

PO-CH/NL/0236 PTJ

Part .5.

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Begins: 3/5/88.

Ends: 11/10/88.



PO -CH /NL/0236



PART J

Chancellor's (Lawson) Papers:

OPPOSITION PARTIES
POLICIES AND STATEMENTS
IN THE RUN UP TO THE
1987 GENERAL ELECTION

Disposal Directions: 25 Year

21/9/95

NL/0236

-CH

PO

PART J



Wilson

Prayers

IFS & Lab's plan -
prayer.

Labour

FROM: A G TYRIE

DATE: 3 MAY 1988

CHANCELLORcc Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Mr Hudson
Mr Cropper
Mr Call**LABOUR AND TAXATION**

Ian Stewart has done this useful progress report on Labour's post-election tax thinking. Certainly as far as policy formulation is concerned Labour is running a go slow campaign. Specific policy proposals are not going to be considered until the Autumn of 1989!

AGT

A G TYRIE

I think Peter may have passed you a copy of this.

LABOUR AND TAXATION

1. Background

Following its third successive General Election defeat the Labour Party has begun what purports to be a major review of policy. At a meeting of the Parliamentary Labour Party just five weeks after the election Mr Kinnock set a two-year deadline for a 'thorough reappraisal' of the Party's programme. In his speech Mr Kinnock identified the Party's economic and industrial policy as being in particular need of change. This priority reflects the widespread perception within the Party that Labour's commitment to renationalisation and high taxation lost it millions of votes at the General Election.

To help formulate and push through the necessary reforms Mr Kinnock has set up an inner economic committee of the Shadow Cabinet consisting of John Smith, Bryan Gould, Gordon Brown and Michael Meacher. The 'inner cabinet' will consider the proposals that come out of the wider review of policy which was instituted following the Labour Party conference in September. Seven committees, each chaired by two convenors, have been set up to review Labour policy (see appendix 1 for details). Each group has six other members, three MPs and three members of the NEC. A desk officer from Labour's policy development department and a researcher act as joint secretaries to each committee. In addition the committees can draw upon the advice and expertise of sympathetic academics, trades unionists and voluntary bodies.

The two committees dealing with economic policy, the Economic Equality Group and the Productive and Competitive Economy Group, have as their chairmen John Smith and Bryan Gould respectively. The Economic Equality group is charged with reassessing Labour's taxation and macro-economic policy whilst Mr Gould's committee is covering industrial policy including nationalisation. All of the groups are supposed to be using Messrs Kinnock's and Hattersley's Statement of Democratic Socialist Aims and Values as the basis for their work.

The intention is that the policy groups should produce statements of themes for October's Party conference. Specific policy proposals would then be considered by the 1989 conference.

In parallel with, and supposedly complementing the work of, the policy groups, the Party is running its 'Labour Listens' campaign. The idea is to sound out 'grassroots' ideas and opinions through regional meetings. So far the exercise does not appear to have generated a great deal of interest.

2. Labour's Election Tax Policy

Labour's approach to taxation as it emerged during the General Election is now well known and there is little need to restate it

here in detail. Its most controversial elements were:

- * the abolition of the National Insurance Contribution upper earnings limit;
- * the abolition of the married man's tax allowance;
- * the reversal of the 1987 Budget reduction in the basic rate of income tax increasing it from 27p to 29p;
- * limiting Mortgage Interest Relief to basic rate taxpayers.

3. Labour's revised tax policy

Since the General Election Labour has directed its energies to attacking the Government's proposals for tax reform rather than advancing any alternative policy. Since all policy is being reviewed Labour is clearly not prepared to be drawn on the precise details of any future tax reform proposals. However, statements and articles by a number of individuals have given a fairly clear indication of the likely structure of Labour's new taxation policy:

* In a recent New Statesman article (26th February) Mr John Hills, an LSE academic and an adviser to the Economic Equality Group, outlined his approach to tax reform. Most of his proposals were no different from Labour's own election policy (abolition of the NICs upper earnings limit; abolition of the married man's allowance; restriction of all income tax allowances to the basic rate). However, in two crucial areas he suggested a new approach:

- Firstly, he stated that 'there is not much point in pushing the top rate of income tax above the current 60 per cent ... The main beneficiaries of this would be the tax avoidance industry';
- Secondly, Mr Hills advocated the introduction of a new lower rate band for those on less than average earnings, financed by a higher rate for those on more than average earnings - 'the long basic rate should be broken up and a graduated structure introduced'.

* Mr John Smith, interviewed on the Jimmy Young programme on 17th March, said that Labour was working towards a 'fair tax' policy. The Party was considering the introduction of a starting rate of income tax lower than the present 25p, with graduated increases to a top rate higher than the Chancellor's 40p. He cited West Germany's proposals for a banded scale with rates ranging from 18 per cent to 56p as the kind of system he envisaged. 'I think that is the proper style for an income tax system', he said (reported in the Guardian, 18th March 1988).

* Despite the fact that policy is supposedly under review Labour still appears to be committed to the abolition of the NICs upper-earnings threshold. In his speech on the third day of the Budget debate Mr Chris Smith, a junior Opposition spokesman on

Treasury matters, said, 'We have made it very clear that the existence of ceiling on national insurance contributions is profoundly regressive in the tax system, and we want to see a properly progressive tax system that does not leave that anomaly in place' (Hansard, 17th March 1988, col. 1315).

* In a Weekend World interview on 10th April Mr Kinnock said that the top rate of income tax would rise under a Labour Government though it was 'highly unlikely' that it would return to the 83 per cent rate the Conservatives inherited in 1979.

Mr Kinnock also asserted that the gap between the marginal rate of tax and national insurance of 34 per cent and the top rate of 40 per cent was too narrow claiming that it was, 'crazy, unjust, and very inefficient ...I'd like to...introduce a lower rate band so that people don't leap immediately into what's called the standard rate, but can actually have their path eased into it without creating a tax trap ...'. According to a report in the Independent the following day Mr Kinnock's, 'aides said [that Labour's new tax reform proposals would involve the introduction of] a lower band of 15 to 20 per cent, with a higher rate of up to 60 per cent'.

4. Lines of attack

There are a number of ways in which Labour's new approach to taxation might be attacked:

* The effects of the abolition of the upper-earnings limit on all those earning more than £15,340.

* The Government's commitment to reduction in the basic rate of income tax to just 20p will bring the marginal tax rate paid by the vast majority of taxpayers down to the same sort of level Labour appears to anticipate for its reduced rate band which would only apply to a minority of workers on less than average earnings (though there have been indications that Labour's lower rate might be 15p). Allied to this is the point that the current basic rate of income tax is at the same level as Labour's lower rate was in 1979.

* If, as Mr Hills suggests, the introduction of the lower rate band is to be financed by new, higher rates for all taxpayers with more than average earnings than there are likely to be substantial increases in the tax burden for many millions of individuals.

Perhaps the most productive exercise would be to identify the losers under Labour's new tax regime as was done to such great effect during the General Election. This would clearly be very embarrassing for Labour. As the Sunday Telegraph pointed out, 'Mr Smith...does not want any annual earnings figure mentioned which could antagonise the winners and losers in any new Labour policy... It is widely thought that the £20,000 a year income cited by Mr Hattersley as a start for the higher taxes repelled the public before the election' (16th August 1987). Whether it would be possible to mount a worthwhile and credible 'winners and losers' exercise on the basis of what is already known about Labour's new proposals remains to be seen.

APPENDIX 1

LABOUR REVIEW GROUP

Review Groups

Convenors

	<u>NEC</u>	<u>Shadow Cabinet</u>
Productive & competitive economy	Mr Eddie Haigh (TGWU)	Mr Bryan Gould MP
People at work	Mr Eddie Haigh	Mr Michael Meacher MP
Economic Equality	Miss Diana Jeuda (USDAW)	Mr John Smith MP
Consumer in the community	Mr David Blunkett MP	Mr Jack Straw MP
Democracy for the individual	Ms Jo Richardson MP	Mr Roy Hattersley MP
Britain in the world	Mr Tony Clarke (UCW)	Mr Gerald Kaufman MP
Physical and social environment	Mr Syd Tierney (USDAW)	Mr John Cunningham MP

Economic Section
Conservative Research Department
London SW1

Ian Stewart
28th April 1988

FROM: A G TYRIE

DATE: 20 MAY 1988

CHANCELLOR

cc Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Mr Hudson
Mr Cropper
Mr Call

JOHN SMITH ON CREDIT CONTROLS

Smith came pretty close to committing Labour to the imposition of credit controls in his Newsnight interview on 16 May, cutting attached.

*Indicated. really about
But he really about
point is that the
movement in the
to budget. What
done that?*

A G TYRIE

exporters a clear prospect for the future?

REDWOOD: Well responding to John Smith, and it's interesting that Labour not only want to help speculators by making absolutely clear to them what the course of the £ will be and what the Government will do, they themselves don't know whether they want higher interest rates because they're worried about credit expansion or lower interest rates because they're worried about the £.

SMITH: We want lower interest rates.

EDWOOD: But you just said that on the other hand you were very worried about credit and presumably therefore you want rates to go p.

SMITH: No I would use other methods. We want lower interest rates, I've no doubt about that.

EDWOOD: So you want to impose credit restrictions and controls?

SMITH: We might well do actually and that might be a far more sensible way of doing it than by sacrificing British industry by

EDWOOD: But that cuts demand down from British industry, it means the British people and British companies can no longer buy what they want. That seems to be an absurd course of action to be recommending.

INTERVIEWER: There John Redwood, John Smith we must end..



FROM: MISS M P WALLACE
DATE: 23 May 1988

mp

- 12/2

MR A G TYRIE *- 2*

cc PS/Chief Secretary
PS/Financial Secretary
PS/Paymaster General
PS/Economic Secretary
Mr Hudson
Mr Cropper
Mr Call

JOHN SMITH ON CREDIT CONTROLS

The Chancellor was grateful for your minute of 20 May. He has commented that the really interesting point is that within the growth of personal credit, the overwhelming increase is mortgages. What would Mr Smith do about that?

*X He would restrict ^(MIR) it to the basic rate.
(This wasn't get to grips with the problem, as he perceives it. But it would be something for him to say.)*

M P Wallace

MOIRA WALLACE

→ Andrew H.

I spoke to AG7. He's confident it is.

AMH

Is X documented?

m.

33/158

CHANCELLOR

*Thanks
But not X: W
must be
scampulous.*

FROM: A G TYRIE**DATE: 23 MAY 1988**

cc Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Mr Hudson
Mr Cropper
Mr Call

HATTERSLEY IN TRIBUNE

I attach a copy of Roy Hattersley's Deputy Leadership Manifesto.

There are one or two amusing lines. I particularly like:

'Labour's case is coming across. For years we have won the argument'.

'The main reason we are surging forward is the way in which the Party has behaved'. (Ron Brown did them a good turn?)

Equal with for
X 'We are the Party of ... gays and lesbians ...'.

Incidentally there is also a commitment to:

'A statutory right to childcare for all parents'.

And a reaffirmation:

'The nationalised corporation is the right form of public ownership for the utilities'.

I look forward to next week's thrilling instalment from the dinosaur.

AG
A G TYRIE

Tribune 20/5/88

ROY HATTERSLEY

'Socialism is the philosophy of individual freedom... it exists to provide the ability to make the choices of a free society'

THE duty of the Labour Party is to win - to win the next general election and begin to put into practice the principles of democratic socialism.

Today, we look more likely to achieve that victory than at any time during the last ten years. That is the message of the opinion polls and of the council elections. But, more important, it is also the message from the unions and the constituencies.

ARROGANCE

Labour's case is coming across. For years we have won the argument. Now we are beginning to win the enthusiastic support of the British people.

Our breakthrough has had many causes. The arrogance of continued power has trapped the Tories into showing their true colours - destroying our social security system, dismantling the health service, introducing a poll tax which penalises the poor and subsidises the rich.

But the main reason we are surging forward is the way in which the party has behaved. We have become a great national party again, not a collection of warring cliques and caucuses, one-issue pressure groups and fan clubs. We have begun a serious re-examination of our policy. And we have, with one or two non-representative exceptions, become a party which is united behind a common strategy for the defeat of the common enemy.

PARTNERSHIP

If we are to build on our success, we cannot afford a return to the bad old days when too many Labour Party members were more interested in winning little battles within the party than they were in winning the war against the Conservative enemy.

The partnership forged between Neil Kinnock and me provides the Labour Party with a

leadership which is determined to maintain the progress we have made. Certainly no leader and deputy in the party's history have worked more closely together or in greater harmony.

I believe we have typified the essential elements of the new, and more successful Labour Party and we have certainly demonstrated the spirit of partnership and co-operation which has replaced, in most of the party, the old antagonism.

Labour's new success, for which Neil Kinnock and I have worked, has three crucial ingredients. First, the fundamental principles of our beliefs can neither be altered nor abandoned. Secondly, those principles must be applied to the world as it is today in 1988 - not as it was in 1945 or as it is thought to be by those who are out of touch with real people.

BARRIERS

The third ingredient of our success is just as important. We have broken down most of the old and artificial barriers between Right and Left. Party members are no longer judged by the clichés which once trivialised socialist debate.

These days, the party looks for men and women of ideas - ideas which they can define and defend with coherence and conviction.

UNIVERSAL

Our ideals are indivisible. They apply to the world outside Great Britain no less than to our own society. As the party of freedom and equality, we must advocate in opposition and implement in government those policies that bring freedom and equality throughout the world.

Our beliefs are universal. What we demand for South Africa is what we demand for ourselves: the democratic rights of every man and woman to play a part in determining their own future and

IN THIS, the first of a series of articles by candidates for the Labour leadership, the incumbent deputy leader spells out his platform.

the right of every citizen to be treated with equal respect.

When Archbishop Desmond Tutu visited my constituency last month, he made the point exactly: "The sort of equal society you are trying to build in Sparkbrook is the sort of society we are trying to build in South Africa."

The principles of democratic socialism, its Aims and Values, were set out in the statement that Neil Kinnock and I worked out together. Many of those principles were described in detail in my book, *Choose Freedom* - an analysis of socialism which *Tribune's* review described as "a thoughtful and important state-

in which the Tory Party appeared to have a consistent ideology. It postured as the party of freedom without describing what freedom really means. It pretended to have the miracle cure for the economy without admitting the price that would be paid for the increased salaries at the top of the income scale.

As a result it turned the public tide against equality and social justice.

Labour has begun again to argue for those principles, and to justify its arguments with the truth about our unequal and divided society.

The continued explanation of the principles on which our policy

to provide, for the largest possible number of people, the ability to make the choices of a free society.

Socialists certainly support the minimum intrusion of the state into the lives of its citizens. But, unless the state intervenes to protect the poor and the weak, the rich and powerful will simply exploit them in the name of freedom.

The obligation of socialists is to use collective power to protect individual rights. And that protection cannot be provided without a government specifically committed to achieving that objective.

The Labour Party will win the freedom argument, and the huge popularity which that victory will ensure, by explaining what freedom really means.

PRIVILEGE

To a majority of British families, the freedom to send their son or daughter to a private school or to take advantage of the assisted places scheme has neither meaning nor value. They want the freedom to choose a place in a local school which is well equipped, well staffed and well maintained.

What is more, the freedom of the few to buy their way into privilege, prevents the many from receiving the standard of education which should be universal in a free society. For that reason, when I was Labour's Education spokesman, more than 15 years ago, I committed the party "to the immediate reduction and the eventual abolition of fee-paying education." That is still my position.

The need to promote the freedoms of the majority, when necessary by reducing the privileges of the rich and powerful, is the central principle of socialism. That is why socialists believe that, far from freedom and equality being

conflicting conditions, one is essential to the other.

Labour is therefore (and must remain) the party of greater equality, of income redistribution and the use of tax-financed public expenditure to finance public services which are universally available and free at the point of use.

RIGHTS

We are the party of equal rights - for black and Asian British and for gays and lesbians and for people with disabilities. And we are the party which recognises that equality for women is meaningless without the positive strategies that back up the law and allow rights to be exercised. That is why we must provide a statutory right to childcare for all parents.

We are the party that defends the basic rights of working men and women to combine in trade unions for their own protection and in order to enjoy the political strength that comes from collective action. None of those principles is negotiable. Unless we make that plain, we lack intellectual coherence and moral conviction and we will neither win, nor deserve to win, the next general election.

RELEVANCE

But we will not win that election if we fight our campaign - the only campaign which matters - either on outdated ideas or half-thought-out slogans.

There is an essential place in our campaigning for the march and the demonstration. But our central task must be to win the war of ideas.

We have to prove that

socialism will have relevance and meaning in the twenty-first century. The real betrayal is the fear that, within our own ranks, socialism has nothing new to say and the willingness to go down to another defeat because of unwillingness to move with the times.

In no area of policy is clear thinking more important than in the part of our programme that concerns social ownership. The freer and more equal society that we mean to build cannot come about without a radical shift in the balance of the mixed economy - a shift in favour of social ownership. But that is not the same as insisting that the only possible extension of social ownership is the monolithic state monopoly.

NEXT WEEK:

Eric Heffer

Y of sts ke

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HTS

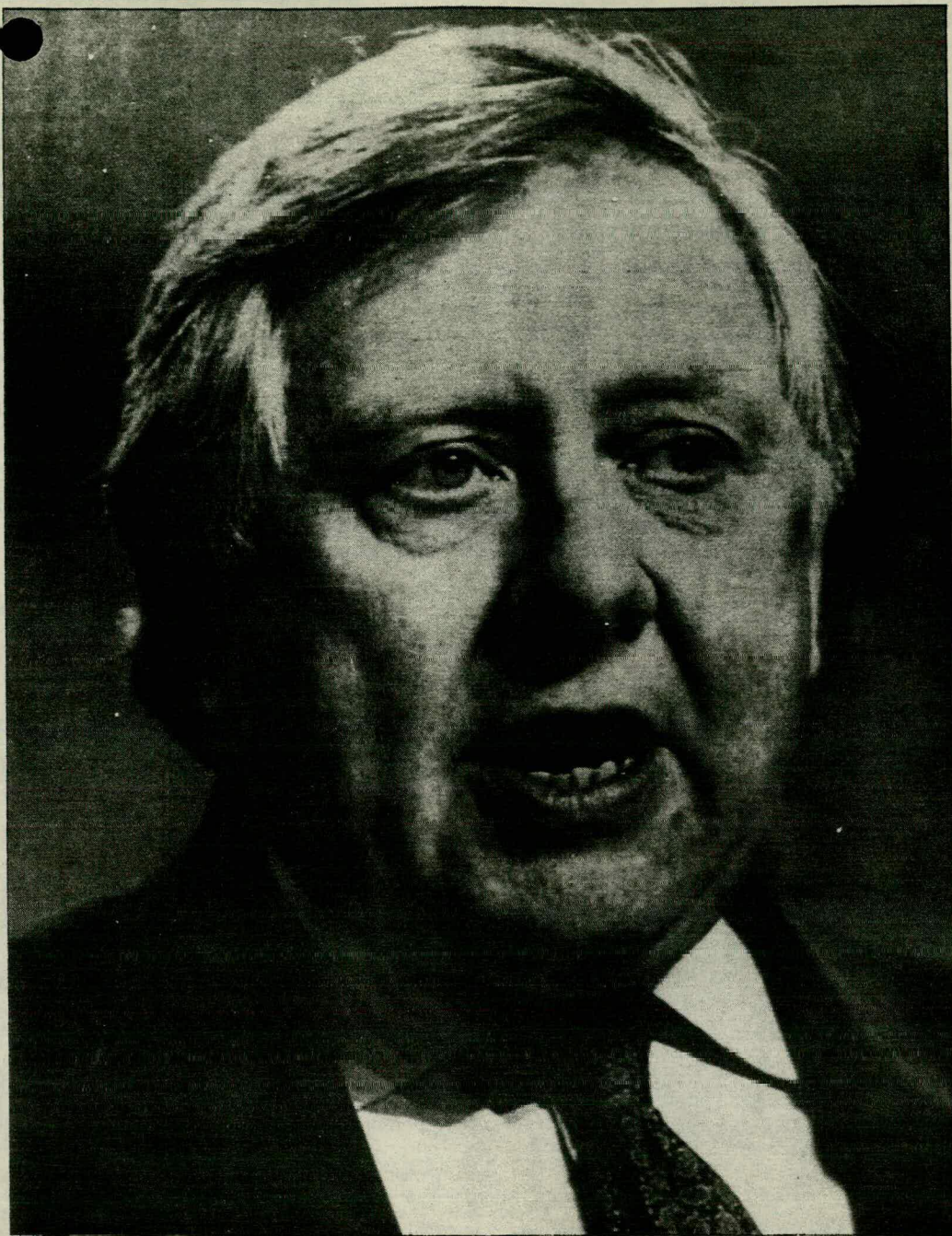
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In no area of policy is clear thinking more important than in the part of our programme that concerns social ownership. The freer and more equal society that we mean to build cannot come about without a radical shift in the balance of the mixed economy - a shift in favour of social ownership. But that is not the same as insisting that the only possible extension of social ownership is the monolithic state monopoly.

Nationalisation is the necessary form of public ownership for the utilities, which must be part of a national plan for growth. Gas, telecommunications, electricity and water are industries on which the rest of the economy depends and which should provide a proper service to every sector of the economy and to every type of consumer.

OWNERSHIP

They cannot be left subject to the short-term profit motive. Nor can they operate independently of the national decisions which guide and govern the economy.

But while the nationalised corporation is the right form of public ownership for the utilities, for other parts of the economy we have to advance our thinking beyond the principles laid down by Herbert Morrison in 1945. We need to promote workers' and consumers' co-operatives, municipal enterprise and

all the other ways of giving workers greater control over the companies in which they work.

It is still sometimes argued that all we need to do or say about social ownership is to assert its necessity. We have to argue the case and that argument must involve a thoughtful analysis of the sort of social ownership which is appropriate to different industries.

There is a natural majority for socialism in Great Britain - when socialism is described in

the practical language of the real world - and when the Labour Party demonstrates its competence to put its policies into practice.

