effect performance-related pay can have on happiness by increasing our tendency to compare ourselves to others rather than focusing on what we have actually got.¹⁴

“It will be temptingly easy to use the language of wellbeing as a new way of dressing up old ideologies, without proper, thorough examination of the evidence. We must be vigilant about calling out such behaviour when we see it.”

But we must be very careful in the ways we analyse and interpret the data. It will be temptingly easy to use the language of wellbeing as a new way of dressing up old ideologies, without proper, thorough examination of the evidence. Some are already trying to do this when advocating marriage incentives or immigration restrictions, policies which

are both illiberal and illogical. We must be vigilant about calling out such behaviour when we see it, and demanding sufficient evidence to back up claims about a policy's effect on wellbeing.

There is the further danger – inherent in the use of any metric – that the metric may not be a 100 per cent valid indicator of the thing it is supposed to be measuring. And a failure to recognise that problem can itself exacerbate it, because targeting the indicator rather than the underlying reality causes the two to diverge further. Just think about GCSE results: at first glance, a good measure of a school's performance. But when a school targets, say, the number of pupils achieving five A* to C grades – because that is how its performance is measured – it can improve its score while actually worsening the quality of education (by, for instance, focusing on those just on the C/D border at the expense of others).

The same has happened with GDP: governments' focus on it has made it a worse indicator of the health of the economy. Between 1992 and 2007, for example, real GDP rose by 66 per cent, but at the cost of rapidly increasing household debt and too great a reliance on the financial sector. As a result – and as the financial

crisis and its aftermath demonstrated – the British economy was not nearly as strong in 2007 as the GDP figures would have made you think. And the same could happen to wellbeing indicators. The four questions asked by the Office for National Statistics as part of the Annual Population Survey since April 2011 ('Overall, how satisfied are you with your life nowadays?', 'Overall, to what extent do you feel the things you do in your life are worthwhile?', 'Overall, how happy did you feel yesterday?' and 'Overall, how anxious did you feel yesterday?')¹⁵ are currently very good indicators of how people actually feel. But that will not remain the case if policies are introduced to improve the answers to those questions without actually improving wellbeing – and we must guard against this.

“Layard recommends banning advertising to children ‘to fight the constant escalation of wants’. That may sound illiberal to many, and we should rightly require strong evidence before we advocate it, but if it really would result in greater wellbeing would we still oppose it?”

Now, as liberals we rightly tend to instinctively recoil from paternalism, and the wellbeing agenda faces the criticism that it will result in more government interference in our lives. But, as Layard responds, 'lack of freedom is one of the major causes of unhappiness worldwide', so a 'government concerned with the happiness of its people would not trample on individual freedoms.'¹⁶

But there are times when 'to increase wellbeing' or 'to reduce misery' will sit uneasily with us as reasons for government action. For example, Layard recommends banning advertising to children 'to fight the constant escalation of wants'.¹⁷ That may sound illiberal to many, and we should rightly require strong evidence before we advocate it, but if it really would result in greater wellbeing would we still oppose it?

Fortunately, another recent innovation in public policy may help to alleviate such concerns: libertarian paternalism, or 'nudging', as advocated by Professors Richard Thaler and Cass Sunstein, particularly in their 2008 book *Nudge: Improving decisions about health, wealth and happiness*.¹⁸ Their theories have already begun to be applied by the Coalition Government, with the establishment of the Behavioural Insights Team (or 'nudge unit')¹⁹ in

the Cabinet Office in 2010 and Steve Webb's rollout of automatic enrolment in workplace pension schemes from October 2012.²⁰

Some liberals may be uncomfortable with 'nudging', seeing it as a way for the state to manipulate people's behaviour without them knowing. But, as the *New Scientist* said in June 2013, such concerns 'don't really hold up'. 'Our distaste for being nudged', it said, 'is understandable, but is arguably just another cognitive bias, given that our behaviour is constantly being discreetly influenced by others. What's more, interventions only qualify as nudges if they don't create concrete incentives in any particular direction. So the choice ultimately remains a free one.'²¹ 'Nudging' will allow governments to improve happiness without infringing individual freedom, and should play an integral role in that 'distinctive Liberal Democrat approach to improving wellbeing'.

"Coming up with effective policies in these hitherto-neglected areas may be difficult, but it will show that we are committed to improving people's lives in ways that really matter to them."

A focus on wellbeing may also reveal whole policy areas that have been overlooked by our concentration on GDP. Time spent commuting, for example, has been shown to be the most miserable of the average person's day. There may, therefore, be considerable scope for increasing wellbeing by improving or reducing that time – perhaps through additional investment in transport or by encouraging more businesses near to housing and vice-versa (as advocated in the *Quality of Life* policy paper²²). There is both a challenge and an opportunity for Liberal Democrats here: coming up with effective policies in these hitherto-neglected areas may be difficult, but it will show that we are committed to improving people's lives in ways that really matter to them.

I have presented just some of the challenges that Liberal Democrats will have to grapple with if we are to be the party of wellbeing. But grapple with them we must, and soon. It will take time to build a detailed picture of wellbeing in the UK, and to more fully understand its causes and inhibitors. But we can already begin to set out the importance of wellbeing and how we will rise to the great task Senator Kennedy set out 45 years ago: 'to confront the poverty of satisfaction, purpose, and dignity that afflicts us all.'

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