The job of the deputy leader is to contribute towards both those aims, to assist in the preparation of policy and to play a crucial part in the battle for public opinion.

The deputy leader has to understand Labour policy and defend it with conviction. And the deputy leader must be able to take on the Tories in the House of Commons.

There is much wrong with Parliament: too much ritual and too little relationship with reality. But I know that when I forced Margaret Thatcher to confess that her plans for local government involved a "poll tax" (which penalised the poor and subsidised the rich) not a "community charge" (which levied a fair tax) I was helping to win the election.

IDEALS

Winning that election is our principal task. It is a task to which I shall devote my energy as deputy leader between now and polling day.

It is now almost 40 years since first I joined the Labour Party. I believed then, back in the days when we created the health service and gave freedom to India, that Labour was the only party that could bring social justice to this country and the world.

I believe that still and I propose to go on working in order to put our ideals into practice.

We will not win the next election on a rag-bag of unrelated promises

ECONOMIC

THREE weeks ago, in a the *Financial Times*, a the British television i Fidelity television factory i owned manufacturer. The when Amstrad paid £3 mil televisions under the same undertaker paying for the example of the cycle of Bri now everyone else makes i

Not that there aren't qu country. It is just that the companies. There are Brit Amstrad, but they manuf manufacture is booming. I Britain made 1.7 million T So does ownership really

Making it in the public sector

the victim of the jungle kn corporate control". The ar merger market is that it k In this case it is clear that management looking over

But a wholly spurious e because it is the Swiss wh they are outside the EEC take over their companies. But no sensible Briton wa money taking over Swiss. that Suchard or Nestlé wi than would a British pred

The important thing ab is located in York. There whose headquarters are o with almost all other cour bid for Pilkington. Pilkig the glass market, was not but it also had its headqu mounted one of the few st takeover in recent years.

A major source of Brita centi alisation of both pul and reinforced in the cent

One of the arguments f prevented foreign takeov companies like BP, Britis is clearly right. The probl ownership has meant cen

With foreign ownership British industry, the argu owner is no longer straij he just as bad as foreign c

BUT xenophobia gav Rover to BAe. At le British company. T be said for the deal. The aerospace and car makin is undertaken by very lai enormous financial resou new models. In return th flow. BAe has a lot of use the access to the financia develop. When the five y remaining money and ru

If Rover had been sold manufacturers, there wo jobs. The only way to hav present form was to have this government even th interested in owning and they wanted was to be ri

Mark the contrast wit dark days of the Heath r government gave it back RB 211 engine. When it opportunity to kill off a l

Clearly the public sect role in manufacturing in the short-termism of Bri development, then gover however, is that we mus based public corporation

NEXT WEEK:

Eric Heffer

UNCLASSIFIED



A handwritten signature in black ink, appearing to be "M P Wallace".

FROM: MISS M P WALLACE

DATE: 24 May 1988

MR TYRIE

cc PS/Chief Secretary
PS/Financial Secretary
PS/Paymaster General
PS/Economic Secretary
Mr Hudson
Mr Cropper
Mr Call

HATTERSLEY IN TRIBUNE

The Chancellor was grateful for your minute of 23 May. But he has commented that your "amusing lines" need to be scrupulously accurate - and your third example should really read:

"We are the Party of equal rights ... for gays and lesbians ...".

A handwritten signature in black ink, appearing to be "Moira Wallace".

MOIRA WALLACE

P.S.

Personally, I'm only surprised you didn't pick out Mr Hattersley's next sentence as:

"We are the Party which recognises that equality for women is meaningless ...".



FROM: A P HUDSON
DATE: 25 May 1988

of 2.6.
[Signature]
[Signature]

MR TYRIE *-2*

cc Miss Simpson
Mr Cropper
Mr Call

LABOUR STRATEGIES

... The attached letter from Bryan Gould says that his policy review Group calls for a "medium term industrial strategy".

2. I am sure that, before the Election, Labour were calling for a "Medium Term Employment Strategy". I think you and I thought about calling this MTES a policy of "massive taxation, extravagant spending"! Can we have some fun with their shifting strategies?

A P HUDSON

Thanks.

*I am sure, yes! I have
asked CKD for the policy documents.*

A. 25. v.

19/6/88

Labour tackles Thatcher over wealth divide †

By Richard Ford
Political Correspondent

The Government's welfare reforms will leave one in six of Britain's households poorer even after the tax cutting Budget, the Labour Party claimed yesterday as argument continued over the morality underlying Mrs Margaret Thatcher's beliefs. The tax cuts and changes in social

security benefits show that the bottom 25 per cent of families lose £600 million compared with the top 5 per cent who receive £2.5 billion, according to a computer analysis carried out for Labour. Two million households lose more than £2 a week and 3.5 million more than £1 a week.

The analysis also showed that 150,000 families have gained more

than £100 a week from all the changes and another 50,000 more than £200 a week.

With the Government and the Opposition now battling for the moral high ground in politics, Mr Gordon Brown, shadow Chief Secretary to the Treasury, said the combined effects of the Budget and the social security changes provided "hard evidence of

the Government's clear and direct responsibility for the growing gap between rich and poor".

He was sending the results of the computer analysis to church leaders so that they could judge for themselves the sincerity of Mrs Thatcher's comments to the Church of Scotland outlining the spiritual belief underpinning her political philosophy.

FINANCIAL TIMES

Dominance of financial interests over wealth creators should be reduced 23

From Mr Bryan Gould MP.

Sir, In reporting that the policy review Group in which I am involved calls for a Medium Term Financial Strategy, Michael Cassell not only gets it wrong (May 24); he misses the point of a deliberate play on words.

What we in fact call for is a medium term industrial strategy. Typographical error may be to blame but at the heart of our analysis explaining the poor pros-

pects and record of the UK economy is the dominance of financial interests - wealth and asset holders - over wealth creators in productive manufacturing and service industries - a dominance reinforced by the Medium Term Financial Strategy.

We call for a new industrial strategy, to ensure not only the macro economic climate of lower exchange rates and a more competitive currency that will be conducive to production, but also

a new emphasis on the supply side policies that will bring about the investment in research and development, the highly skilled workforce and the regional balance which will be essential to our economic future.

This is of course the complete opposite of this Government's policies. What we propose would indeed represent a radical departure from all post war economic policies, so although Mr Cassell is right to emphasise, therefore,

that we have no interest in a return to the 1960s and 1970s, your readers should be left in no doubt that this implies no endorsement of the Conservative policies that have done so much damage to the wealth creating base of our nation, caused so much hardship, and now look like petering out in a balance of payments crisis.

Bryan Gould,
House of Commons,
London SW1

THE STANDARD

Poor man of Europe 35

ACCORDING to the International Bureau of Statistics, British people are the lowest paid in the European Community in relation to the cost of living. Unemployment is higher in Britain than in similar sized EEC countries, being twice that of West Germany.

The British pound is the most unstable currency in the Community, partly explaining why the British economy is performing so badly and is currently in the red. Housing inflation is the highest in the EEC.

If this is the situation in a so-called booming Britain, what is going to happen in recession?—Michael Simpson, Willow Road, Hampstead.

FINANCIAL TIMES

Forecasters more hopeful over growth and inflation 8

BY SIMON HOLBERTON

INDEPENDENT forecasters of the British economy have become more positive on the outlook for growth and inflation this year and next, suggests a Treasury compilation of forecasts published yesterday.

The non-official forecasters remain broadly in line with the Treasury's Budget forecasts but they have become more pessimistic on the outlook for Britain's balance of payments.

According to the average of 11 private forecasters surveyed, Britain's economy should grow by 3.1 per cent this year and by 2.1 per cent next year. This compares with an average forecast for growth in real gross domestic product in April of 2.9 per cent for this year and 2.1 per cent for next year.

On inflation, as measured by the retail price index in the fourth quarter of the year, the forecasters expect inflation to register 3.9 per cent this year, against an earlier prediction of 4 per cent, and 4.5 per cent next year, compared with 4.6 per cent previously.

In the March Budget the Treasury forecast UK growth at 3 per cent this year and retail price inflation at 4 per cent. The Treasury also said it expected Britain to record a current account deficit on the balance of payments of £4.6bn.

Although independent forecasters were in broad agreement with the Treasury in April, they now believe Britain will record a deficit of nearly £5bn this year and £6.3bn next year.

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From the Editor

Attached is a transcript of

BBC-1's 'THIS WEEK NEXT WEEK'

Transmitted on Sunday, 5 June 1988 at 1 pm

The Rt. Hon. Neil Kinnock MP discusses his Party's new direction with presenter Vivian White.

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For further information :
Gayna Danity, BBC News & Current affairs Publicity
Telephone : 01 - 576 1865

This Week Next Week

From the Editor

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IN STUDIO: NEIL KINNOCK MP, Leader of the Labour Party

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This Week Next Week

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: 'I'm not going to issue incantations, when the greater truth is to say here are the opportunities of the late 1980's and the late 1990's, here are the changes that are taking place, will take place, that we want to be part of that change, inspiring it, accelerating it, influencing that change and making the continent of Europe a safer place, Britain a better defended place.'

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NB: THIS TRANSCRIPT WAS TYPED FROM A TELEDIPHONE RECORDING AND NOT COPIED FROM AN ORIGINAL SCRIPT: BECAUSE OF THE POSSIBILITY OF MIS-HEARING AND THE DIFFICULTY, IN SOME CASES, OF IDENTIFYING INDIVIDUAL SPEAKERS, THE BBC CANNOT VOUCH FOR ITS ACCURACY.

THIS WEEK NEXT WEEK

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VIVIAN WHITE:

Mr Kinnock thank you very much indeed for joining us.

Have you a picture in your mind of the voters who have not been voting Labour, whose votes you need to capture if Labour's to win, and an idea as to why they haven't been voting labour?

RT. HON. NEIL KINNOCK MP: The picture is of ordinary decent people, who want private affluence, but also want to have public security. Of people who enjoy, as is quite natural, the idea of independence and of economic satisfaction. But at the same time recognise a social obligation, and the fact that they are part of a community. That the health service, the education system, law and order the future of the social security, the efforts to combat poverty are very much part of the agenda. And to them we address ourselves as a party of realism, as a party with radical ideas, as a party that can gain economic efficiency and social justice because we think the two can go together. And it's on that basis that we review our policies, on that basis that we explain our policies, on that basis we will be increasingly getting people to understand that the party faces the future and its realities is the Labour Party and that is why they'll be supporting us.

WHITE: So coming to terms as you put it with the enjoyment of private affluence is part of what this review is about and part of what you want the public to know the Labour Party shall be about.

KINNOCK MP: Yes we shouldn't have to announce it, actually I said in last year's conference speech and I've said it many many times before over two decades, I don't want to sound too much like an old man, but the idea that somehow we have been striving for social transformation, and not try to carry with that the enjoyment of affluence and independence is nonsense, and I said last year, it's about time as a movement we preached what we practice. In reality trade unionists who work for a company that doesn't perform satisfactorily, advertise, invest and do all those things, are very impatient. In practice local authorities are constantly looking for better ways of reducing marginal costs and improving the quality of service. In practice as individuals, we try to provide ourselves with a home, with insurance and yet somehow we've given an impression over decades that there are exceptions to the rules, flaws in the face of socialism, instead of being absolutely natural.

WHITE: There's even a trade union credit card starting next week, is it the credit card labour party?

KINNOCK MP: Well I tell you again, if we are going back to fundamentals, if you think in terms of the building societies, the insurance companies the original basis of the labour movement a hundred and twenty years ago, it was very much engaged in exactly the equivalent of today's credit card. It isn't a credit card Labour Party, but what it is saying is why should the devil have all the best tunes? We are the people, we are normal people, we want an improvement in the lot of people, socially, economically, politically, individually and therefore we should be proud of our heritage in doing that, and able to explain exactly why we want to advance it, and make it much more secure than it can be under Mrs Thatcher's system or anything like it.

WHITE: Well let test that in just a minute. But can I ask you before that Mr Kinnock, do you fear that the party's been in opposition so long; all the time that you've been party leader and longer, the party's been in opposition and not in opposition against the party it would necessarily choose, and that it's lost the habit of power, and its learnt habits of opposition and needs to relearn the habits and perhaps the disciplines of power?

KINNOCK MP: Some people have, some people quite enjoy opposition of course, they like belonging to a tea and sympathy, an ambulance chasing party where they're perpetually mourners, they will describe the inequities of the current system, and then when you ask them for their practical replacements, then there's a blank. They quite enjoy it, they're in a tiny minority; as for the rest of the party, there are a lot of people in the party of course who currently exer' and bear the responsibility of power right throughout local Government, and do it with great success and get re-elected all the time. And they realise that to Govern is to choose that it does convey rights and powers but it also carries responsibilities and obligations. They reflect the great majority understanding of the Labour Party and there's no danger therefore, of sinking into the luxury of oppositionism, even though one or two of our colleagues are indicating in that direction, and always have done, and probably always will do.

WHITE: Let me test the new approach, lets look at the economy first of all. We refer to that phrase in the statement of aims and values. I'll repeat it "The operation of the market where properly regulated is a generally satisfactory means of determining provision and supply". Why should the Labour Party Mr Kinnock so explicitly recognise and embrace the market? Why?

KINNOCK MP: Because the impression had been erroneously given over a period of time, that we were querulous about the market which is here and here to stay. And even if for some peculiar reason, and in some unimaginable circumstances markets were abolished in our country, and I don't think anybody has ever seriously advocated that. We would still be having to operate in the world market, and so the idea that we were antagonistic to the market as a means as a vehicle was always nonsense, but, because the reputation gathered partly from some of our friends more than from many of our critics, that somehow we existed to erradicate the market, then both, as a definition of where we have always stood and continued to stand and in terms of rebutting those absurd criticisms we have made it very clear, but what we also say of course is that and it's fundamental to our beliefs and our values, that markets are for people and not the other way around and consegeuntly therefore, the Socialist objective, long lasting, of trying to make economic activity compatible with human security, is a job to which we set our hands.

WHITE: Well let's see how it will work our in practice. If you embraced markets to the extent that you do, that means you embrace freely set prices within the market, and profits, that's how a market works.

KINNOCK MP: Is it?

WHITE: Do you admire, do you believe in the profit motive or do you abhor the profit motive?

KINNOCK MP: Well it all depends what drives the profit motive and what the purpose of profit is. If the purpose of profit is simply creating surpluses in order that they can be speculatively shifted around, I think even those who would present themselves as a great profits of the profits system wouldn't like it very much, if profits are used, whether generating the public or the private sector, mainly for the purposes of re-investment and the strengthening of the economic pace, then, of course, everybody would applaud them. The other

situated in Britain with a labour force that is satisfied with its lot, that is able to negotiate, enjoys the rights of free trade unionism, that participates in decisions, that is one kind of profit, the profit gained from the exploitation of people, whether in this country, have sweated labour or abroad, is a different kind of profit, so consequently, don't use too broad a brush, I think we should specify what we mean about how profit is gained, and for what it is used and if the conclusion of that, if the answer is satisfactory, everybody is in favour or profits, because everybody is against loses, certainly I am.

WHITE: In the end, people have to understand a fairly simple and fairly credible message when it comes to elections, will all the billboards say in effect, vote Labour, we are the Party that manages capitalism better, the party for markets and profits.

KINNOCK MP: There will be an element of that fact that you scarcely manage capitalism worse than Mrs. Thatcher is doing at the moment, with a huge trade deficit, manufactured trade deficit, and a giddy exchange rate policy in so far as we can distinguish, an exchange rate policy, and they are not doing very well at all, especially since they face by 1992, and the open market in Europe, but it comes to much more than that of saying, look, if we want our country to be competitive, productive, if we want to generate sufficient wealth to enable compassion to be more than a word, and an aspiration, but a reality of decent old age pensioners, our properly invested Health Service, of smaller classes in schools and much else, then we have really got to take the issue a great deal more seriously than those elements like Mrs. Thatcher who say private good, public bad, and elements that simply mirror her who say private bad, public good, [the truth lies in the mix of those things and the objective, obviously, is where you are generating wealth, you want it to be competitive, you want it to be profit-making, you want those profits fairly distributed and re-invested, and you want to meet them neither by exploiting the consumer, or the worker, that's the objective and that is what we set out,] even in the first stage of our review and propose a series of instruments which can be developed later in order to achieve those objectives.

WHITE: Well, let's look at one of those instruments, let's look at public ownership, everybody knows they must chance it in the Party, Clause four four, common ownership of the means of production, distribution and exchange, but the whole thing is, what do you actually mean by that in practice, but let's take it step by step.

KINNOCK MP: Finish clause four, part four, and you will see by the best obtainable means of public administration control.

WHITE: Right....

KINNOCK MP: I mean....with out any difficulty obviously because we are Democratic Socialists.

WHITE: Okay and those words are open to any number of interpretations, some people would say they could include wider share ownership, it could be the articles in association of the Stock Exchange, the words you have just quoted....let's take it step by step, is old style nationalisation dead?

KINNOCK MP

Oh yes. And I think that there's a universal consensus about that, you quoted Tony Benn earlier on, I think when the first articles that he wrote in the course of the leadership election that began back in February, he said "... only nationalisation, the old style giant corporation, that's gone" So from Tony and generally across the party there's a consensus about that, everybody recognises it.

WHITE:

OK, so arise the public interest company, and that's a company which has been privatised by the Tories which run some that Labour thought should never have been privatised in the first place.

KINNOCK MP:

Not necessarily, as some of those companies will still not be privatised, some of them will be partly privatised, but public interest company is precisely what it says, a company in which the community needs to have an involvement, by a variety of means, simply because of the extent to which the operations of that economic unit effect the national interest, the consumer interest and the community interest.

WHITE:

Take British Telecom if you like, post a Labour Government having been elected, does it get regulated by something like Offtel that's why the Tory Government set up to regulate it, but just beefed up a bit. Is it similar to that, just another degree?

KINNOCK MP:

It would have to be beefed up a lot because Offtel people who are in that body under the assumption that they were going to have an effective monitoring and marshalling and prompting role are in despair, especially given for instance the consumers association report on BT this week. But, yes, that is one of the measures that you have an effective beefed up, as you put it, Offtel, and in addition, probably more Offtels that address themselves not just to the national requirement, but to regional problems as well. Next to that of course is defining the basic requirements of supply the acceptable levels of investment, of price all matters of profound national interest. Then there's a series of instruments and regulations that can be introduced to ensure that will give us a distinctive way in Britain, not like the bust up of the monopoly in the United States of America or the tightening of regulations in France, there are a variety of ways in which to deal with a great private or semi-private monopoly like BT.

WHITE: interrupting you. In that list

Mr Kinnock, I apologise for

KINNOCK:
I'M not Mrs Thatcher.

It's alright. Don't worry about it.

WHITE: In the things that you have listed there that the regulator would do, you include the pricing. Now if you regulate pricing you are regulating profits, so that is almost surely like treating a private company as if it were in the public sector. That's a tight degree of control.

KINNOCK: I said earlier that we think that markets are for people and not the other way round and here is the Telecommunications enterprise in Britain, BT, build up by public investment and all the rest of it whose prime purpose is to serve the interests of the individual the community in the street commerce. Now if it is charging a level of prices and not providing the level of quality of service required to produce the best for that diversity of needs whether it's an old person in a warm and attended bungalow or a great multinational then really there has got to be an authority representative of the people that says; hey you are not doing it right and either you are charging too much for what you are providing or you are simply not providing what would be justified to the press. Now let's get organised so that we charge the price appropriate to higher standards.

WHITE: But if you control prices and thus you control profit, that's a much greater degree of centralised control and what one might have understood is the tenor of the new policy and you go on to say in the same document that we are quoting from, in some cases a change in ownership or control may prove necessary. So as a back up there is something which looks remarkably similar to what we used to call, before the language got changed twice - nationalisation.

KINNOCK: Well, if you mean trying to operate a major concern which is of dramatic interest to the social and economic well-being of the country, according to an involvement by government on behalf of the community, because it is too important to be left simply to the market, and if that's what you call nationalisation yes, I guess, our country, like every other country in the Western world, is going to have that element. Now then, the question then arises. Do we approach a different time and a different set of problems with a model that was produced to approaching another time and another set of problems in 1945, by what's called the Morissonian Approach. And the answer to that is not. See the great strength in 1945 was they were attuned to the needs of that time and adopted a means of meeting the needs of that time on the basis of seeking to emancipate the individual and strengthen the economy. If you want those as ingredients you have got them in the way in which we present things. Attending to the needs of the time with the objective of the emancipation of the individual, and the strengthening of the economy, things do move on. Come on, of course things move on. And whilst our enemies would like us to return and become sort of political archaeologists and dig out nostrums from the past and worship those, and some of our friends would like it because they have a sort of crypto-religious approach, the reality of democratic socialism, especially as a live

KINNOCK (CONT'D) we are going to encounter and how do our policies directly address those realities with the objective of economic efficiency and social justice?

WHITE: Do you think Mr Benn has a crypto-religious approach. You mentioned small groups and small numbers of people. I didn't want to misunderstand you.

KINNOCK: Well to coin a phrase I never bring ... personalities into it.

WHITE: There 's a quotation I'd like to put to you. 'The future of Britain is with socialist nationalisation and not with pension capitalism if the Labour Government doesn't pursue with enthusiasm and speed the proposals for nationalisation and socialism entrusted to it by the whole movement we will relive 1970. There's no alternative in the capitalist system. It's a failure.' You said that.

KINNOCK: Me. Was it about 76?

WHITE: In 1974. In Labour monthly. You've moved on.

KINNOCK: That's right. No. What I was addressing them if you read the rest of it, and much else that I was saying then and a long time after. That the idea that the great corporation divorced in so many ways from the requirements so far as the workers and consumers, with the answer was not my idea of socialism. The idea that you could simply provide the private company with a lead to the treasury which would ensure that there was also a facility available no matter what the record in investment, in training, in comparativeness was. That's something that never appealed to me and if you go through that again you will find that that thesis is something that I sustained for a very very long time, longer even than 14 years ago. Because what dissatisfied me and I think I speak for a lot of Socialists was the idea that what should have been a source of pride and vitality for our democratic socialism, that is to say, public involvement and the ownership and control of major public industry wasn't that. And right from the earliest times I heard people who worked in the Coal Board, worked in the British Steel Corporation or its predecessor, worked in Municipal authorities and so on that had become national and municipal saying it's the same theme in different jerseys. There was a frustration right from the outset. I think we now live in different times and have got different objectives to which we must apply the same rationale, the same set of values of, and I say it again, social justice and economic efficiency. They are the best rules to run by.

WHITE: Can I ask you about the reforms in the Income Tax system that the review talks about. It talks about a modern tax system that reflects the justice of the progressive principle. Now does that mean that there would be a banded system of income tax so that, to put it briefly, people who presently just a standard right which is 25p in the pound, that a lot of people would pay more than 25p in the pound, not just those that are paying the top rate at present

KINNOCK: No, It certainly wouldn't mean that and of course people don't pay 25 p in the pound, they pay 34p in the pound because on top of that 25p is a 9% National Insurance contribution that too often gets forgotten by the government's propagandists. Now what we have got, I think it is necessary to register this, in the wake of this budget, is only two rates of tax effectively. For 95% of the people, including those on very low and very modest and above average incomes - 95% they pay 34p in the pound and the difference between them on ten, twelve, 15, 24, 25 thousand, 30 thousand pounds a year and the people on 30,000 pounds a week is only the difference between 34p in the pound and 40p in the pound which is the top rate. Now it is obvious. We need a much greater gradation in our tax system which will ensure that that 95% are not paying more than the equivalent of 25 - 34 p in the pound including national insurance but that you start it earlier so that people don't take the great flying leap into tax liability on very low incomes and that secondly people on the very high stratospheric incomes are not only liable for 40p in every marginal pound that they ear. So we need a gradient which is much fairer in terms of being related to the ability to pay and satisfies the other two requirements of the tax system which is to inspire and sponsor and encourage effort, yes, and at the same time provide the revenues necessary for the fair distribution. Now we can do that with a much more graduated level but imposes no additional burden of income taxation on that 95% majority.

WHITE: But when you talk of the gradual lines and talk of gradients, I don't see how that can work arithmetically unless it means, let's tak it step by step. There are some people you are saying who presently pay 25p income tax in the pound, who pay less. SO that revenue has got to be made up. SO some people who presently pay 25p in the pound presumably will pay more.

KINNOCK: No, It is like this. Even if we were to have just the three steps - a lower rate - and I am suggesting more than that - the average rate, the relevant rate as it were, and the higher rate. You can absolutely guarantee that that slight loss of revenues because of the lower rate that would be of benefit to people on slightly above an average and below average earnings, would be more than compensated by pushing that top rate. The great middle band, the huge majority, let's call them '25p people'.

WHITE: Let's call them 'marginal voters' too.

KINNOCK: Yes, okay, would be no worse off. You see we are only talking about revenues. All that we are going to be short of as it were in terms of all our revenues is the 5 billion year that currently the government gets from selling off assets. All the other resources are still there in 1991, 1992.

***WHITE:** But when you talk of a progressive tax system surely if that means anything, it means paying more as you earn more and you would be inviting people who haven't been voting Labour to vote Labour and to pay more. That would be the invitation of the middle classes. I am not talking about the 5% at the top.

KINNOCK: No you are trying to get me to say that we are going to lumber the great majority of people with additional taxes and the fact is we have said in the budget that we are going

KINNOCK: political convenience but because it is a necessary provided that on that very topmost income, and we are talking about very high incomes, the kind of people who benefitted to the maximum extent from the last budget, who between them they what is it - 120,000 people who got between them 2 billion pounds more than 14 and three quarter million people who were on average and below average incomes. Now then in those circumstances we are saying that literally the broadest back should bear the heaviest burden and consequently, as you say, with progressive taxation system then it means that some people will pay more. The people who can afford to pay more are those in that five or possibly even less per cent of the total number of taxpayers. For the great majority, that 95 % there is no reason to impose additional taxation on them. It doesn't meet the objectives of taxation or add to fairness or to efficiency.

WHITE: Can I summarise the quandary which, if you like, marginal voters on one side and your critics on the Left and the other seem to find themselves in. Are you a new Socialist or is this socialised Thatcherism that you are consenting.

KINNOCK: No, I am a Socialist, always have been and always will be and as far as Thatcherism is concerned I don't think that we ought to hold up a mirror and try and match its extremities. I think that our business is to construe an alternative crystal rather than a mirror if you like, which says there are distinctive requirements of our economy. We have distinctive answers to that and much else. And it isn't a question of letting Thatcherism dictate the agenda and measure ourselves in relation to that benchmark, but of saying these are the realities of tomorrow. The major part of our review spells those out. And this is how we attune ourselves and develop our policies to deal with those realities, not to match Mrs Thatcher but to ensure that in what she leaves in her wake, we have a country capable of being competitive and of being compassionate, capable of taking its place in the world properly - I say it again, because it's got to get through - that combination of economic efficiency and social justice for which people yearn, because they know they haven't got it now.

WHITE: Well, let me take your phrase 'the reality of tomorrow' as the cue for us to discuss if we may, defence. As it is tricky, I would like us if we may

KINNOCK: It might be tricky for you, it is not for me.

WHITE: I would like us if we may to agree on the premise that we are going to discuss it on. Are we going to start from the position that here is in every other area of Labour policies, the 1990s are different and the policy needs to move on accordingly.

KINNOCK: Yes. That's certain and I think that in all areas, defence and international relationships is the place in which they are actually moving fastest. There's people register with every newscaster.

WHITE: right. OK. So in principle there are no sacred Labour tacks. That applies to defence as well.

KINNOCK: Except for the need for common security and the effective defence of our country, they are basic they are

KINNOCK(CONT'D)

And we have always accepted and always will accept those basic requirements and what we need to do, as the Review said, is how best to ensure they are achieved.

WHITE:

Precisely, so we don't doubt your patriotism and you have made that quite plain. Now you were a Unilateralist CND supporter. Was that appropriate to the time and not so appropriate now?

KINNOCK:

It was very appropriate at the time because absolutely nothing was happening. Or rather, more correctly, what was happening was a perpetual buildup and in those circumstances the effort to try and break the log jam was very important. The log jam is broken. We are in the week following the time when the President of the USA and the General Secretary of the Communist Party of the Soviet Union walked together in Red Square and both said their objective is to rid the planet of nuclear weapons and have actually practically started to go about the business. It isn't just a matter of sending pleasant messages to each other, it's actually getting on with it. Now in those circumstances, [the log jam is broken.] Now what we have to consider is how best we accelerate the process towards greater security and diminish dependence upon these aggression and antagonisms that have been in existence throughout both our life times.

VIVIAN WHITE:

I understand you Mr Kinnock, explaining to me how Mr Gorbachev's position has changed, how President Reagan's position has changed but I am also interested to find out how your position has changed. Does that mean that you are not a unilateralist now?

KINNOCK MP:

I don't think that there is a need to insist that it is all go it alone, I mean it is very obvious, the process is underway, we are going through changes now in this country, Polaris is obsolescent, the greatest testimony to that is this fantastic purchase of Trident which may or may not be on stream and armed by the mid 1990's. The burden of debate is shifting in Nato about the levels of conventional force compatibility and how we can get asymmetrical reductions in conventional forces from the Soviet Union. The prospect is there of the abolition of chemical weapons, now when all those changes are taking place, I don't take in refuge in change, the reason why things have changed so much is largely because of Gorbachev and Reagan, we'd be complete fools, whatever our politics, to ignore the scope and the scale of the change and the opportunities and responsibilities that go with trying to be part of that change.

WHITE:

But if a Labour Government comes to power it won't come to power with nuclear weapons gone, no question of that, so you will have to deal with the world as it is...

KINNOCK MP:

Yes.

WHITE:

Now do you deal with the world as it is by saying, alright, Trident is now there, that is a fact, it is largely paid for by the 1990's, on stream as you put it.

KINNOCK MP:

Well it's not, certainly not by the early 1990's, and it is there, we have got to ask what it is there for and can it enhance the defence of our country or significantly contribute towards our alliance responsibilities, the answer on both grounds is no because there are much better ways of safeguarding the defence of our country and being effective allies. So the idea of building for ourselves a strategic system, or actually borrowing it from the Americans, that is what it boils down to, we are simply paying the hire at the cost of what, eleven, twelve billion pounds, hiring that from the Americans actually effectively adds two our influence in the world, our defensive capability, or the degree to which we can contribute to alliance security or common security, they are the questions to ask.

WHITE:

So an incoming, I don't want to misunderstand you, so an incoming Labour Government would get rid of Trident, or would it keep it because it thinks that circumstances have changed and it might be more sensible and appropriate to keep it as part of a process of moving on from here to there, they are different.

KINNOCK MP:

We want to get rid of Trident, the fact

WHITE:

You want to get rid of Trident now?

KINNOCK MP:

No, the fact is no, but it doesn't have to be something for nothing, the fact is now that it can be something for something. Now I say that now, even before the first paragraph of a strategic arms reduction treaty has been drawn up and the reason I say it is because it is already clear that bi-lateral, reciprocal missile for missile reductions between any part of the West and the Soviet Union has been on for some time. Gorbachev made that offer to the Conservative Government. Chernenko made that to Governments of any colour in Britain.

KINNOCK MP CONT'D:

So the idea that there is a something for nothing thrust that can be made is now redundant, there is something for something, there can arise a reduction in nuclear arms as a consequence of the initiative that we are prepared to take.

Now can I just put one other point to you because you talked to Michael Dukakis last week, it was a very interesting, a vital interview, but with the greatest respect I must say to you, having got him to produce answers on two very special and important questions you then missed the other question. He spoke of Star Wars in response to a question, he spoke of nuclear weapons in response to questions, what you didn't say to him, so Mr Dukakis does it mean that President Dukakis comes means Star Wars goes, and he would have said yes to that, he said it in a different form. The result of that is to unlock the door to strategic arms reductions in a way that can't be unlocked while Star Wars is still there as an inhibition.

The implications for our defence, and for the West are exciting, very attractive, and I think reassuring for people of all political opinions.

WHITE:

I'm glad that you watched the interview with Governor and maybe President Dukakis, but he didn't say even in his fondest hopes that you would get from there to there all at once, he said for the foreseeable future I think the nuclear deterrent is important, I think it is a very, very serious deterrent to nuclear war, he espouses the deterrent argument.

KINNOCK MP:

of the United States of America.

He is a candidate for the Presidency

WHITE:

or not?

Do you espouse the deterrent argument

KINNOCK MP:

And he accepts that argument and you can expect him to uphold that argument, certainly when he says that it is not going to be a leap from there to there, that it is going to be a process of tough negotiation, he is absolutely right about that, I understand it. Now then, the question is....

WHITE:

But you don't deterrents or you do?

KINNOCK MP:

No, what I believe is, and what is true is that the United States of America will have nuclear weapons for as long as the Soviet Union has nuclear weapons and vice versa, I also understand, as everybody should, that Nato is a nuclear alliance and that we shall continue to be part of Nato. What I also say is, and it was interesting to hear the response of Michael Dukakis on this last week, that, a response he's made many times before, that as we work for a change in Nato strategy away from first use, and away from flexible response, Michael Dukakis makes the very interesting comment that he wants to move to no early first use, which I think is critical to the strategic arms reduction that he wants to....

WHITE:

those.

But not no first use, he is not one of

KINNOCK MP:

I know that but, and I am not saying that no early first use and no first use are the same thing, I am not saying that for one second. What I am saying is that this is a reappraisal of Nato's strategy that is taking place, of which Dukakis and many other people, are a part, and that

KINNOCK MP CONT'D: not least because of Gorbachev, but also, I think, because of President Dukakis, or even if for some reason, Michael Dukakis wasn't elected, we'll see him under George Bush.]

WHITE: But I am not just asking about the degree to which President Dukakis might be one or another flavour of a believer in deterrents, about how he is grading down from one position to another, I am asking you about your position. And it has been understood, perhaps misunderstood, that because you think the Labour Party is moving on then it is moving on from unilateralism to multilateralism as a tactic and an approach, is that correct?

KINNOCK: No, I've put it very plainly, there is no need now for a something for nothing unilateralism when the realities are, both because of the surrounding environment, of new relationships, and of arms reduction, and because of all the opportunities for bi-lateral reductions, for us to secure the objective of getting rid of weapon systems, and by that process of getting a reduction in other weapon systems, I can't be any plainer than that, it is very obvious.

WHITE: Well lest there should be any question that you are engaging in a policy of deliberate ambiguity, or of temperising let me extend you the invitation in the way that for instance Ken Livingston put it, he is not the only one, the only way for this issue to be resolved is for the leadership to reaffirm unequivocally, it's policy of unilateralism at the earliest opportunity, that is the invitation of the left, will you take it.

KINNOCK MP: No, it is a request for an incantation from someone who hasn't a basic comprehension of what the opportunities and possibilities are, not just of getting rid of our nuclear weapons, but also of making a significant reduction in the nuclear weapons of the Soviet bloc. Now I am not going to issue incantations, especially when the greater truth is to say here are the opportunities of the late 1980's and the 1990's, here are the changes that have taken place, will take place, that we want to be part of that change, inspiring it, accelerating it, influencing that change, and making the continent of Europe a safer place, Britain a better defended place, a more secure place or do we want to simply issue incantations that actually don't mean a great deal in terms of achieving victory in the argument for ending dependence on nuclear weapons by this country, and indeed the wider world, but I think that is a long way ahead.

WHITE: So you don't believe in incantations, that is your answer to an invitation just to say I am still unilateralist, you believe in getting there eventually, don't think we'll necessarily be there after the next election, so should a Labour Government under your premiership, retain for the time being, because it considered it to be appropriate to the times, nuclear weapons.

KINNOCK MP: We are committed to decommissioning, and that remains the position. What we get in return for that decommissioning is a bonus for Britain, and a bonus for the world. Now there are people who want to slam the door and say yes but that involves us in the politics of reality, that involves us in getting generally lower force levels, and it doesn't ring quite so brassy on the air, well I am sorry about that, I am interested in getting rid of nuclear weapons, whoever has them and if by the means in which approach our policy we can secure that objective, and we can, that is the big difference, we can. Then I think that that is much the best way to go about ensuring security for Britain, security for the Nato alliance and common security between East and West which I would have thought was the objective of any rational person, let alone socialist.

WHITE: Very interesting, and a very interesting

KINNOCK MP:

I think you can safely leave my heart to me and also my head so don't put words in my mouth, but it isn't a question of naked in the negotiating chamber, who is in the negotiating chamber, I didn't see in Geneva or in Reykjavik any more than I saw in Red Square in Moscow this week, or in the White House in Washington a few months ago, our presence. Now there is a mythology being developed that somehow there was a great agency of exchange, that went via Whitehall, but I don't think anybody seriously believes that. The fact is we are not there and we need to be there because we are an important military power, there is no doubt about that, we're an essential part of the Western alliance, no doubt about that, we have got a special relationship and a special arrangement with the United States of America, no doubt about that and we should be using all of that in order to achieve the objectives of lower tension, lower force dependence, and a more secure world. We are not doing it at the moment.

WHITE:

For negotiations, Mr Kinnock, might you keep the bomb, for negotiations might it be kept, so it wouldn't simply be a negotiating posture in which you said the negotiations have started we have no bomb, end of story.

KINNOCK MP:

We will get as a result of the implementation of a non nuclear defence policy a forced reduction by the Warsaw Pact countries, it will be not only a bi-lateral relationship, it will be part of the environment that is now in existence, and will even more be in existence by the time 1991 comes, and you watch it. Just over the next two years the changes that will take place, as I say, certainly very profoundly if Michael Dukakis is President of the United States, they will even take place if George Bush is there, and the most critical of all those in terms of strategic arms reduction, is the question you didn't ask, but I am sure will come back to it at some other time, and that is about the implication of taking that impediment of Star Wars out of the way of strategic arms reduction.

WHITE:

Mr Kinnock you have suffered, as Labour leader, one election defeat, to win next time you will have to make an extraordinary political movement, greater in terms of votes and seats even than Harold Wilson secured in sixty four, far greater, so it is not to decry you to suggest that Labour might lose the next election, if it did, would you stand up.

KINNOCK MP:

I am not going to make any calculations on that basis, I mean we were defeated, it was an embittering and disappointing experience, there is no doubt at all about that but that is just the time that you sort the people out, the ones who dust themselves off and get stuck in are determined to secure change, and determined to get democratic power are the ones I like, the ones who want to wander round winging are the ones I don't get on with. Now what we are doing is ensuring that in terms of policy and in terms of the party, that we face the future and we are fit for the future, there are some toes to be trodden on in the process of that, but I think that is a small price to pay for getting that victory of which I am sure we are capable, provided that the British people understand we are of the future and for the future and not looking around shoulders all the time.

WHITE:

Neil Kinnock thank you very much indeed.

APH

FROM: MARK CALL
DATE: 6 JUNE 1988

CHANCELLOR

cc Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Mr Cropper
Mr Tyrie

*Thanks.
I hope
you can have*

*we can have
Smith - of
replies - of
Jones*

LABOUR POLICY REVIEW

Following Prayers on Friday, 27 May, I spoke to Ian Stewart regarding the Policy Review documents. While there have been some leaks and obviously some briefing of selected journalists, these have not yet been published. They will be published in a single document in about a week's time. I have asked him to try to get hold of any advance drafts, but he is not hopeful.

Mc
MARK CALL

*press reports - M
time for Tsy
questions -*

UNCLASSIFIED



FROM: A P HUDSON
DATE: 8 June 1988

bf 13.6
ref

MR CALL

cc Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Mr Cropper
Mr Tyrie
Mr Pickford
Miss Simpson
Mr Dyer

LABOUR POLICY REVIEW

The Chancellor was grateful for your 6 June minute.

2. He hopes we can have something, if necessary based on press reports - in time for Treasury questions. Please could you and Mr Tyrie assemble some suitable briefing?

A handwritten signature consisting of stylized, overlapping letters, likely 'A P HUDSON'.

A P HUDSON

L... overwhelms to win the next election. We must win it with policies that reflect our socialist philosophy, that are supported by members and that ensure the imagination and support of the electorate.

Labour finished third in 250 seats in 1987, some of which were Labour in 1966. In that year, Labour polled 47.9 per cent of the vote; in 1987 we polled 30.8 per cent. In 1979, we polled more than 11.5 million votes. In 1987, we polled just over 10 million. Yet, even now, after three successive general election defeats, there are those in the party who underestimate the size of Labour's task. We need two and a half million extra votes to win the extra 100 seats in 1991.

PRIORITY

Review of policy and organisation must go hand in hand. Just as I am critical of a process where we review our policies but not our organisation, so I recognise that a modernised organisation without the ideas to inspire people is no good either.

Labour cannot rely on the unpopularity of the Thatcher Government to propel it into office. We cannot hope that simply by being a united party, effective in Parliament, we will win the next election. All these things are vital, but we have to go a step further if Labour is to form a majority government in the early nineties.

A socialist party, advocating socialist change in a basically capitalist society, will always need to build and sustain a broad level of popular support and understanding for its policies. To achieve that, Labour has to give a much higher priority to sorting out its organisation.

The party is now beginning to take welcome steps in that direction, but they do not go anywhere near far enough. The NEC has now approved constitutional changes to set up a national membership list and a levy-plus system for trade unionists. These are ideas that myself and the Tribune group have been pushing for the last year as a means of building a mass party.

But making constitutional changes is one thing. Increasing party membership from 280,000 to something near the one million mark is quite another. Attempts have been made in the past to improve the party's membership and those attempts failed because

they did not receive the political priority necessary to make them work. We have to tackle the administrative and political obstacles that are put in the way of people who want to join the party. I hope that will begin to happen with the new national membership system.

A million-member Labour party would require each constituency Labour Party to recruit an extra 1,000 members over the next four years – a mammoth task. And yet the Tories, with a centralist organisation that positively discourages democratic debate, have many more members than Labour because they give a high priority to recruiting members.

Mass membership is not an end in itself. Labour Listens has been a well-intentioned campaign. But it has shown how difficult it is for Labour to get back in touch with all those groups in the community that should be our natural constituency.

The Labour Party is not just a group of MPs seeking to keep in touch with public opinion through polling and to convince people by skilled public relations. These techniques have their place: to reject them would be reactionary.

But Labour must have organic links with the British people. Aiming for one million members means aiming for Labour to be the party where the hopes and aspirations of working people can be discussed and focused into solutions for our country's problems.

OPPOSITION

It's no good just saying that we want this to happen. We must spell out how it can happen.

By giving the deputy leader, who carries the influence that comes from sitting on both the shadow cabinet and the National Executive Committee, the responsibility for spearheading the campaign to build the party's membership and improve its organisation, we can give the issue the political priority it requires. And it is a political issue.

I have no doubt of the importance of providing effective parliamentary opposition to the Thatcher regime, but the Labour Party exists outside Parliament as well. Until we take the lead in modernising the party's structure and organisation, we will not be challenging the Tories as effectively as we could. After all, the deputy leader is deputy leader of the whole party, not just the parliamentary party. When Margaret

TRIBUNE
3 JUNE 1988

JOHN PRESCOTT

A large, well-informed a prerequisite for building majority for socialist



Photo: Andrew Ward

Thatcher sent Norman Tebbit to Conservative Central Office two years before the last election, she did so in the knowledge that any political party serious about winning a general election must be seen to make organisation a key political priority.

Building a mass active party is vital in itself, but it also has an important financial spin off. There is a limit to the generosity of the trade unions' political funds and the party must look to generate extra income by recruiting extra members.

Discussing political ideas is important; so too is raising money. At the moment, the party does not encourage CLPs to do either. We tolerate CLPs that don't pay affiliation fees and we fail to give due recognition to the very great financial con-

tribution that others make.

A large, well informed Labour Party isn't just a device for bringing money into the party's coffers. It is a prerequisite for building a majority among the electorate for socialist change.

REGIONAL

Regional conferences are the largest gatherings of Labour and trade union activists outside the annual party conference, but they are not used very effectively. More responsibility should be given to them for making an input into national policy making. Our regional organisation is under-funded and under-staffed – a reflection of the highly centralised nature of the party. There are marginal

seats throughout the country – in the north as well as the south – with Labour councils but without Labour MPs. We have to ask why. We should also be looking to use Labour councillors more than we do at present. Labour should consider a national organisation of Labour councillors to give local government a much more powerful voice in the party.

A strong organisation of councillors would also strengthen the party's commitment to a real devolution of power and decision-making. There are also a minority of Labour councillors who see their sole contribution as winning their council seat and do not contribute to Parliamentary elections.

Strengthening the involvement of the membership and putting re-

sources into building a mass party lies at the heart of my candidature for the deputy leadership. I believe in a party in which the members have a strong and effective voice: where activists are valued for their time, commitment and experience.

Some CLPs, especially in the south, feel that they so rarely see a Labour politician that they have been declared an unofficial no-go area. This has to change.

The message that I get from many activists throughout the country is that they are uncertain about the party's political direction, confused by its message and on the defensive. If we cannot instil greater confidence in our members, the very people who should be permanent persuaders of Labour's case, what

chance have we of convincing the electorate?

My political background is well known. Indeed, of the candidates standing in this election, I was the only one who supported Neil Kinnock in the leadership election of 1983.

In establishing its political priorities for the 1990s, the party needs to resist the temptation of conceding political ground to Thatcher. The basic ideas of socialism – full employment, redistribution of wealth and power, equality, public ownership, collective provision – are as relevant to the nineties as they were in 1945.

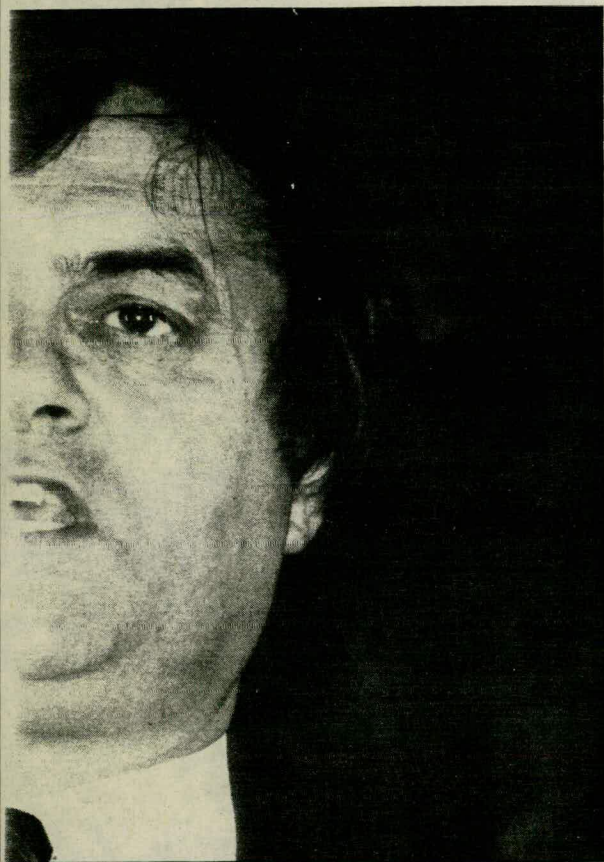
DEMOCRATIC

The electorate understands that Labour cares, it is not so sure that we can deliver on economic

**A party advocating
socialist change in a
capitalist society needs to
sustain a broad level of
popular support**

SCOTT

Med party is building a socialist change



...ance have we of convincing the electorate? My political background is well known. Indeed, of the candidates standing in this election, I was the only one who supported Neil Kinnock in the leadership election of 1983. In establishing its political priorities for the 1990s, the party needs to resist the temptation of conceding political ground to Thatcher. The basic ideas of socialism - full employment, redistribution of wealth and power, equality, public ownership, collective provision - are as relevant to the nineties as they were in 1945.

DEMOCRATIC

The electorate understands that Labour cares, it is not so sure that we can deliver on economic

policy. Labour has to be the party that creates wealth more efficiently, distributes it more equitably and makes the economy more democratic and industry more accountable. We must learn the lesson from the last election, when our taxation policy was a mess. For example, it is not credible for Labour to suggest that our policies for full employment or our policies for investing in the health service, funded by taxation, free at the point of use, can be financed on a programme of low taxation. It can't and the electorate knows it can't. Socialism is still the language of priorities. We need to argue our case, not duck the issues. Labour's commitment to full employment gives hope to the millions of unemployed and under-

employed people who have been driven into further desperation and despair by a Thatcherite society that designates them as failures. We must not be diverted from that commitment by Thatcher's market system, which deliberately creates high unemployment and then claims it to be inevitable. Full employment can be achieved only by state intervention and planning. We must have the confidence to argue our case with conviction. Equally, we should not be too apologetic about the record of the publicly-owned industries. In water, gas, electricity, the record of the public sector is a good one, even if some mistakes, especially in the centralisation of power, were made. We should recognise the importance of public own-

ership in helping Labour to achieve our economic objectives. In the electricity supply industry, for example, the public sector has shown that it can provide security of supply more efficiently and at a lower cost to the consumer than a privatised system. My new pamphlet on energy policy, published later this year, will expose the privatisation of the electricity supply industry as a reckless gamble with one of the nation's most valuable assets.

STRENGTH

Committing Labour to redistributing power is meaningless without an effective strategy for decentralisation and devolution. My pamphlet, *An Alternative Regional Strategy*, set out a clear and coherent strategy for attacking the growing disparities between the nations and regions of the United Kingdom. The redistribution of wealth, power and accountability and the eradication of mass unemployment cannot be achieved from an office in Whitehall. We have always been too uncritical of concentrations of power, public or private, whether it lies in Whitehall, Walworth Road, or on a local authority housing department.

Under Thatcher, Britain has the worst-trained, worst-paid workforce, with the worst set of employment rights of any of the developed nations. Yet only 43 per cent of trade unionists voted Labour last year - a clear indictment of our failure to convince many of those who should be our natural allies. We should not be defensive about our link with the trade unions - it is not a weakness but a strength to be built upon.

FASHIONED

The current seatarers' dispute provides ample evidence of the need to promote the rights of individual trade unionists and their collective organisations. After seven years, the Government, employers and the judiciary have fashioned a ruthless legal weapon with which to attack trade unions, still seen as "the enemy within". The courts appear as the agent of the employer, all too willing to fine and sequester, concerned not with justice but with the letter of the law. Labour is right to commit itself to repeal all the Tories' anti-trade union legislation and replace it with a positive framework for industrial relations. In my pamphlet, *Planning for Full Employment*, I outlined a workers rights act which would give employees the chance to participate in rebuilding our economy.

Another important example of the collective nature of our society is

local government. The "loony Left" smear that arose out of the actions of a small minority of Labour councils (and was used by some of our own people as well as the Tories) has made the party reluctant to acknowledge the importance of local government. My most recent pamphlet *Real Needs Local Jobs* outlined an important role for local government in helping to create the one million jobs which could be delivered in two years, as Labour pledged at the last election. Labour local authorities have a vital part to play in rebuilding our economy, reducing unemployment, regenerating the inner cities and urban areas, and tackling the appalling and disgraceful housing crisis.

DEBATE

As socialists, we should never be afraid of any policy review. Any democratic socialist party has to test its socialist aims against the changing values and aspirations of society. But the review has to be genuinely democratic, involving members both in the party and in the unions. If party members are not involved, if they feel alienated from the policy review, if they are suspicious of the motives of those conducting the review, then they are less likely to support some of the necessary changes.

The NEC should be looking to stimulate debate and amendment. If, as is suggested, the policy review proposals are presented to conference in one long document, as a take it or leave it package, then the whole review will degenerate into a sterile set piece debate. Whatever the results of the policy review, we need to project our agreed policies with an enthusiasm and commitment that comes from achieving a wide consensus throughout the party.

Elections are won and lost in years not weeks. Every day for Labour is a campaigning day. We must use our greatest asset, the membership, to make victory more likely. I reject the traditional and conservative role for the deputy leader that sees the post as an adjunct to a major parliamentary portfolio.

The next four years require all the deputy leader's energy, time and commitment to be spent in spearheading the campaign to build a mass, modern, more participatory Labour Party with the confidence and conviction to articulate the policies that result from our review. I am the only candidate in this election who has committed himself to that course of action.

● John Prescott is MP for Hull East and Labour's front-bench Energy spokesman.

IF YOU believe the press and television at whatever the news about the British economy be good. If the pound goes up, it is a sign the economy is doing well and investors through flocking to lend us their money. If the pound is good for British industry and a sign that Nige winning his battle against the Prime Minister. If production goes up, then it is a sign of boom with the most successful economy since the ir revolution. If production goes down, then it is because it is allaying the fears of the City that may be overheating.

If the trade figures show a surplus, it is a sign industry is competitive. If the trade figures show a sign that our economy is growing faster than and so sucking in imports.

So what is the truth? At best these figures present a state of the economy serious news industrial production. Although the figures for May small recovery previous month shown a discernible fall - that was last seen catastrophic. As with the earlier in the year which had shown two of the Britain's trading history, journalists had been technical sounding mumbo-jumbo in April adjustment and the Ford strike to enable the figures were a freak. On the day before the fall May, the usual string of City "experts" was confidently stating that the fall would be reversed figures would be shown to be a freak.

But it is worse than that, because if you are commentators now must begin to do - that the production figures are really telling us something must also believe that the trade figures are telling something. One of the main reasons that production stagnating is that exports have stagnated for months. Another reason is revealed in the figures industry reducing its stock of goods - often a confidence.

But it is worse than that, because if you are commentators now must begin to do - that the production figures are really telling us something must also believe that the trade figures are telling something. One of the main reasons that production stagnating is that exports have stagnated for months. Another reason is revealed in the figures industry reducing its stock of goods - often a confidence.

AT THE same time, consumers' expenditure stagnated. Since the turn of the year, it has hardly changed. With the collapse of the industries following the crash of last October which is still active is probably property. This is responsible for the burgeoning money supply another feature of the "good news" day. It was surprising, therefore, when the Government's first estimate of production for the whole growth rate of barely one per cent for the first year.

But against all this were the unemployment another fall of 50,000 in April. So which are figures for production in nearly all sectors or unemployment figures? It will come as no surprise to readers to learn that I regard the unemployment indices of nothing more than the success the having in ridding itself of benefit claimants. Jobs last week contributed its careful analysis the mounting voices of those who regard the figures as increasingly irrelevant to the state market. Their assessment is that the fall in production probably no more than one-quarter of the fall last year by the official figures.

IT IS ironic, therefore, that just as most of us to a serious slowdown in the economy, we first upturn that we have seen for some time inflation. The sharp rise in prices in April was government-induced - rises in rents, rates, and so on. It had nothing to do with overheating.

So is there any bad news or is Britain's economy do no wrong? Our problem is that the only voices on the subject are those of the City. Having months after the October crash to the surprise of their collective ignorance and stupid analysts still have their jobs, they have confidence in British economy has a peculiar robustness. The voices of those who are going to have to cut because of the Social Security Act or because of jobs, until we hear the voice of productive industry by its finance directors, we shall continue to be good news.

HENRY NEUBURGER

NEXT WEEK

Tony Benn

RESTRICTED

FROM: A G TYRIE

DATE: 8 JUNE 1988

CHANCELLORcc Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Mr Hudson
Mr Cropper
Mr Call**JOHN PRESCOTT: DEPUTY LEADERSHIP CAMPAIGN**

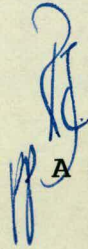
I attach Prescott's latest salvo in the deputy leadership contest, from Tribune, 3 June.

We might find an occasion to use his remark:

'We must learn the lesson from the last election, when our taxation policy was a mess. For example, it is not credible for Labour to suggest that our policies for full employment or our policies for investing in the health service, funded by taxation, free at the point of use, can be financed on a programme of low taxation. It can't and the electorate knows it can't'.

Must

★



A G TYRIE

MC

FROM: MARK CALL
DATE: 9 JUNE 1988

13/2

MR HUDSON

cc Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Mr Pickford
Miss Simpson
Mr Dyer
Mr Cropper
Mr Tyrie

LABOUR POLICY REVIEW

The Labour Policy Review conclusions are to be published tomorrow morning. Research Department will arrange for a copy to get to us before the weekend. Mr Tyrie and I will review the document with a view to producing briefing for 1st Order Questions.

MC

MARK CALL

RESTRICTED



FROM: MISS M P WALLACE

DATE: 9 June 1988

mp

MR TYRIE

cc Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Mr Hudson
Mr Cropper
Mr Call

JOHN PRESCOTT: DEPUTY LEADERSHIP CAMPAIGN

The Chancellor was grateful for your minute of 8 June. He has commented that we must indeed find an occasion to use Mr Prescott's remarks about Labour's taxation policy.

Mpw

MOIRA WALLACE

Conservative Research Department

32 Smith Square Westminster SW1P 3HH

Telephone 01-222 9511

Director: ROBIN HARRIS

IS/V5

9th June 1988

Dear Andrew,

LABOUR'S PROPOSALS FOR TAX REFORM

Earlier this week we discussed Neil Kinnock's 'This Week Next Week' interview last which took place Sunday, 5th June.

We now have a transcript of the interview which, as you can see, is littered with typos and non sequiturs. Whether the latter are due to the incompetence of the typist or the verbosity of Kinnock I can't be sure! The key points on taxation were:

- 'We need a much greater graduation in our tax system which will ensure that the 95 per cent are not paying more than the equivalent of 25-34p in the pound including national insurance' (page 7).
- 'We need a gradient which is much fairer in terms of being related to the ability to pay and satisfies the other requirements of the tax system which is to inspire...effort...and...provide the resources necessary for the fair distribution. Now we can do that with a much more gradual level that imposes no additional burden of income taxation on that 95 per cent majority' (page 7).
- 'You can absolutely guarantee that that slight loss of revenues because of the lower rate that would be of benefit to people on slightly above...average and below average earnings, would be more than compensated [for] by pushing that top rate [up]' (page 7).
- 'The great middle band, the huge majority, let's call them 25p people [intervention from Vivian White: "Let's call them marginal voters too"] Yes, okay, would be no worse off' (page 7).
- 'All that we are going to be short of as it were in terms of all our resources is the £5 billion a year that currently the Government gets from selling off assets' (page 7).
- 'The people who can afford to pay more are those in that five or possibly even less percent of the total number of taxpayers. For the great majority, that 95 per cent, there is no reason to impose additional taxation on them' (page 8).

The implication of these comments is that the introduction of new, lower rate bands could be funded entirely from the revenue gained by increasing the top rate of income tax to 55p or 60p. According to the FSBR the revenue effect of the abolition of all higher rates will be around £2 billion by 1989-90. Given that

8/184

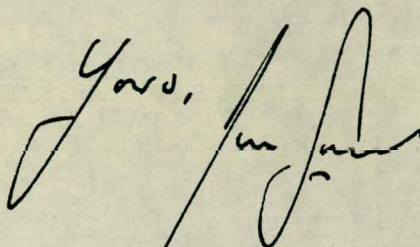
a 1p reduction in the basic rate would cost around £1.6 billion in 1989-90, it would seem unlikely that Labour would have much scope for significantly reducing the tax burden of those on less than average earnings.

Moreover, Kinnock's comments ignore the effects of Labour's election pledge (subsequently confirmed by Chris Smith in the House, Hansard, 17th March 1988, Col. 1315) to remove the upper earnings limit on NICs and the undertaking (which the Party has not withdrawn) to abolish the married man's allowance. Needless to say, Labour's consistent opposition to all this Government's reductions in income tax rates, most recently by voting against the cut in the basic rate to 25p, implies a desire for higher top and basic rates.

Labour seems determined to pursue the line they used during the election - that the top 5 per cent of taxpayers will be the only group which will see an increase in its tax burden. Moreover, Kinnock has now gone further, by claiming that the introduction of new lower rates can be financed entirely by increasing the higher rate of 55p to 60p. In effect, that all the structural changes to the tax system will be self-financing. Labour is also clearly vulnerable to charges that it would abolish the married man's allowance and the NIC's upper earnings threshold. Finally, there is more than a hint of ambiguity in Labour's continual opposition to income tax cuts and Kinnock's assertion that no-one paying tax at the basic rate will be worse off under Labour.

Would it be possible to check the feasibility of introducing new lower rate bands funded entirely through raising the top rate to around 60p? It would also be worth knowing how much would be left over to fund increased public spending. I suspect that the equation simply doesn't make arithmetical sense - or that only a relatively few people would benefit, and then only by quite small amounts.

Now we have done some firm statements on taxation from Labour, and some apparent inconsistencies, it would be useful if we could capitalise on them.

A handwritten signature in dark ink, appearing to read 'Yours, Ian Stewart', written in a cursive style.

IAN STEWART

Andrew Tyrie, Esq.,
Special Adviser,
H.M. Treasury,
Parliament Street, SW1

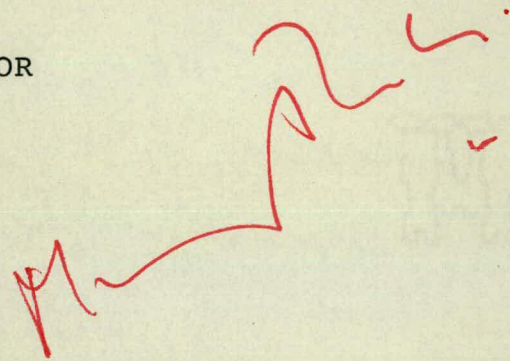
cc Peter Cropper, Esq. CBE (Treasury)
Mark Call, Esq. (Treasury)
Robin Harris, Esq. CBE (CRD)
Guy Black, Esq. (CRD)

BF 15/6

MC5.88

FROM: MARK CALL
DATE: 10 JUNE 1988


CHANCELLOR



cc Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Mr Hudson
Mr Cropper
Mr Tyrie

LABOUR POLICY REVIEW

Some (more) weekend reading.



MARK CALL

Social Justice & Economic Efficiency

Labour



Social Justice & Economic Efficiency

First Report of Labour's
Policy Review for the 1990s

The Labour Party
150 Walworth Road
London SE17 1JT

ISBN 0 86117 165 9

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Foreword

Social Justice and Economic Efficiency presents the first stage of Labour's policy review, and sets out the framework for the second stage of detailed policy development which is now to be undertaken by the party. It comprises the reports produced by the seven review groups established by the National Executive Committee, following the decision by the 1987 annual conference to undertake a far-reaching review of party policy.

These statements look forward to the Britain of the 1990s – a period of rapid social, economic and technological change. They recognise the profound impact this change will have on our lives; and in the light of this they set out the principles that will inform Labour's policies for government in the 1990s.

The review is firmly rooted in Labour's aims and values, those of democratic socialism. Our commitment to the fullest opportunity for the individual runs through the review, hand in hand with our commitment to the fullest development of the community.

The review is unlike any other undertaken by a political party in Britain. We wanted to take a long, searching look at our approach and our policies. We wanted to look ahead. But above all, we wanted the people of Britain to tell us what they thought about their future, and the direction in which they wanted it to unfold.

So we asked them. We opened up our review to the public meetings held by local parties up and down the country, to the many questionnaires sent in from our Labour Listens consultations, to the detailed submissions considered by the review groups, and to the extensive consultations with working people held by affiliated trade unions.

Labour's review is therefore an achievement in which the party can take justifiable pride.

Yet this is only a beginning. In the run-up to annual conference and at the conference itself, the statements will be widely discussed, debated and then submitted to the democratic process in order to obtain the fullest possible agreement.

However, as the individual statements make clear, the review so far is not exhaustive and should not be expected to answer every question. Indeed, it would be wrong for a review that is genuinely searching and comprehensive to do so at this stage.

The second stage of our review will go on to undertake a further year's research, consultation and debate in order to give detail and definition to the directions and perspectives laid out so far.

It is in this spirit that I commend these statements to conference, the party and the movement. I hope that you will consider them in your branch, constituency or union, and that you make sure your views and comments contribute to advancing the review process.

Together, these reports present the basis for a coherent, practical and forward-looking vision of Britain in the 1990s. They show how Labour will set about creating a more just and more efficient society, one that draws its strength from both the individual and the community. A society that will give lasting effect to social justice and economic efficiency.

J L Whitty
General Secretary

Comments on the statements should be set to: The General Secretary, Labour's Policy Review, the Labour Party, 150 Walworth Road, London SE17 1JT. (Each should be clearly headed with the title of the particular review group, and be typed on one side of A4.) Guidance notes to help with your discussion are available on request.

A Productive and Competitive Economy

1. THE CHALLENGE OF THE 1990s

Labour's aim is to develop a talent-based economy for the 1990s and beyond.

The British economy we want to help build will be one transformed by a technological revolution creating new industries and using electronic and information technology to make fundamental changes in old industries. The variety of 'just in time' production methods will have replaced, in many cases, the uniformity of repetitive mass production. New patterns of work and new demands for skill will need to be met by a workforce of men and women, highly trained for new tasks. Such a successful economy will rely increasingly on companies and processes that are smaller in scale and more flexible in adapting quickly to new conditions. That economy will be an efficient instrument of wealth creation drawing upon the resources and talents, and meeting the needs and interests, of everyone in society.

None of this will happen unless we make it happen. Indeed, the odds at present are stacked heavily against such success. Any improvement in performance; any reduction in unemployment; any rises in output, are welcome. But there are already unmistakable signs such as the emergence of a growing balance of payments deficit that while North Sea oil has come and gone Britain's basic problems remain.

The 1990s will mean major changes and new challenges for Britain – challenges that we are quite simply failing to prepare for. The oil revenues that have sustained living standards for a decade will have declined. The opportunity to fund the wholesale modernisation of our economy will thus have been wasted. On the other hand, the European and world economy in which we must earn our living will have become sharply more competitive as other advanced economies harness the new technologies – and as the newly industrialising countries undercut our established industries. The completion of the EEC internal market will add to the competitive pressures.

Above all, our ability to compete will be severely handicapped by the failure in the 1980s to invest in the new skills, technologies and knowledge that the 1990s will demand. Unless we can at least match what other countries are doing, Britain will not be an effective wealth-creating economy.

Our current pattern of economic growth is unbalanced in favour of short-term consumption and against medium and long-term investment. It is unbalanced between imports and exports, between finance and industry, and between the South East and the rest of Britain. Above all, it is unbalanced because it calls upon and rewards only a proportion of our people, and instead of extending participation erects barriers that inhibit flexibility. It leaves talents untapped, and excludes from prosperity an increasingly dispossessed underclass.

2. A NEW APPROACH TO ECONOMIC AND INDUSTRIAL POLICY

For most of the past nine years, the British economy has suffered under a Medium-Term Financial Strategy that has laid great emphasis on financial orthodoxy. Much of that strategy has broken down under the pressures of reality. M3 has come and gone. The target of an absolute fall in public expenditure has been abandoned. The exchange rate was first declared 'beyond control', then redefined as 'a target'. The failure of this strategy has not led to it being replaced by an industrial strategy. On the contrary, we now have no strategy at all.

Economic success in the 1990s requires a new approach to the central question of how best to help the companies, the entrepreneurs and risktakers, the managers and workers, and the scientists, technologists and trainers, who will meet the challenges of the next decade. In particular, we must decide the role of government in providing such help. We have to strike the right balance between the short run and what the market and those operating in it can do for themselves, and the medium- and long-term framework in which government must take responsibility for investment, improving competitiveness and harnessing new technologies.

Britain will not increase its share or even hold its own in the home, European and international markets if present policies continue. The complete failure of the current mix of monetary targetting and laissez-faire is evident in the fact that manufacturing investment has still not returned to its 1979 level, and in Britain's growing balance-of-payments problem.

Correcting these failings requires a macro-economic policy of steady expansion, competitive exchange rates and low inflation. But this must be coupled with a new focus on the encouragement of structural change, building up from the needs for flexibility and adaptability at the level of the firm and the industry. Pre-1979 policies of economic management will not be adequate. Demand management must complement structural measures that ensure a modern supply response from those who make industry productive – the designers, managers, production engineers, workers and sellers.

A medium-term industrial strategy

This combination of macro-economic policy and attention to building micro-economic, supply-side strength, are the characteristics of the Medium-Term Industrial Strategy which Labour will implement to improve competitiveness in foreign and domestic markets. Flexibility will not be achieved unless we remove the barriers to opportunity that limit the value of

the contribution each individual can make. Economic success is neither to be attained nor measured by the achievements of the few. In a period of rapid change, the truism that we can best enrich society as a whole only by eliciting the maximum contribution from each person as an individual becomes an imperative of economic policy.

Central to our vision of a fair society and an efficient economy is also the conviction that the basis of success is a new compact between the individual and society, asking of each person a greater contribution and in return offering just rewards and a better quality of life.

Experience confirms that a successful economy does not rely on the isolated efforts of a few individuals to secure the requisite training and re-training, and investment in new knowledge and equipment. Success follows only if society as a whole, with government playing a major enabling role, creates the conditions and accepts the responsibilities to enable everyone to make their full contribution to the production of goods and services.

That is why at the heart of a rational economic policy must be a commitment to full employment and to the measures necessary to secure it. In the 1990s, full employment will not come about merely through the manipulation of aggregate demand. Everyone must have the opportunity to acquire the skills and wherewithal to adapt. The requirements of training both before and during working life, as well as the increasing desire of many people to reduce their age of retirement, are factors to be taken into account in a modern definition of full employment in a free society.

Change cannot be left to chance or the vagaries of the market.

If individuals are to have the chance to make their full contribution, a new partnership between the individual and society is necessary: a partnership that couples opportunity for each individual with the acceptance by government of overall responsibility. It will be the task of a Labour government to bring into being this partnership, using the powers of government to work with business and with the community to ensure that investment is made, technology is harnessed, and economic development is both balanced and sustainable. We are confident that individuals and firms will respond and in turn help build a more successful, creative and united society.

The new approach and the market

For government to meet its responsibilities in promoting successful economic policies, we must not repeat past mistakes: the stop-go cycle; the failure to invest; the emphasis on immediate consumption; the absence of any industrial strategy, the failure to integrate macro and micro-economic policy; and the exclusion of so many from involvement in the rewards of wealth-creation. As other countries do, Britain must consciously adopt a medium-and long-term framework for economic development, one that recognises that the market moves between trends and therefore is incapable of formulating the strategic approach vital to overall success.

Short-term market pressures do, of course, spur competition, stimulate innovation and widen consumer choice. But it is in the nature of markets to undervalue the long-term investment necessary to produce high-quality education and training, or to carry out pure research and apply it through research and development programmes. Consequently in these areas the market fails to provide.

As a result, much of the medium- and long-term investment essential to a modern and competitive economy is lacking not only in the public realm of education or transport, but also in private industry where the longer lead times now

characteristic of much high-tech development make it impossible to generate the quick returns demanded by the market.

The dominance of financial interests, inherited from the past, has also given priority in policy-making to those who hold assets and live on the income from those assets, rather than to those who make and provide goods and services for sale in domestic and international markets. The consequence is policies that favour high interest rates and an overvalued exchange rate maximising the return on existing wealth in the short term, but prejudicing the creation of new wealth in the longer term. This bias, too, must be reversed.

The short-term perspective of the market is reflected in the way investment capital is made available in this country. Though there is no general shortage of investment capital, the insistence on quick returns compels management in many industries to stress short-term performance and consequently maintain a bias against longer-term investment. To reverse this bias and redress the failures to invest, we should look to the experience of other countries where government sometimes through the agency of government banks has established a sound balance between finance and industry and thereby has given industry a more productive and long-term commitment from finance.

Industry has an important role to play in such a strategy. At local and regional levels, as well as at national level, it is essential that government agencies and local authorities work in partnership with firms, trade unions, the CBI, trade associations and chambers of commerce. The process of policy-making and industrial development must be one of concerted action.

A Medium-Term Industrial Strategy demands of government micro-economic measures that will directly improve industrial performance, and encourage and ease the changes needed to improve competitiveness. Both sides of industry must be fully involved to identify our strengths and weaknesses on the basis of practical experience and informed assessment.

3. THE NEW APPROACH AND SCIENCE AND TECHNOLOGY

The British economy will compete effectively only if we grasp the opportunities that the new technologies offer to transform our economy. The alternative of cost-cutting and moving down-market will fail when faced with competition from the economies of the newly industrialising countries. The 'low-tech, no-tech' approach is a dead end. Britain should commit itself to a science-based, high-tech future.

This requires that we reverse the increasing neglect of basic research and instead strengthen links between academic institutions and industry, and between basic and applied research. Current failures in such areas as information technology, electronics, computers, data processing and machine tools will cost us most dearly. They are the areas in particular where government must accept its responsibility for support, sponsorship and co-ordination.

Construction of a national policy for science will need discussions with scientists, engineers and industrialists about how to close Britain's innovation gap, how new ideas can be more rapidly disseminated, how our efforts in basic and applied research can be made more effective, and how best to correct the distortion that results from favouring defence research at the expense of more productive and profitable civil research.

4. THE NEW APPROACH AND THE COSTS OF CHANGE

New technologies and the decline of oil revenues demand significant changes in the structure of British industry. We must use the technological revolution to leapfrog our past failures, recapture competitiveness in manufacturing, and build the service industries that are important in themselves as well as being complementary to manufacturing's long-term success.

Without intervention, the heavy costs of making change on the scale required will fall disproportionately and therefore unfairly on particular sections of the community. Developing new industries means that old plant and skills become redundant. But this cannot result in whole workforces and whole regions being made redundant. If the community is to welcome change and encourage effective action in implementing it, we must be prepared to share the costs throughout the community. Such a responsibility can only be undertaken by government.

Phase two of the review will therefore need to evaluate measures to facilitate change, not only in the national economic interest but also from the viewpoint of those whose jobs and lifestyles are at stake. For example, we will study Sweden's programme of active re-training and placement – a programme that has not only successfully encouraged change but also preserved employment and enhanced economic efficiency.

5. THE NEW APPROACH TO SOCIAL REGULATION AND SOCIAL OWNERSHIP

The major utilities – the water, gas and electricity industries, the rail and post and telecommunications networks – are unique in that they serve not only every household but also the economy as a whole. Therefore they cannot be run solely on the basis of private profit. Consumers expect economic efficiency to mean they should be well-served. But just as market competition can enhance service to the consumer, so the control of monopolies over their market can diminish the quality of goods and range of services available.

We therefore need to protect the consumer's interests by obtaining guarantees that monopoly suppliers do not abuse their position – a clear danger while they are in private ownership, and now all-too-apparent as a consequence of privatisation. In any case, we have to recognise that these monopoly enterprises have another role as providers of essential services to the economy and the community in general, and that we need to some degree to insulate them from the short-term pressures of the market.

We shall accordingly designate a new category of company, the "public interest company", for those industries with a statutory responsibility to service both consumers and the national interest. Targets will be agreed for each in terms of consumer service, investment, pricing policy, and other measures of economic performance. Strengthened regulatory authorities will have the power to monitor and enforce these standards, and also a new role as "ombudsmen" in taking up consumer complaints. We shall examine detailed proposals in phase two, as well as the possibility of extending the "public-interest" obligation to include such questions as training, equal opportunities, and the environment.

In some cases a change in ownership or control as well as regulation may prove necessary to safeguard the interests of the consumer and the economy. In deciding where this is appropriate, we must set our own agenda by means of a fresh appraisal of the needs and responsibilities of each industry, case by case. We must be ready to recognise and remedy deficiencies such as inadequate attention to consumer interests and to workforce participation that in the past have characterised the Morrisonian form of public ownership.

Where public ownership or control is appropriate, we should consider a variety of means by which it can be achieved, including majority and even minority shareholdings, use of special shares, and converting shares into non-voting bonds. Special attention will be paid to the potential role of regional institutions in bringing this about. These questions will be examined in detail in phase two. In each case, the particular outcome will be one appropriate to the enterprise concerned, conducive to economic efficiency, fair to existing shareholders, of benefit to consumers and to employees, and helpful in securing the economic and social accountability that the national interest requires.

Clause four of the party's constitution makes clear that the concept of common or social ownership is not limited to state ownership. The economies of other countries, notably Sweden, are both more successful and more socialist than our own, yet state ownership plays only a fraction of the role it has done in Britain.

Phase two of our study will also examine different patterns of social ownership, including decentralised forms of control and organisation. Municipal enterprises, workers' collective share schemes, worker co-operatives, and a new role for pension funds can each contribute to the flexibility of the economy and open up opportunities for participation in the process of change.

Putting to one side the question of economic efficacy, the case for these forms of common or social ownership rests on the right of each of us as individuals to control our own lives, to participate in the decisions which affect us, and to share fairly in the benefits to which we contribute. An economy able to secure greater personal fulfilment and social justice will also be economically more efficient when individual effort is harnessed to the common good.

6. THE NEW APPROACH AND REGIONAL IMBALANCE

An important aspect of preparing for the 1990s will be a concerted attack on the imbalance in Britain's economic geography. New technologies mean new opportunities for the regions. Successful regional development will prevent the complementary excesses of overheating and decay, both of which stifle efficient economic change as well as weakening national cohesion. Striking such a balance and achieving sustainable regional growth is essential for the efficiency of the economy as a whole.

We require not only the direction of new investment to the regional economies but also that they be strengthened through locally-generated efforts. We require a new approach to decentralisation, in both government and in private enterprise. Decision-making and research can no longer be concentrated in the South East. Phase two of the review will consider how to achieve these objectives through, for example, location incentives and controls, regional high-technology centres of excellence, and the regional patterns of spending by government.

Similar pressures are faced in the inner cities, where the injustices and failures of the past nine years appear in their most acute form. The Conservatives believe these problems can be solved by imposing change on the physical environment while ignoring the people who live there. This cannot work. Effective change comes only from indigenous development, encouraging the participation of the local community and using resources from both the public and private sectors.

Phase two will appraise means of organising regional and inner city development, and the advantages of devolving major responsibilities to local and regional authorities and enterprise boards.

7. A NEW APPROACH TO THE INTERNATIONAL ECONOMY

Britain is today a more open economy than ever before, a trend that is sure to accelerate. The freedom of action of national governments is seriously constrained by international trading arrangements, competitive pressures, the huge flows of capital across frontiers, and the decisions of multi-national firms. This does not mean that national governments or a Labour government in particular have no power. But increased governmental co-operation to check destabilising influences will clearly be of great importance.

Britain has an important role to play in reconstructing international economic relations to overcome the deficiencies of the post-Bretton Woods era. Throughout the OECD countries, the de-regulation of international trade and finance and the climate of "international monetarism" has resulted in persistent slow growth and high unemployment. De-regulation has not produced the supposed advantages of free trade. Instead, it has resulted in an unstable trading environment together with creeping and concealed protectionism.

The Group of Seven countries' recent attempts to forge a co-operative international strategy have degenerated into window-dressing and wishful thinking. Britain must join in rebuilding an international environment in which the original aims of the GATT are more fully realised and trade is managed effectively in the interests of expansion by all countries, not least the Third World nations that are the biggest losers under the present system. We intend to discuss these issues with our sister socialist parties overseas, both those in government and in opposition.

An effective international trade regime is, we believe, the only sure foundation of financial stability.

The new economic policy and the European Community

Over half our trade is now with other members of the European Community. Therefore, the Community's rate of growth, and factors such as inflation rates in Community nations and our exchange rate with Community partners, have become the major external influences on our economic performance. The Community's poor growth performance over the past five years, and the growing imbalance in our trade with the Community in manufactured goods, are of considerable concern.

This concern is reinforced by the intended completion of the internal market by 1992. Some measures, such as the elimination of complex red-tape barriers to the movement of goods around Europe, are clearly sensible and beneficial. So too is the standardisation and strengthening of exhaust emission standards and other environmental controls.

But the philosophy behind the internal market is not simply directed towards the elimination of bureaucratic barriers to trade. What is intended is an uncontrolled "free" market on a Europe-wide scale, supported by the free movement of capital, fiscal harmonisation and a severely reduced scope for national industrial policies. These measures will reinforce the current imbalances in the European economy, concentrating industry in those parts of Europe where it is already strongest, and enhancing the potential for rapid and destabilising capital movements. There is the clear threat of the development of a two-tier Europe, with the weaker economies, including Britain, prevented from taking effective measures to improve their position.

We must be clear that the Community cannot be allowed to deter Britain from doing what is required to regenerate our economy. We should work towards developing a new agenda for European co-operation, one that allows us to pursue objectives which are truly in the national and European interest, rather than those which are a travesty of the purpose for which the Community was set up, as is the case with the Common Agricultural Policy.

In phase two, we will renew our discussions with our socialist colleagues in Europe to develop our response to the issues – including the internal market that concern the future of the European Community. We will also examine the relationship between domestic monetary policy and exchange rate policy, and the institutions of the EMS.

8. THE NEW APPROACH TO THE CHALLENGES OF THE 1990s

The themes outlined so far form a framework within which to formulate our detailed policies to meet the economic challenges of the 1990s. Other aspects of our drive towards individual opportunity and government responsibility are covered by the work of other policy review groups.

For example, opportunities to develop individual talents to the full can only be provided within a comprehensive system of education and training and re-training. They also require a new commitment to participation and flexible employment, with support for women to realise their full economic potential. These issues fall within the scope of the People at Work review group.

The quality of life also depends on the quality of the environment. Economic growth and care for the environment are not mutually exclusive alternatives: low growth economies are not superior to high growth, high-tech economies – indeed the reverse is typically the case. Nonetheless, strict environmental standards are part of an effective response to the technological revolution – an issue being considered by the Physical and Social and Environment review group.

The common theme running through this work, and the springboard for the detailed work in phase two, is the conviction that we cannot go on as we are.

With a growing balance of payments deficit and declining North Sea oil production, the cards are stacked increasingly against us. We must learn the lessons of our past and current failures, and understand that we can no longer live only for today and make no provision for the future. Such provision will only be effective if we recognise the contribution each of us can make, and therefore organise our community around democratic socialist values so that it can be made.

Appendix

The Productive and Competitive Economy Policy Review

Group was established to consider:

The democratic socialist approach to enterprise and ownership, markets, industrial (including science and technology) policy, trade, energy, employment and training strategies, including the international dimensions.

The membership of the Review Group is:-

John Evans MP *Joint Chair*
Bryan Gould MP *Joint Chair*

Gordon Brown MP
Ken Cure (NEC)
Anne Davis (NEC)
Donald Dewar MP
John Edmonds (GMB)
Ken Livingstone MP
John Prescott MP

Joint Secretaries: Andy Batkin, Henry Neuburger and Nigel Stanley.

People at Work

1. WORK, SOCIETY, AND OUR ECONOMIC FUTURE

Our review of Labour's strategy places people at work firmly and clearly at the centre of our agenda. For only if we do so will we be able to achieve our twin objectives of improving the quality of people's lives and increasing Britain's economic efficiency.

For most people, paid work is central to their income, their social status and their sense of position within society. This applies even when employment alternates with caring for children or dependent relatives at home, as it does for most women. For those seeking employment, the lack of paid work is economically and socially devastating, a major cause of poverty, and of physical and mental ill-health.

For the economy, effective use of the workforce is the basis for the efficient production of goods and services. The organisation of work is a major factor in determining our productivity and our ability to adapt, innovate and compete. It thus determines our ability to sustain prosperity in the future. Work is the major investment that individuals make in the economy – they give it their lives – and the investment must be used effectively. People at work must be able to adapt and use new ideas. And society must invest in those people. Relations at work must aid, not inhibit, change. For the 1990s indeed, the key issue will be not "management's right to manage", but "management's ability to motivate".

For society as a whole, constructive working relationships in which men and women have equal opportunities and are treated with dignity, are the foundations of democracy and social cohesion. Rapidly changing work patterns inevitably give rise to potential conflict. It is essential that change is introduced positively and that the interests of everyone at work are protected and enhanced in that process of change. Labour's whole approach, therefore, must focus on the real needs of men and women at work.

The Challenges of the 1990s

For Britain the 1990s will be a decade of economic challenges and new opportunities.

As we set out in our report on a productive and competitive economy, Britain will face an intensely competitive environment in the 1990s. On the one hand, the decline in oil revenues and the completion of the EEC internal market will sharpen competitive pressures throughout British industry, creating a far more challenging environment than that of the oil-cushioned eighties. On the other hand, new applications of electronics and information technologies creating new industries and transforming old ones – will provide a unique opportunity for Britain to leap over our competitors. Whether

we are able to meet these challenges will depend upon our ability to mobilise effectively the key resources needed to compete in this new era: ideas and people.

Major changes will also have taken place in the structure of employment in Britain. Some of these changes will be the result of the policies and failures of the Conservatives. But others will stem from much longer term changes, as Britain continues to move away from its industrial past.

The composition of the workforce, for example, is changing rapidly. Where in the past the labour force has been dominated by full-time male workers, in the 1990s half the entire workforce will be women, and half of those women will be working part-time. The long-term shift in employment from manufacturing industry to services, particularly those provided by the private sector, will continue. The workforce is also ageing, with the generation of the post-war "baby-boom" in their 30s and 40s. The numbers of 16-19 year olds entering the labour market will be down by as much as a quarter compared with the mid-1980s.

The trend to a more divided labour force is also likely to continue. On the one hand there will increasingly be a 'core' of highly skilled workers, with access to well-paid, secure, fulfilling and full-time jobs. On the other, there will be a growing 'periphery' of less secure workers employed by small firms and sub-contractors. At the same time, there will also be a growing polarisation between relatively highly-paid, professional and multi-skilled workers – most of whom are men – and lower-paid, part-time, mainly women workers, who are often employed on a temporary or casual basis.

Superimposed upon these longer term changes, however, will be the legacy of this government. Britain will enter the 1990s a divided nation, where work, employment and opportunities are unevenly distributed across age groups, races, regions and sexes. A decade of mass unemployment will mean that there will be a large core of adults who have never experienced work outside of a government training scheme. At the same time, there will be an acute shortage of key skills, especially in particular areas of the country. Individual employment rights will have been sharply cut back. And the position of women in the workforce will have been further undermined by the cuts in social services, by threats to their rights at work, by the continuing assumption that they must single-handedly take on the care of dependents.

These growing divisions will be mirrored in the terms and conditions of people at work. As now, low pay will condemn millions of people – and their families – to poverty. As now, women's average pay will be less than two-thirds of the average for men. And as now, hundreds of thousands of employees will continue to be entitled to only limited paid holidays. Moreover, for many, job security will continue to be poor or non-existent, as redundancies continue to take their toll (130,000 people were made redundant in the 'boom' year of 1987). Job turnover

will also continue to increase – and especially for those in the worst paid, least secure jobs such as those in private services.

These deep divisions, coupled to the huge changes that will come in employment and employment opportunities, require a complete re-think of efficient patterns of work, and of opportunities for training and re-training. Economic efficiency demands that training should not be an activity confined to the young, or the full-time worker in industry. On the contrary, the attack on skills shortages and the creation of a flexible labour force requires that training be seen as an activity which provides opportunities for all. This will include effective training and deployment of women workers who remain today largely segregated in lower-paid work.

Training is also the key to the attack on unemployment. The macro-economic approach which worked in the 1950s and 1960s, when unemployment was kept below 500,000 by manipulating fiscal policy, will not be sufficient to tackle unemployment in the 1990s. In a period of rapid structural change it will be necessary to implement employment policies too – creating the skills that create the industries that create the jobs. Investing in training is far cheaper than pouring money down the unemployment drain.

To undo the damage done in the 1980s will require an entirely new strategy in education and training.

It will also require a new framework of rights and responsibilities for everyone at work, whether full-time or part-time, temporary worker or permanently employed. The objective will be to create working relationships that give confidence and dignity, and to provide the means of resolving the conflicts of interest arising from change.

The trade unions will have an essential part to play in the 1990s. It is a basic right for individuals to be able to join a trade union in order that, together, they can achieve a fairer balance for workers against the power of employers. Most people in Britain believe, rightly, that trade unions are essential to protect individual employees and improve pay and working conditions. Giving individual workers new legal rights, as we propose, will only work in practice if those rights can be easily enforced; and the support of a trade union is, in practice, the most effective way for an individual to secure their legal rights at work.

A higher proportion of the workforce is in trade union membership than was the case twenty years ago, although that proportion has dropped under the pressure of unemployment and government attacks on free trade unionism. The fact remains, as in many previous decades, that the terms and conditions of employment achieved by trades unions set the standards for many more who are not themselves union members. This demonstrates the value of trade unions to the community as a whole – a value recognised in repeated opinion poll findings. A substantial majority of the British people believe trade unions to be “a good thing” and that “they would not have their present level of wages and conditions were it not for trade unions”.

Labour's objectives

It is against this backcloth of new opportunities and challenges, and of major changes in employment, that we set out Labour's central objectives for people at work.

First, we aim to create an economy in which every individual has the chance to develop and use their talents and skills to the full. Our objective is to create an opportunity economy. That is why our commitment to full employment lies at the very heart of our economic policy. That is why we are determined to develop a new strategy for education and training. For we know that Britain can only succeed if it has a

work force that is highly trained and highly adaptable – one that is able to respond quickly to changing technologies and changing customer demands.

Second, we aim to provide all workers with a fair deal at work, by providing clearly defined basic rights for everyone. Our starting point is our recognition that the employment relationship is *not* equal: that, in the absence of statutory and trade union protection, the employer is in a far stronger position than the individual employee. This is why we are proposing the introduction of new minimum legal safeguards for all men and women at work: safeguards which will reflect the major changes in employment we have identified above.

Third, we aim to promote effective trade unions. They are the best way of protecting employees rights and redressing the unequal balance between employers and employees and the best way of ensuring that minimum legal standards are enforced and improved upon.

Fourth, we aim to achieve genuine equal opportunities for all at work. This is why we insist that education and training policies must provide properly for the needs of women; that there must be positive measures to combat discrimination of all kinds; that there must be more flexibility of working hours and working patterns, flexibility that must benefit all employees; and that the facilities needed to achieve equal changes, such as the provision of adequate child care facilities, must be available to all who need them.

Fifth, we aim to help to bring about greater satisfaction at work: for example, by increasing the scope for employees to take decisions about their own work and by better job design.

Sixth, we aim to encourage the development of effective employee participation – so that workers can, through their representatives, share in the decisions which affect their lives at work. Our objective is to help develop a new approach – a new partnership within each enterprise, office or workplace – so as to help in day-to-day planning and problem solving.

Seventh, we aim to provide a firm basis for partnership and cooperation between employees and workers. Tory anti-union legislation, we believe, has harmed not helped industrial relations. This is why we aim to create a new regulatory framework, one designed to minimise conflict and assist union and employers to reach fair and reasonable agreements.

These seven clear objectives provide the basis for the policies we set out in this report. They also provide the starting point for the work we will undertake in phase two of the policy review.

2. EDUCATION AND TRAINING IN THE 1990s

Education and training are the keystones of a society of opportunity and personal fulfilment and an economy that is competitive and efficient. Investment in education and training is a measure of a government's vision and commitment to the future.

The present government has been notably lacking in both. The government ended the training levy, abolished most of the Industrial Training Boards in 1981, and cut the number of skill

centres by a third. Only 30 per cent of our workforce have recognised qualifications equivalent to at least one "O" level, compared with 70 per cent in West Germany and Japan, and almost 80 per cent in the United States. The number of apprenticeships in Britain is down by a half since 1979, and last year's intake of engineering apprenticeships reached an all-time low. Only 24 per cent of managers in the UK have a university degree, compared with 85 per cent in the US and Japan. All this adds up not only to waste and incompetence, but to economic folly.

It is important to recognise that this is not only a question of training young workers, important though that is. Major changes in Britain's workforce mean that it will not be possible to meet the economy's need for new skills simply by training school leavers. Economic efficiency and individual opportunity both demand that training and retraining must be extended to older workers to part-time workers and to women workers who remain largely segregated in lower paid lower grade jobs.

To meet the challenges of the 1990s, Labour will develop an entirely new training culture, one which permeates education and industry. We recognise that education (at all levels) and training, whether "academic" or vocational or recreational, contribute both to the quality of society and to the overall efficiency of the economy. Our goal is therefore to provide a clear, well-defined structure of educational and high-quality training opportunities for all. This means:

- Ensuring that everyone, including the redundant and long-term unemployed, has the opportunity to acquire new or improved skills so as to increase their job satisfaction, widen their range of job opportunities, and extend their contribution to the economy and society.
- Ensuring that the nation's present and future education and training needs are regularly reviewed and that an adaptable framework is provided to meet those needs.
- Ensuring that people have the opportunity to continually update their skills throughout their lives rather than only having one-off training when they are young.
- Giving a new priority, throughout our education, training and retraining strategies, to the needs of women so as to tap the huge potential of skill and talent in the majority of the British people.

Adult training by employers

The market does not ensure that companies provide enough training to meet the needs of the economy. Many employers are reluctant to fund training for fear that employees will depart after acquiring new skills. And training budgets are the first to be cut in times of economic difficulty, storing up problems for the future. Training provision in the service sector is particularly inadequate, and training for part-time workers is virtually non-existent.

We will be looking carefully at methods of increasing investment in training in the second part of the policy review. Amongst issues to be examined are the establishment of joint company education and training committees, ensuring that employers offer retraining as an alternative to redundancy wherever possible, and the best means to ensure that all employers contribute fairly to training. We will also be examining means of forging effective links at local level between companies, education and training institutions; and

we will pay particular attention to the needs of women and ethnic minorities, who face a legacy of past discrimination.

Individual access to education and training

A system of education and training that is both efficient and enhances the quality of life must be open to everyone. Yet because of lack of funds and institutional rigidities, access to education and training is often restricted, denying opportunities to adults who wish to acquire the skills to change career, or advance their current career, or to escape unemployment. In addition, many unemployed people will be deprived valuable educational opportunities through the Government's foolish move to prevent them from studying up to 21 hours a week while claiming benefit.

We aim to make open access to education and training into a reality. A major objective will be to ensure that ethnic minorities have full access to training. Guaranteeing full access to extend educational and training opportunities for women will require the provision of a comprehensive framework of day-care and education for children below compulsory school age and during school holidays.

In the second stage of the policy review we will be undertaking a detailed examination of the means of overcoming the obstacles to open access. Our priority will be to develop schemes such as individual training plans and public service traineeships for every unemployed person. We also intend to examine the scope for individuals investing in their own training by creating individual training accounts as a supplement to employers' training schemes.

Education and training for 16-19 year olds

At present there is a sharp split at 16 between the minority staying on at school to do "A" levels and the majority going into YTS or other forms of work experience with little or no training. This is not only divisive and discriminatory, it is, by international standards, old-fashioned and inefficient.

We must bring about a major improvement in the education and skills of young people. We must bridge the divide at sixteen by providing a variety of integrated patterns of academic and vocational education. Education and training programmes which are modular in structure enable those who leave full-time education before the age of 19 to acquire nationally recognised qualifications. There should also be a move toward income maintenance assistance for those in full-time education; and there must be an effective equal opportunities programme to encourage girls and young women to acquire qualifications.

Management education

The new skill based industries will require skill-trained management. British managers have fewer opportunities to increase their skills than their counterparts overseas. In the second phase of the review we will consult, among others, business schools, the Institute of Personnel Management, and the British Institute of Management, on the best strategy for a major expansion of management education. We will also consider the value of establishing a new management training college for the public sector, with the goal of achieving a radical improvement in the management of, and consumer satisfaction with, public industry and services.

3. ENHANCING THE QUALITY OF LIFE AT WORK

The quality of life at work is a fundamental ingredient of the quality of life in general. It is also a vital ingredient of economic efficiency. Modern industries require new skills deployed by a flexible, well-educated and well-trained workforce; that is, by a self-confident labour force which rightly expects to be treated with respect.

For many people, if not most of the workforce, the actual experience of work is not a fulfilling one. It consists of boredom, lack of stimulation, repetition and in many cases an unpleasant and sometimes dangerous work environment rather than job satisfaction and co-operation with colleagues.

The present government's labour market strategy, though apparently geared toward economic objectives, is profoundly inefficient especially with respect to the longer term. The erosion of basic employment rights is producing a severe deterioration in the working environment of millions of workers with increased pressures of work generating problems of isolation and stress. It is also reducing employee commitment and opportunities for the exercise of initiative and discretion, reducing the very quality of the labour force.

Flexibility has been promoted by the government in a manner that accrues only to the advantage of the employer. The government's idea of flexibility has involved giving employers licence to push people from one job to another without warning, and to demand flexible hours contracts so that employees have no means of knowing the length of their week or even the days they may expect to work.

It need not be like this. Flexibility should bring benefits for workers too. It can mean the chance to experiment with a different organisation of work. It can mean the opportunity to try to arrange working time around the demands of family or leisure pursuits. Our approach to achieving flexibility is through involving employees in decisions on change and through enabling people to acquire systematic new skills and knowledge.

Work and Family Responsibilities

Efficiency and equality also demand a closer examination of the relationship between employment and family responsibilities. In the second part of the policy review we will be looking at labour markets and social strategies that would give women and men a greater choice of working arrangements, including hours of work, designed to suit people looking after children or other dependents.

Part-time working is welcomed by many women who do not wish to remain in a full-time job while their children are young. Part-time workers should not be penalised by second-class legal status and a restricted choice of low-paid and less responsible work. More flexible working hours – possibly along the lines of the Swedish entitlement for parents to work a six-hour day – would allow many men, as well as women, to spend more time with their children without abandoning their careers. Better child-care facilities, including child-care places for every three and four year-old whose parents want it and statutory parental and family leave would transform the choices available to women. We must also ensure that women can return to full-time employment after a period at home with children or other dependants. This would, for example, stem the current losses of highly trained and experienced professional women.

Positive intervention of this kind in the workings of the labour market is the only way to ensure that women genuinely

enjoy equal opportunities at work, and therefore fully realise their contribution to efficient production.

Most working people's aspirations are modest and realistic. They want reasonable working hours with adequate breaks and holidays. They want recognition that employment is not the totality of life and working arrangements need to recognise this. They welcome change and progress when they have a part to play in the future. They do not wish to be pushed so hard that their leisure time is spent recovering from work. When things go wrong, the vast majority of people look for a fair framework of law or custom and practice and someone to turn to for help and support.

Labour is determined to put the quality of life of people at work squarely on to the political agenda. That involves two main strategies:

- **Securing employment rights**, through a new charter of employment rights and better enforcement measures.
- **Promoting satisfaction at work**, through new incentives for employers to adopt best practices, and through measures to promote participation by employees.

Labour's New Charter of Employment Rights

It is the task of a responsible government to lay down clear minimum legal standards for everyone at work, whether full-time or part-time, permanent or temporary, whether unionised or not, whether in large companies or small. We will therefore draw up a set of basic minimum rights to be enacted in legislation and summarised in a charter of employment rights.

Amongst the measures the charter will cover are rights on unfair dismissal, the minimum hourly wage, the minimum paid holiday, maternity and paternity leave, anti-discrimination, health and safety standards, rights to participate in a union, and fair disciplinary measures. In the next phase of the policy review we will consider the legal mechanisms needed to ensure that everyone at work is protected including youth trainees, homeworkers, and temporary workers.

Rights only mean something if they are effectively enforced; and the most effective way of enforcing these rights is through membership of a trade union. Workers, individually and collectively, should have the right to be represented at work, should they wish, by their chosen trade union or unions.

During the second phase of the review we will examine ways to complement the effective enforcement of the Charter. These will include strengthening the Health and Safety Inspectorate and extending its responsibilities to cover other terms and conditions of employment. We must also look into ways of improving tribunal procedures and of allowing "class actions" in tribunals, so that an award to one individual in a particular category would apply to other individuals in that category. And we must promote contract compliance by government departments, local authorities and other public bodies in order to encourage good employment practices and equal opportunities in the companies from which they buy goods and services.

Health and Safety at Work

Each year, some 650 people are killed in accidents at work and 12,500 are seriously injured. A further 20,000 suffer work related illnesses.

Under the Conservatives, the long term decline in the number of fatal and serious accidents has been reversed.

Instead, they have increased by a third since 1979. Over the same period the government have cut the number of factory inspectors in post by a fifth; and only eight per cent of registered workplaces are now visited each year.

In phase two of the review, we will consider how best to strengthen and update the legislation on health and safety – to take account, for example, of changing circumstances and technologies – and the resources needed to make this legislation effective.

Promoting job satisfaction

All the evidence shows that if people are to get satisfaction from their work, it is usually necessary for them to be able to meet the same basic, intrinsic needs. They want to be able to take some decisions about their work; to be able to learn on the job and to go on learning; to have some variety in their work; to have contact with and the help and support of colleagues when necessary; to feel they are making a worthwhile contribution to society; and to feel they have a place in their company's future.

Job satisfaction is important to employers too. Discontent leads to higher labour turnover, more absenteeism and sickness, poor industrial relations, resistance to new technology, and lower productivity. Already many go-ahead companies make hard headed decisions to promote employee satisfaction for purely financial reasons. Our aim is to make the best practice the usual practice.

Our concern to improve job satisfaction has major implications for issues from the design of machinery and workplaces to the organisation of work. Government can tackle these issues through encouraging best practice. Among the proposals we intend to consider in the second phase of the policy review are establishing centres for job design and job enrichment, creating incentives for employers to give higher priority to job satisfaction through measures like better job design and reorganising work procedures, and looking for good practice both here and overseas, and to publicise it, perhaps in the form of a code of practice. We also intend to look at putting greater emphasis in management training curricula on the importance of good personnel relations and individual job satisfaction.

4. IMPROVING INDUSTRIAL RELATIONS

Good industrial relations are a vital component of economic efficiency, and so of sustainable growth and secure jobs. The changes we need in the production of goods and services in the 1990s depend upon everyone in work, individual employees as well as employers and managers. Trade unions are not only necessary to protect the rights and freedoms of individual employees, they are also essential to the management of change, so that real and lasting improvements in the organisation of work can be made in a way which carries the agreement and participation of the workers concerned.

The present government clearly regards trade unions as an obstacle to employers' ability to impose change on their employees. By giving employers extraordinary legal sanctions against trade unions and by undermining collective bargaining at every opportunity, it has left individual employees at the mercy of a deregulated labour market. It has done nothing to encourage the efficient negotiation of change or the effective resolution of disputes between management and employees. Instead of using the law to promote better industrial relations, this government has turned it into a weapon for employers to use as an alternative to negotiation.

Giving individuals more say in decisions at work can make a major contribution to industrial efficiency as well as to individuals' quality of life – as the experience of Germany, Sweden and other successful European countries convincingly demonstrates. The outmoded approach, that management should manage and workers should do what they are told, encourages confrontation and inhibits flexibility. Industrial relations in the rapidly-changing conditions of the 1990s require that employees are no longer treated as mere factors of production. They must have, and must believe they have, a very real influence in their enterprise or workplace. They should be enabled and encouraged to contribute to a partnership in their workplace. And they should be able to feel confident that retraining and new opportunities will be available if their present skills can no longer be used.

Encouraging employee involvement

The new framework of industrial relations that Britain needs must give employees a right to information and consultation, and ensure that they have an influence on decision-making on the issues which most affect them. In the past, debate has tended to be concentrated on giving workers more say in top-level company decisions on such issues as plant closures, investment, mergers and takeovers – rather than on matters which are often of more immediate concern to many workers. In this report we are emphasising that people should also have a say on the day to day issues which most affect them: issues such as the working environment, training, health and safety, flexible hours packages, working methods, relationships with fellow workers, the provision of child care and other services and so on.

Dealing with these issues is the daily work of shop stewards, joint negotiating committees and union officials in workplaces with recognised trade unions. But their contribution has been undermined by this government's hostility to union organisation and by its encouragement of arbitrary management practices. In a non-unionised company, employees have no guarantee that they will be involved in dealing with these issues, or even that their views, however expert and experienced, will be heard. And they have no legal backing to persuade their employer to recognise a trade union.

The right to information and consultation is very limited in British companies today. It makes sense to approach that right in a number of different ways. Employees in unionised workplaces will be helped by a more positive framework of industrial relations, and the knowledge that their union will be able to secure conditions at least as good as, or better than, those provided in our proposed charter of employment rights. In many companies, employees and their unions are particularly concerned about proposed mergers and takeovers; they need clear rights to be consulted and informed. In non-unionised workplaces, employees who wish to exercise their right to join a trade union need the security of knowing that they will not be dismissed or victimised for doing so and, furthermore, that an employer will recognise a trade union acting on their behalf.

We believe that all employees, whatever the nature of their work or workplace, should have access to an appropriate forum where issues of day-to-day concern can be considered by employers and management. We will therefore consider in phase two what formal structure of employee representation in worker/management decision making may be necessary in order to ensure that issues such as health and safety, training, working environment, flexible hours packages and child care arrangements will be jointly determined. Such a structure should supplement collective bargaining arrangements and

could be used to help develop such arrangements where they do not currently exist. It would also play an important role in multi-site establishments where bargaining is currently fragmented but where access to decisions at company level is an important priority for employees. In workplaces that are not yet unionised, a requirement to create a new representative management/employee forum will provide a means to encourage trade union membership and thus secure the right to trade union recognition.

If this new participatory approach to industrial relations is to be a success, and employee representatives are to contribute cogent and feasible proposals on a wide range of issues, then they must be well-resourced and well-trained. Trade unions already provide training and research for their shop stewards and members. There is a clear public-interest case in ensuring resources are adequate for this function, by providing state funding to the trade unions for these purposes.

Building a base for day-to-day co-operation, planning and problem-solving could help reduce the potential for conflict. Many industrial disputes in recent years could have been averted if management and unions had faced the problems at an earlier stage, and, if conflict had arisen, been given help to reach a settlement.

The procedures for resolving any disputes that remain, however, are still of central importance.

Recent experience has shown that the Conservative government's anti-union legislation has not suppressed industrial conflict and strikes. Indeed, because the government's employment legislation makes it more difficult to reach agreement during disputes, we have experienced some of the longest, most bitter and expensive disputes in this country's history. We therefore reject the view that the replacement of that legislation might help to encourage industrial conflict.

Role of legislation

In approaching the whole question of the common law and statutes which apply to trade unions and industrial relations, we think it legitimate to draw a clear distinction between those laws that confer rights on individual union members largely in accordance with existing union practice, such as ballots before strikes – which we support; and those that are plainly contrived to inhibit the ability of unions to protect and advance the interests of their members collectively. We set out below the principles which we believe should govern the improvement of industrial relations laws in our democracy.

No reasonable and objective government, seeking a fair and equitable balance of industrial power, could allow the four Employment Acts of 1980, 1982, 1984 and 1988 to stand as they are. Amongst the most objectionable of their provisions are the following:

Protection by law against union disciplinary action for a minority who have refused to accept the ballot decision of a majority in the union to take industrial action.

New rights for employers to sack workers selectively in an industrial dispute, after a majority ballot decision in favour of action.

Protection for an employer who artificially splits up his or her business into separate units, so that trade union activity in a dispute would fall foul of secondary action provisions and be declared illegal.

The use of ex-parte injunctions – taken out at only a few hours notice and without the union side being enabled

to be present – in order to frustrate legitimate industrial action.

A ban on all types of sympathetic action.

The requirement that all withdrawals of labour, from go-slows to strikes, must “relate mainly” to the terms and conditions of that group of workers, so that a union fighting against job losses threatened by privatisation has been held by the Court of Appeal to be acting illegally.

The revival of the liability in tort of the union (as opposed to its officials) which had been excluded since 1906, and which has led to penalties of sequestration out of all proportion to the cause.

Such measures are penal and discriminatory and are intended to be so. No reasonable government could permit them to remain on the statute book. We will therefore take steps to remove them.

Labour's approach

The law can never be a substitute for successful negotiations. But the law can offer a framework which encourages good industrial relations; which provides a balance between the power of employers and that of employees and their unions; and which establishes procedures for conciliation and arbitration where negotiations break down.

Our basic approach was set out in our report *People at Work* in 1986. But we would make clear in particular our assertion of certain key principles.

First, conciliation and arbitration procedures must be extended. The Conservative government has refused to use established arbitration procedures when dealing with its own employees and the trend is for employers to abandon arbitration in favour of court action. In the second phase of the review, we will be looking at ways of strengthening the role of ACAS as a conciliation body and a central arbitration committee in resolving disputes on collective agreements.

Second, workers' rights must include the right to involvement in their union's decisions. Labour believes that union members should have the right to a secret ballot on decisions relating to strikes as well as in the election of union executives. Although there will sometimes be spontaneous walk-outs, where strike action occurs before any ballot can be held, a ballot should subsequently take place. Any union member should be able to appeal to an independent tribunal if a ballot has not been held. In the next phase of work we will decide how this right should be translated into union rule books and how the basis of enforcement through the independent tribunal proposed by the Labour Party in 1986 is to be achieved.

Third, the boundaries of lawful strike action must be reviewed if there is to be a fair balance of power between employers and employees. We do not think it is fair that all supportive action by other employees, following a majority vote, should be unlawful – especially when an employer is able to contrive an artificial separation of one part of his business from another in order to frustrate legitimate industrial action by his employees.

Fourth, workers engaged in a legal strike or industrial action must have protection against unfair dismissal by their

employer. During the second stage of the policy review we will consider how this can be enforced.

Fifth, the use of interim orders and injunctions, which can often decide a dispute in favour of the employer before action is taken, should be restricted. *Ex-parte* injunctions (which allow an employer to get a court order without the union knowing about the case, or being able to put its case in court) will be prohibited, although reasonable time limits will be laid down to ensure that urgent applications are heard quickly.

Sixth, a union must be able to remain in existence and work on behalf of its members. The present government's law has resulted in the absurdly unjust situation whereby members of a trade union who take part in secondary action risk the sequestration of their union's entire assets whereas neither employers nor workers who are not union members face such a penalty.

5. CONCLUSION

This document has set out our approach to people at work in the 1990's. We have shown how we aim to improve the quality of life at work and to increase economic efficiency.

In the face of the challenges facing British people at work in the 1990s one thing is clear: we cannot go on as we are.

It is neither productive, nor sensible nor just to go on cutting back on training and ignoring re-training, to go on eroding employment rights and equating "flexibility" with random hiring and firing, to go on with an industrial relations

system which creates conflict and which is built on the principle that the only good labour force is a beaten labour force.

Our report therefore spells out new proposals on education, training and re-training. We set out our plans for a minimum floor of rights for *all* employees – part-time and full-time, temporary and permanent. We show how we would enable people at work to participate in the decisions which affect their daily lives. We set out our views on the role of the trade unions in protecting the interests of people at work. We provide the outline for a new framework for industrial relations – one based on dialogue and conciliation. In the second stage of the policy review we intend to work out the details of these policies building on the framework mapped out here.

Appendix

The remit of the group, as decided by the National Executive Committee, was:

Changing patterns, requirements and opportunities of employment, fairness at work in terms of individual and collective rights, training and industrial democracy.

The members of the group are:

Eddie Haigh (*co-chair*)
Gordon Colling
Linda Douglas
Diana Jeuda
Michael Meacher MP (*co-chair*)
Tony Blair MP
Ann Clwyd MP
Baroness Muriel Turner (MSF)
Nigel Harris (*AEU*)
Joint Secretaries: Jane Ashley and Mary Walker.

Economic Equality

1. INTRODUCTION

As individuals, our aspirations and preferences differ. But for personal security, economic opportunity and cultural expression each of us depends upon society as a whole.

A civilised society provides for its vulnerable members so that they too may share in its resources and participate in its opportunities. But the case against inequality rests on the need for economic efficiency as much as social justice. Economic strength requires the firm foundation of a fair social policy to ensure every member of society contributes their full potential. It requires that the distribution of wealth does not mean a concentration of power in the hands of the few, and that privilege does not determine rewards.

This report sets out the principles that will govern Labour's approach to the distribution and taxation of income and wealth in Britain in the 1990s. These are an integral part of our attitude to economic policy, and are designed to secure our twin objectives of economic efficiency and social justice. Policies for full employment, better training and decent wages are not only necessary if Britain is to become a more efficient producer of wealth: they are also essential if we are to create a fairer society.

Our examination of policies for economic equality has had three aims. The first is ultimately to banish want and poverty from Britain. A single parliament will be too short for such an ambitious project, but we are resolute that we must make steady progress from day one.

Our second aim is fairness. Taxes and contributions should depend on ability to pay; and the incomes of individuals should not be prejudiced because of their sex or their race.

Our third aim is to enable people to be independent. We want to lift the barriers to opportunity that prevent them participating and contributing as fully as they would like. We believe that we can best end poverty by building pathways to independence.

2. BRITAIN IN THE 1990s

Any government taking office in the early 1990s will work under severe economic constraints. Faced with competing claims on the social security budget and the need to invest in vital services, government will have to make hard choices. Decisions on priorities must be guided by a clear, longer-term strategy. In this first phase of our policy review, we have begun to develop such a strategy. A more detailed approach will follow in phase two.

It is clear that by the early 1990s Britain will be a society that is even more unequal than today. The 1980s have been a period of unprecedented prosperity for those at the top. By contrast, those at the bottom of the income league have fallen even further behind. Social security rates have fallen by a seventh relative to average earnings since 1979. Mass unemployment and the loss of employment rights has had the effect of depressing the wages of the low paid to their lowest recorded level relative to average pay – lower than in 1886 when records began. The Conservatives' perverse achievement has been to create a widening pool of poverty in the midst of plenty.

By 1991 continuing unemployment, low wages and inadequate benefits will leave some 18 million adults and children – one in three of the population – living on or below the poverty level. Despite the reduction in the unemployment figures and the temporary fall within the population of people in their late teens, which should also ease unemployment, there will still be over two million people officially unemployed. Among them the number of long-term unemployed will continue to grow, while many others seeking work will no longer be counted by government figures.

By 1991 the benefits system will be even less able to meet the demands made upon it. Many families will have no recourse but to turn to charity for basic necessities pushed into dependency by government policies. The tax system will be one that imposes an even greater burden on average and below-average earners, and relies increasingly on indirect taxes like VAT for revenue.

Demographic changes, particularly the substantial increase in the numbers of elderly people, will affect decisions on social security and social services in the next decade. Pension provision for the future must take account of the changing population well into the next century in order to guarantee security for people of working age today.

Only a government willing to prepare for the future will ensure that the 1990s do not mean a plunge into poverty for millions of people. Only Labour offers a prospect of prosperity for all not for just a small and privileged minority.

3. REFORMING SOCIAL SECURITY

Poverty in the Midst of Prosperity

This year's Budget gave more in tax cuts to the top one per cent of taxpayers than it gave to the seventy per cent who are on average and below-average incomes. In income tax cuts alone, these 250,000 richest taxpayers received the equivalent of the

entire increase in the social security budget this April for over twelve million people claiming benefit.

It is against this background that we must judge the upheaval in social security. On the government's own figures a clear majority of claimants are worse off than under the previous system, with all its faults and despite repeated cuts in benefits over the past decade.

It is both offensive and undemocratic that the wealthy should celebrate tax cuts while the poor struggle with benefit cuts. This is not only because claimants outnumber top-rate taxpayers by ten to one, but because it is not what the people of Britain want. Every opinion poll that has enquired has found a four to one majority in favour of giving priority to benefits over tax cuts. We are confident that the programme we now offer expresses the values of that decent majority.

4. PATHWAYS OUT OF POVERTY

Given the constraints under which social policy in the 1990s must operate, creating a fairer society requires a three-fold strategy.

First, we must create opportunities for the unemployed and others excluded from employment to find work. Second, we must deal with the problem of low pay. Third, we need a new system of social security, one which allows independence and ensures a decent standard of living for those who rely upon it. This strategy is one of building pathways out of poverty and dependency.

Opening Doors

We want to see fewer people obliged to live on means-tested benefits. Unemployment is the single most important cause of poverty in Britain today. The overwhelming majority of people living on income support would like nothing better than to earn a decent living. To complement our national programme to expand jobs, Labour will promote action to open doors for those currently excluded from work.

Regional Imbalance: The regional imbalance in Britain's present economic development requires measures to ensure that industries and services grow to match the people available to work in them. The alternative is a future in which economic activity is concentrated in congested and expensive areas, leaving the rest of the country in relative poverty and underdevelopment. Labour councils have already demonstrated how local enterprise can bring employment opportunities to even the most depressed communities.

Discrimination: The majority of the poor are women. Our new approach to equal opportunities will enable many more mothers who want paid employment to take up part-time or full-time jobs. Despite equal skills and qualifications, black people continue to face much higher rates of unemployment and to do poorly-paid jobs. More effective measures against race discrimination are needed to ensure that black workers can make their full contribution and enjoy higher standards of living.

Disability: Men or women with disabilities are the first to face increased competition for jobs. They must be given special priority if they are not to be permanently left behind, and are to share in the benefits of a growing economy.

Child care: Many parents claiming social security are prevented from returning to work by the lack of child care facilities. Providing such facilities would create jobs as well as open the door to work for many more.

Training programmes should not be a device to reduce the unemployment figures, but a way of enabling the unemployed to help meet the growing demand for skilled workers. Investment in helping those currently disadvantaged in the labour market is not a waste: on the contrary, by doing so we will expand the capacity of the economy to produce, and increase demand through the rise in purchasing power.

The poor do not want compassion, nor do they want measures intended to make their poverty bearable; they want the chance to get out of poverty. We intend to give them that chance.

A Working Wage

After unemployment, the second major cause of poverty among people of working age is low pay. Wider opportunities for employment are not enough if we only open the door to jobs paying poverty-level wages.

The level of social security benefits for the unemployed is related to the level of wages for the low paid. The Conservative strategy has been to reduce benefits to the unemployed and push wages down by abolishing minimum wage protection. By removing what they call "rigidities" in the economy, they have undermined the living standards of the poorest workers.

In this free-for-all wages market, finding a job does not necessarily mean earning a living wage. The result is that three quarters of a million families are forced to rely on means-tested benefits to top up poverty wages. Because employers are not required to pay a decent wage, the social security budget and therefore the taxpayer is required to pick up the bill. As a result, the low paid are caught in a poverty trap: each pound they earn means their benefits are reduced, leaving them little or no better off.

Low pay is not only unfair, it is also inefficient. It encourages employers to compete by cutting wages instead of improving their quality and efficiency. It reduces incentives to train staff and raise skill levels. Worse still, it gives the competitive edge to the poorest employer: competition on the basis of low pay means that the good employer is undercut by the bad, while the bad is undercut by the worst. For these reasons minimum standards of pay were introduced at the turn of the century to ensure fair competition in British industry.

One by one these protections have been abolished or weakened by the Conservative government in pursuit of a sweatshop economy. At the same time the topping-up of wages with social security benefits has subsidised inefficient firms and placed a growing burden on the taxpayer. Low pay has also meant lower tax revenues, and lower demand for goods and services throughout the British economy.

Setting decent standards for wages is essential to reduce poverty and promote efficiency. Experience in other countries has shown that the best way to achieve this is through a statutory minimum wage. In addition, a more effective entitlement to equal pay for work of equal value will enable many women – who form a majority of the low paid – to raise their incomes and be treated fairly.

Labour believes in providing adequate wages in the first place rather than using means-tested benefits – such as family credit – to subsidise pay. The best form of support for families, one which does not trap the poor into poverty, is adequate child benefit. Improving child benefit, raising the tax threshold, reducing the rate at which tax starts to be paid, and reforming

national insurance contributions, will also have a direct effect on family incomes.

In the next phase of this review we will look more closely at policies on low pay, particularly a statutory minimum wage.

5. MODERNISING SOCIAL SECURITY

Integrating Tax and Benefits

It is often suggested that benefits can be provided more efficiently through the tax system. Negative income tax and other schemes for integrated tax and benefits are held up as a cure-all that would end the poverty trap and redistribute income. Because they involve radical change, they are portrayed as more modern and efficient.

Our examination of various integrated schemes has made it clear to us that, while they may resolve some problems they fail to solve those that most concern us.

Such schemes worsen rather than reduce the poverty trap. Their very 'efficiency' means that benefits are rapidly cut back when recipients improve their positions by their own efforts.

Integrated schemes are also inflexible and unresponsive. The systems of income tax and social security were devised with different objectives, and this is reflected in the way they work. Income tax is assessed annually, whereas eligibility for benefits must take account of immediate circumstances. A combined system would find it difficult, if not impossible, to cope with people who move in and out of work.

Conservatives believe that benefits should be means tested and taxes should not. We believe the reverse should apply. Integrating tax and benefits means applying the means test to both.

Co-ordination, not integration, is needed – co-ordination of policies for social security, tax, low pay and access to employment; and this is the approach we have chosen.

Defining Objectives

The first objective of the welfare benefits system should be a system of social insurance guaranteed by the state. While in work every citizen contributes to the National Insurance Fund; in return, he or she expects insurance cover for when they leave the workforce, either on retirement or in the event of unemployment, maternity or disablement. People do not pay insurance for help when they are poor, but to protect themselves should they become unemployed.

Our present system of national insurance was never designed to cope with today's conditions, being built on the assumption of full, and full-time, employment. Married women are assumed to be dependent upon their husbands for support; no account is taken of an ageing population, in which nearly one in four adults is a pensioner. The means-tested 'safety net' of supplementary benefits was intended to cater for a tiny minority who would not have sufficient contributions to be insured in their own right. Thus it has not coped with rising unemployment.

The second objective of the welfare benefits system is to relieve poverty in cases of urgent need. This implies means-testing to establish whether the claimant does in fact qualify.

The means test requires searching and often humiliating enquiries into personal circumstances. Since the objective is to relieve only the most urgent needs, benefit is calculated to supply no more than the minimum for subsistence. By

definition, means-tested benefits do not lift the recipients out of poverty but merely support them in their poverty.

The means test also blocks pathways out of poverty, since benefit is withdrawn with any improvement in circumstances. This can result in a deep poverty trap: the changes in social security have doubled the number of people who lose over 70p in benefit for every extra pound they gain in earnings.

Welfare geared primarily to immediate relief of poverty must rely on means-tested benefits. Such is the growth of poverty in Britain that the balance has tilted heavily toward means-testing. Thus the Conservatives' new system not only fails to supply adequate social insurance for the majority, it does not succeed in its declared priority of targeting help on the really poor.

6. A NEW SOCIAL INSURANCE

Insuring Security

Prudence dictates that through our working life we contribute to social insurance on which to draw when we need support in old age, ill health or unemployment. The principle of any insurance scheme is that collectively we achieve greater security than we can achieve as individuals in isolation. No private insurance can match the comprehensive cover public provision can give all society's members, irrespective of their circumstances.

Social insurance could be a great bargain for us all. Instead, the government has through the national insurance scheme reneged on its side of the bargain. We require a new contract.

A new insurance scheme must pay fairer premiums. Present contributions are less progressive even than income tax: for the low-paid, any income they gain over the threshold triggers liability to deductions on all income below it, sharpening the poverty trap; at the top, contributions bear lightest of all on high-earners. Both these faults must be remedied.

However, we reject the view which favours abandoning the insurance principle by ending national insurance contributions altogether. Paying contributions in return for benefit rights is well understood and receives wide popular acceptance.

Social insurance must allow for those denied the opportunity to earn an income high enough or for long enough to build up an adequate contribution record. Unlike a private insurance company, the state has an obligation to every citizen. Where necessary, payment of basic benefits should not turn on contributions, but on qualification for the conditions it covers – old age, unemployment, maternity or disability.

A new social insurance scheme must also take full account of the different patterns of women's and men's lives. Because contributions are due from both employers and employees on the whole of the employee's weekly pay as soon as earnings rise above the contribution threshold, there is an incentive to employers to keep down hours and/or wages in order to avoid national insurance contributions. As a result some three million workers – mainly women in part-time work – are trapped into low earnings and denied any independent entitlement to national insurance benefits or a pension.

We have a number of improvements to social insurance benefits under consideration which will form part of our programme for next year; and among the questions we will address are the following:

- How can we best restructure the State Earnings Related Pensions Scheme (SERPS) to provide adequate pensions and honour the higher contributions paid on the promise of higher pensions?
- To what extent should earnings-related supplements be restored to unemployment or other insurance benefits?
- Would it be right to introduce a pension addition for people over 75, who because of frailty, often face extra expenditure while living on the lowest levels of pension with dwindling savings?
- What sort of national scheme can provide a disability benefit that matches the extent of the disability, irrespective of how it occurred?
- What unemployment benefit changes are needed to take account of the growth of part-time employment?
- Do we require a new scheme to provide pro rata benefits to the part-time employed, and if so would it be acceptable to take reduced contributions from their earnings?

We will consult organisations representing those immediately affected; however, we shall all at some time claim on our rights to insurance benefits and we all have an interest in any changes. We therefore welcome comment on these questions.

As well as managing social insurance, government has a role to play in protecting members of the public who take out private insurance policies. While sanctioning a great increase in private pensions plans, the Conservatives have failed to guarantee minimum standards for such schemes, or furnish impartial advice to enable an informed choice. They have reduced the benefits provided by SERPS. They have also offered to pay the equivalent of two per cent of an individual's earnings into a personal pension plan as an incentive to contract out of the state scheme.

As a result, millions of today's workers will be left with inadequate pensions when they retire. By contrast, we want to achieve the best mix of private and social provision to ensure security for the next generation of pensioners. Labour will insist that all private schemes must match the commitment of our social insurance pension to provide an adequate earnings-related pension protected against inflation.

Replacing the Safety Net

Our proposals to open up entry to the labour market, our strategy to improve low wages for those already in employment, and our commitment to provide decent social insurance benefits will help most of those presently dependent on means-tested benefits. However, this process will take time; and there will always be those who, due to exceptional circumstances, will require extra help.

For those not dependent on supplementary benefit, it is difficult to conceive of the hardship of surviving on it for long periods. Research has established that one in ten fathers of such families have no change of clothes, and half have no coat. Most weeks families run out of money before the next giro comes.

In planning for the next Labour government, we will seek help in researching an adequate minimum income in relation to prices and household expenditure. The level at which means-tested benefits are set also has implications both for the level of social insurance benefits and for overall costs.

This does beg the question of what such a level should be, and whether in the last decade of the twentieth century it will

be acceptable to give families an income that does no more than supply them with food, clothing and heat. Our view is that we should attempt to deliver a level of benefit that enables the family not merely to survive but to participate in society, and particular allows their children to take full advantage of its opportunities.

It is impossible to construct a properly-targeted means-tested income that can cover five million claimants. The Conservative response to this dilemma has been to simplify the system by withdrawing all the additions for heating, diet and laundry paid to those with special needs, and instead putting everyone in the same client group on the same rate. A flat-rate, means-tested benefit is a contradiction in terms. The biggest losers are those who are frail or disabled, since by definition they are most in need of help.

Fulfilling our objective of greatly reducing the numbers dependent on means-tested income support will make it possible once more to give individual attention and help to each case. But first we will take immediate steps to remove the worst features of the Conservatives' new scheme, such as the Social Fund.

7. A USER-FRIENDLY DHSS

One of the most insidious consequences of a social security system that relies too heavily on means-testing is that it requires staff to challenge claimants to prove their poverty. The pressure on staff is not to ensure that applicants secure their rights, but to see that nobody gets a penny to which they are not entitled.

Anyone who has ever used the local DHSS office will be aware of the interminable wait in overcrowded and spartan waiting rooms for an interview conducted through a security grille with little privacy and less dignity. Such conditions are inhumane.

Staff as much as clients are victims of such a system. Restrictions on staff numbers have added to a workload already increased due to rising unemployment and more means-testing. Morale is low, and turnover approaches 50 per cent among some grades in London.

Clients of the DHSS ought to feel at least as welcome when claiming benefit as when spending it at their local shop. This requires substantial numbers of extra staff, reception areas that are more hospitable, and a commitment by the DHSS to publicise and market the take-up of benefits. The essence is a change in attitudes: a recognition that benefits are not 'state charity,' but a fund to which we all contribute and from which we all are entitled to draw.

8. SUPPORT FOR CHILDREN

Today's children are tomorrow's producers: their efforts and their enterprise will provide the wealth and services on which we will depend.

It is thus in our interests to give every child the best possible start in life. Yet today over four million children are brought up living in poverty. One in three children faces life at a disadvantage, with their choices limited by their parents' low income.

It is expensive for a young family to raise children. We believe that the best way to give such families adequate support is through Child Benefit.

Child Benefit is simple, popular and effective. Because it is paid directly to the mother, it ensures that support for children goes to the parent who most often budgets for their needs. It is also an important means of lifting families out of dependency. If not for Child Benefit, half a million more families would depend on means-tested help.

9. HELPING WITH HOUSING

Housing is one of our most basic needs, but also one of the most expensive. For this reason successive governments have subsidised housing costs; but as a system, housing finance has emerged piecemeal over the years. It is now time for a fundamental review.

Such a review must question the imbalance between the subsidy given to the wealthiest home owners and the decline in support for the poorest tenants. Home owners on the highest incomes, paying the higher rate of tax, receive the greatest subsidy through tax relief much more than those in rented accommodation.

Over the past decade the Conservatives have brought about a steep rise in housing costs: record real interest rates have pushed up the price of home-ownership; council rents have spiralled after the near-elimination of subsidies on local authority housing expenditure; private tenants' legal rights to a fair rent have been steadily eroded; and every household has had to pay more in rates to make good the dramatic cuts in rate support grants. New housing legislation now before parliament threatens further sharp rises in rents.

Increased housing costs have led to a rise in demand for housing benefit, to which, predictably, the Conservatives have responded by reducing eligibility. The net result is that while rent and rates have risen, help towards paying them has been cut.

A strategy that divorces housing-benefit decisions from those on housing policy will end up with precisely the harsh impact on vulnerable individuals that has emerged from the Tories' most recent cuts. Over the next year we will work on an integrated strategy for housing, based on the recognition that it is impossible to stabilise housing subsidy unless housing costs are stabilised, and housing costs cannot be stabilised without first ending housing scarcity.

In the short term, Labour in government will have to remove the worst features of the latest version of housing benefit: the arbitrary exclusion of the first 20 per cent of the rates bill; the new capital rules that stop benefit going to pensioners with savings; and the ferocious taper of 85 per cent on housing benefit.

10. COSTS AND PRIORITIES

We have stressed earlier in this report the constraints under which government will work in the 1990s. The depth and breadth of disadvantage by 1991 will be so great that it will not be possible to meet all our objectives for the social insurance and support system, even over a five-year period.

In the next phase of our work we will look in more detail at the costs of different benefit proposals and at the priorities

which should guide our decisions. But those decisions will not be made piecemeal: they will form part of a clear, comprehensive and practical strategy for achieving our social objectives.

11. TAX REFORM

The Proper Aims of Taxation

The aims of a tax system are to raise revenues for vital public services, to underpin a productive economy and to ensure that everyone contributes according to their ability to pay. Taxes are never popular, but there is public support for the principle of a fair tax system – one that treats each of us in an even-handed way, and achieves a fair distribution of income and wealth throughout the community.

More and more, people are troubled by stories of tax privileges which benefit only the very rich. Tax avoidance schemes flourish and waste the nation's resources. As a result, people on low and average incomes continue to carry a heavy and increasing tax burden – paying far more than what would be their fair share under an equitable system.

In our examination of tax, the review group has been guided by three principles: first, our tax system should be fair, and should attract public confidence; second, any tax levied should be an effective tax and not be eroded by loopholes or unnecessary reliefs; lastly, taxation should promote Britain's economic performance, not undermine it.

The Conservative Legacy

Under this government we have seen the principle of progressive taxation seen by most countries as a necessary means of sharing the burden fairly almost totally abandoned in income tax. At the same time capital taxes have been steadily reduced until a lower proportion of revenue is raised from capital than in Edwardian times. Indirect taxes, levied without regard to ability to pay, now raise a much greater share of revenue. The abolition of the poll tax is the most dramatic instance of a process that will result in a thoroughly unfair system of taxation for Britain.

Contrary to government claims, the income from taxation has not been reduced. While income tax has been cut, especially for the highest paid, for most people the reduction has been more than wiped out by increases in national insurance, VAT and other taxes. In 1978-79 the proportion of GDP raised in tax was 34 per cent: In 1988-89 the government projects that it will be 38 per cent. A substantial redistribution has taken place, moving the tax burden from the wealthy to the average and less well-off taxpayer.

12. FAIRNESS

Fair Contributions

In a fair tax system, people on low incomes pay a lower proportion of their income in tax than those who are higher paid. The progressive principle that contributions should vary according to ability to pay, and rise as income rises is fundamental to tax systems throughout the world.

Britain's tax system is unique in levying the same income tax rate from the poor as it does from those earning well above the average: an income of £5,000, £10,000 or £20,000 a year

attracts the same rate of income tax. Fewer than one in twenty taxpayers pays tax at the higher rate.

National insurance contributions are even less progressive: while those on top incomes pay the flat-rate contribution, those on low wages pay a heavy toll as soon as their earnings reach the threshold. Most regressive of all is the poll tax, under which the rich pay a much lower proportion of their incomes than the poor.

In general, too many people come into the income tax system at too low a level and at too high a starting rate. The rate at which in Britain people start to pay tax is among the highest in the world, yet our top rate is now lower than any other European country except Switzerland.

Moreover, the effects of the poverty trap are such that the effective tax rate paid by the poor is far higher. Over half a million families on low incomes lose over 60p of every additional pound earned because of tax and national insurance deductions and the withdrawal of benefits – a higher rate of deductions than that faced by the wealthiest.

Labour's tax reforms

Tax should not be an extra burden on those struggling to escape poverty. To reduce the poverty trap will need action on a number of fronts: measures to end low pay, and reforms to benefits so that fewer people are dependent upon means-tested help.

It is also the case that the poor pay too much tax. At present over ninety five per cent of taxpayers pay the same rate. We propose to introduce a range of levels, starting with a lower rate than the present basic and moving upwards according to increased income. In effect the basic rate, imposed over a very wide range of income without regard to ability to pay, would be replaced by a relevant rate more closely related to ability to pay. Such a system would be fairer in both principle and practice, and would create a modern tax system that reflects the justice of the progressive principle.

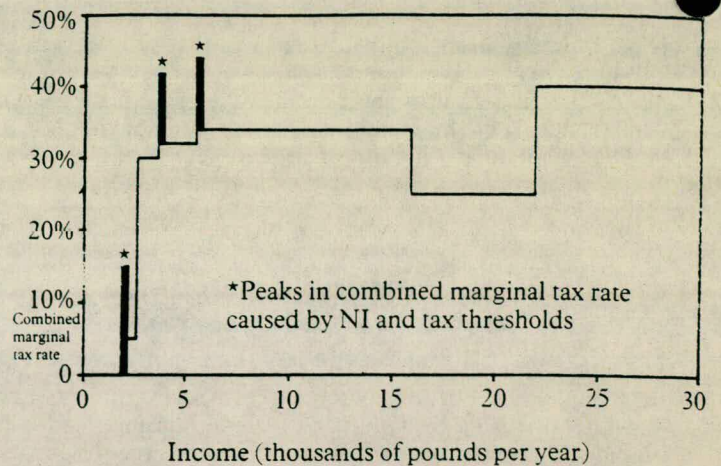
Careful consideration will need to be given by a Labour government to the levels of relevant rates and how they relate to allowances that reduce tax liability. But we believe that the starting rate should be lower than 25 per cent, and the highest rate should be higher than 40 per cent – a level of taxation which still confers very large benefits on the very highest paid. However, we would not propose to raise top tax rates to levels substantially higher than those generally applied in other European countries, which are now on average fifteen to twenty percentage points higher than in Britain.

We intend also to examine the relationship of national insurance contributions to income tax. The present situation, where the burden of national insurance contributions falls on those with lower incomes, cannot be justified. The table indicates how the present system contravenes the principle of progressive contribution. As the table shows, peaks in the rate of tax – caused by NI and tax thresholds – mean that people on relatively low incomes can be paying a far higher marginal rate of tax than those on the very highest incomes.

As noted, capital taxes have been steadily reduced in recent years. We intend to re-examine the system so that the holders of large accumulations of wealth and capital no longer escape their responsibilities. The argument about incentives used to justify low taxes on high incomes, logically implies the opposite effect when individuals receive large fortunes unrelated to personal effort or achievement. Indeed, if the argument has any validity for incomes, it must justify higher taxes on inheritance.

Our attention will be directed to the largest amounts of capital that escape effective taxation, rather than the modest transfers involved for most families.

1988-89 Tax Structure: Single Person Income tax and National Insurance contributions



Independence for Women

Fairness demands that in tax matters women should be treated as individuals, not as dependents. Married women value privacy in their financial affairs, and most men see this as correct.

Despite the recent Budget changes, women are little closer to financial independence. The Conservatives have continued the married man's allowance under another name – the married couples' allowance. Since it is still paid to the husband, administratively the financial affairs of couples remain enmeshed. A married woman or single person still takes home less money than a married man, even if their gross income is the same. This is clearly inequitable.

The system of allowances and benefits also needs to be redesigned to give far greater benefit to women and families, by raising Child Benefit, increasing benefits for carers, and reducing taxes on the low paid. In the next phase of our work we will be considering how best to achieve genuine independence in taxation, while targetting support on families with children.

Equity in Taxation

There is no logic or equity in a tax system under which people in similar circumstances, with similar incomes, pay dramatically different rates of tax. Yet this is the case in Britain today.

Most people in work have no way of avoiding tax: their salaries come under pay-as-you-earn (PAYE) deducted automatically from their paychecks. Yet those who receive executive fringe benefits such as share options – pay less tax and enjoy a richer lifestyle. For them, it is often pay-as-you-like.

Unearned income is still taxed less heavily in Britain than income from work. Capital gains have a tax-free allowance that is nearly twice as high as that allowed for earned income. National insurance contributions are charged on earned income, but are not charged on interest and dividends. Inheritances virtually escape tax altogether, while those who are independently wealthy may be called upon to make only a tiny contribution to tax revenues.

As a result, the tax burden falls disproportionately on people in work – on the average household whose main income comes from a wage, salary or pension. This is neither equitable nor effective in ensuring that economically healthy, income-earning individuals contribute their fair share.

Tax discrimination against income from work should be ended; there is little reason why capital gains should be taxed differently from other sources of income. Taxes on capital, unearned income and fringe benefits are in need of the thorough review on which we intend to embark.

13. EFFECTIVENESS

Ending Tax Privileges

Our tax system has been eaten away by a wide range of tax breaks and dodges. The vast majority of people in Britain do not get the benefit of such tax breaks; they know that those who do could well afford to pay a fair contribution.

That is not to say that all tax relief is unjustified. It is right that everyone should enjoy their own tax free allowance. It is correct that charities should be free of tax. Mortgage relief available to homeowners through MIRAS would continue to be paid under Labour. But other tax breaks are thinly-disguised abuses. By taking advantage of a variety of tax dodges, a millionaire in Britain can pay a lower proportion of tax on his or her income than a school leaver in a low-paid job.

The amount of tax an individual pays should not depend on having access to an accountant. Such preferential treatment for the few should be ended. In fairness to those who pay the full contribution, tax reliefs that cannot be justified on social or economic grounds should be ended, and those that remain should be of equal value to all taxpayers.

Other countries have means to ensure that tax reliefs are not exploited by the rich. The alternative Minimum Tax in the US is an example those on top incomes must pay at least 20 per cent in tax.

Effective taxation also requires action to curb tax evasion. The Inland Revenue estimates that some four billion pounds is lost to our nation every year as a result of tax fraud – more than sufficient to take our National Health Service off the critical list, and to reverse April's cuts in pensions and benefits.

The Inland Revenue must be properly staffed to give an efficient service. If our tax system is to inspire public confidence and respect, it must be seen to be fair and effective. The underground economy of tax fraud cannot be allowed to undermine its foundations.

14. PRODUCTIVITY

Closing Unproductive Tax Shelters

All tax subsidies should meet the test of whether or not they contribute to the country's economic objectives and performance.

In Britain today, this is far from the case. Overseas tax havens take billions of pounds in investment income out of Britain each year. Tax shelters – such as the Business Expansion scheme – have given millions of pounds in tax incentives to extremely rich investors, but have done little to help those small companies who are most in need of venture capital.

Any tax incentives should promote innovation and enterprise, and should help to enhance a productive economy. Tax subsidies should exist only where it can be shown that there is a clear national interest.

Rewarding Productive Investment

Where financial incentives can promote our economic and social objectives, these should be our priority. Incentives alone cannot give industry the finance it needs, or improve Britain's industrial performance. But they can assist our industrial and economic strategy.

Such incentives should promote business formation in potentially productive areas, and channel resources to the regions most in need of investment. They should promote innovation, give assistance with essential capital investment and encourage research and development.

Tax incentives can also assist investment in people. In Sweden and other countries, incentives exist for training, for the workplace provision of child care and for the employment of women and other target groups. We believe that such incentives should be explored by a Labour government.

We hold that the so-called 'fiscal neutrality' adopted by the present government in its approach to corporate taxation has little merit. We do not share the belief that government has only a minimal role in guiding the economy because market forces always produce the best results. In the next stage of our work we intend to examine in depth the role of corporate taxation in the development of a productive economy.

15. CONCLUSION

Our present tax and social security systems do not work in the interest of the majority of British people, and are urgently in need of reform. This report sets out the direction we believe reforms should take.

In the coming year we will look in detail at specific measures. The system we shall inherit from the Tories will pose specific problems, and we need to examine carefully the best use of what resources will be available.

Further work is also needed on specific areas: the poverty trap; the treatment of part-time work in the benefits system; the most effective ways of tackling low pay; capital taxation; the balance between different sources of tax revenues; the role of corporation tax and the best ways in which to assist industry; forms of housing finance; and a range of other issues.

The review group has already received helpful submissions from party members and interested organisations. We welcome further comments or contributions for the second stage of our review.

Appendix

The Economic Equality Policy Review Group examined:

Distribution of incomes and wealth, taxation and social security strategies, low pay, pensions and family support.

The membership of the Group is:

John Smith MP *Joint Convenor*

Diana Jeuda *Joint Convenor*

Jo Richardson MP (NEC)

Chris Smith MP

Rodney Bickerstaffe (NUPE)

Bill Morris (TGWU)

Joint Secretaries: Bill Jones and Emma MacLennan

Consumers and the Community

INTRODUCTION

This report is about improving the quality of life for consumers, in the community. It is about how the individual consumer can be encouraged to expect high standards from the goods and services he or she relies upon – standards of choice, standards of quality, and standards of responsiveness from the provider – in both the private and the public sectors. It is about increasing the power of the individual, vis-a-vis private companies and public organisations – both directly, and through the strengthening of democratic structure. It is about how public services can be reshaped to meet new patterns of need and expectations – through better management, improved consultation procedures – through the creation of a new public enterprise culture.

Most importantly, this report is about building an alternative to the narrowly individualistic, market-orientated view of society that is Thatcherism. For we argue that only a strong community can guarantee individual freedom and security. Only through the community can we regulate the market to prevent abuse, ensure fair shares for everyone – regardless of their wealth or status and provide the services upon which the whole of society depends for its well-being. 'The consumer' and 'the community' cannot be separated.

1. THE CHALLENGES AND OPPORTUNITIES OF THE 1990s

Britain is a society in the process of rapid change, the pace of which is accelerating. Living patterns and social assumptions that seemed established even a decade ago are being called into question.

The speed with which people's lives are being transformed presents a major challenge for Labour: social trends have done much to undermine traditional loyalties and weaken ties with the workplace and the community.

But hand in hand with these changes have come new opportunities. Living standards have risen for many – helped by the bonus of North Sea Oil and in the short term, the sale of valuable public assets. An unprecedented range of goods and services are now available. More and more people are able to take advantage of increased leisure time. Improved communications offer new sorts of social relationships in different types of communities.

Nor are the benefits purely material: we have the capacity to add years to life – healthy, active years that open up all kinds of new possibilities for older people, whilst changing patterns

of employment can free workers from repetitive and exhausting labour.

The values of capitalism did nothing to tackle disease, illiteracy, poverty or exploitation. Indeed they compounded, rather than solved, these miseries. The brutality and injustice of early industrial society was only tempered by the force of democratic action, expressed through trades unions, political parties and community organisations. Each new achievement in that process has generated new aspirations and new struggles – adding to the security and opportunity which we have come to expect as of right.

The new Britain

The task before us in the next decade is to push that process forward. Our goal is to promote choice, freedom and improved living standards for all in the 1990s – to reinforce all those services and values which provide a foundation for personal dignity and community strength. We must build on previous material gains, but we must also aim to transcend materialism by nurturing an environment that fosters real quality of life, in work, leisure and recreation. This includes protecting the natural environment as well as fostering art, entertainment and community education.

First, we must understand the processes of social change. We need to distinguish between the natural consequences of an affluent society moving away from an industrial past; and those changes that are the product of government policies and have gratuitously sharpened social divisions and encouraged unrestrained and selfish individualism.

We must use democracy to shape the process of change in the 1990s so that by thought and planning we avoid making some victims and others beneficiaries. People should not face a choice of either futile and often painful resistance to change, or capitulation to decisions taken with scant regard to the consequences for others.

What are the changes that matter most for the individual – and for the communities in which they live?

First, real household disposable income has risen by a quarter since 1975. At the same time, disparities between regions and social classes – which were narrowing – have increased sharply since 1979.

Hence the fact that the top 10 per cent of the population earn more of the national total of take home pay than the bottom 50 per cent. And 1987 saw the first increase in the share of wealth controlled by the top 10 per cent since 1948.

Second, Britain's poorest are becoming poorer. While 5,560,000 families lived on no more than 20 per cent above Supplementary Benefit level incomes in 1979, by 1983 the

figure was 7,520,000. Meanwhile, the number of millionaires has doubled since 1979.

Third, imbalances are growing between those who do, and those who do not, occupy their own homes. 60 per cent of households now occupy their own homes, and a new generation of home owners will pass on significant capital sums to their children.

Meanwhile, homelessness is also increasing, with 82,000 families accepted as homeless by local councils in 1987, while house re-possession are up ten-fold since 1979.

Fourth, an increase in choice and access to material goods, combined with a huge jump in consumer debt.

Fifth, there are changing demographic patterns. The trend is towards smaller households with fewer children and a rising number of elderly people. There will be some two million more pensioners in the population by the year 2,001, many of whom will be healthy, active, and keen to play a part in their communities.

Sixth, a shift away from urban living.

Between 1971 and 1985 population grew in all non-metropolitan areas, and fell in most cities. These trends increase the divide between inner city and suburbia.

Seventh, different employment patterns. The numbers employed in manufacturing industry fell by a third between 1971 and 1985, while the service sector rose sharply. Women form a larger section of the workforce in service industries, particularly in part-time and temporary employment.

If present government policies continue, there will also be a substantial employment sector that is casual, temporary, low-wage, and difficult to unionise. And there will be a continued decline in traditionally 'male' manufacturing jobs.

Without government action, unemployment will continue to blight the lives of millions – in particular the long-term unemployed, for whom exclusion from work and wages means marginalisation within our increasingly consumer-oriented society.

New technologies have the capacity to revolutionise our working lives. They give access to information, speed communications and reduce the need for routine and repetitive clerical tasks. But such technologies concentrate power and leave behind those without the necessary equipment and skills.

They offer exciting new possibilities of work at home, of fewer working hours, of increasingly efficient information collection, but could, however, also lead to greater isolation, fragmentation and inequality. People are being trapped into trying to fight against the introduction of new technologies which could improve their lives, but also threaten to blight them.

New attitudes, new expectations

With these changes have come new attitudes and new expectations; a new emphasis on individual rights and freedoms; a new resistance to what are seen as petty or bureaucratic restrictions; and a demand for higher standards of goods and services in terms of quality and convenience, in both public and private sectors. The demand for better quality services in both the public and private sectors is a key theme running throughout this report.

Much of the recent tide of criticism of the quality of public services is due to the effects of under-investment, combined

with strident political propaganda. In reality there are problems with delivery and management in both the public and private sectors. But as public services are often frequently used and may be vital to our lives, people tend to be particularly aware of any shortcomings. They demand good quality services, responsive to their needs; and we must see that they get them. To achieve this such services must be democratically controlled.

People are not only more choosy about the goods and services they use and consume. They also increasingly demand a say in the taking of decisions that affect their lives. They expect also much higher standards of responsiveness from these services, both public and private. That is why we regard it as a priority to increase democratic consumer control in both public and private sectors.

People still place great value in their communities and in collective services. Despite a government that is hostile to public services and that subjugates social values to individualism, most people remain committed to the principles of mutuality underpinning the NHS, and rely upon such publicly-provided services as education and law enforcement.

There is an awareness that we are not just individual consumers, but collective consumers too. We all suffer when public services deteriorate. We all benefit from a society based on mutual care, concern, co-operation and protection. These are values that Thatcherism has attempted to undermine, but has failed to destroy. Indeed, it cannot. They are not only socialist values, they are the common inheritance of all who seek to live in a free, caring society. They are just as important to those seeking to develop community spirit in the village or the small town as to those in the inner city. We seek to reaffirm these values, in a way that everyone can understand.

2. VALUES AND OBJECTIVES

The Labour Party came into existence to fight for a fuller life for all – for the great army shut out from the benefits of their labours. The party fought for a right to the social goods of housing, health, education and security, and for a greater slice of the material goods available in a productive economy. It sought access to political power and a change in social relations to achieve those rights and to win those goods.

It sought to build a community with equality of opportunity for all, and to encourage a sense of belonging and individual worth through democratic participation – the only means by which power can be shared by a community of individuals.

It is not only the poor who have benefited. The whole of society has been transformed. As is the case in all the dynamic European democracies, collective provision has been the means to increase individual opportunity.

Much has been achieved since Labour representatives were first elected. However, many rights, particularly those of participation, are fast being eroded by the present government.

The community and the market

The present government's perception of "individual opportunity" ignores the roots from which opportunity has sprung and undermines the kind of environment which democratic experience has shown promotes true individual growth and self-worth.

Instead, the Conservatives equate individual opportunity with a mean and limited vision of 'choice'. They dogmatically

identify a cash price as the gate through which all goods and services must pass. They seek to replace the complex interdependence of the community with the crude transactions of the market place.

Few would disagree that the market is the most appropriate means of ensuring the efficient distribution of many goods and service – certainly in a modern, industrialised society. But it has been shown time and again that the market cannot meet all needs or expectations. That is why people joined together to provide community services and to improve the quality of their lives which were so severely constructed by the unfettered operation of market forces. Mutual dependence created collective provision in the past, and in the future will be just as necessary in safeguarding justice, sustaining prosperity and reinforcing a sense of community.

An unregulated 'free' market has no responsibility to society or to the environment. In practice it often fails to provide choice, and tolerates unscrupulous or dangerous practices, leaving the consumer only the negative choice of rejecting what is on offer. The community has to intervene. Whether it is a case of garages or insurance companies, builders or travel agents, the need for consumer protection and enforcement of standards is demonstrated daily.

Nor is that need restricted to small service companies. British Telecom shows that transferring a major monopoly from public to private ownership does not make it more responsive or responsible. Nor could it be expected to when money-making was the chief objective. Instead, the over-riding concern with profitability means that investment, training and socially useful services are sacrificed. The user takes second place to profit.

Most significantly, the market limits individual choice to individual resources. With public provision that choice is far greater, because each individual has access to the pool of resources funded and sustained by the strength of the whole community.

Health care is a case in point. Here the consumer is clearly best served by the fact that diagnosis and treatment is not limited by his or her ability to pay. We must also recognise that health care takes place in the context of public health standards and priorities. Preventive health, by definition, cannot be 'sold' to individuals but is a responsibility for the whole community. In education, housing, and water supply and sanitation, we also recognise that the interests of all are best served by ensuring that no individual is excluded from access, however rich or poor they may be.

Often the 'free market' is neither free nor fair. It may fail to balance competing needs and interests; and it may exclude altogether those who lack the necessary purchasing power. In such circumstances, clearly, it becomes not only a matter of morality, but also of efficiency, for the community to take steps to ensure equal access and to set high standards of provision.

In many cases, the power of large companies and conglomerate institutions means that the profusion of consumer choice is largely illusory, a marketing ploy. The individual consumer, far from being supreme, is powerless. The resulting sense of frustration can only be transformed into a force for change by popular co-operative action, as we are beginning to see in the consumer movement in America and elsewhere.

Mutual responsibility, individual security

As society becomes more inter-dependent, mutual responsibility is more and more become a source of strength rather than a mere necessity. Common security and prosperity enhance individual security and prosperity. In practical terms,

most people recognise that paying an insurance premium is a superior form of security to keeping their fingers crossed – even if they never have to make a claim on the insurance company.

It is in this spirit that all our public provision and all our regulatory legislation has been created. In the process, local authorities and other publicly-funded and publicly-accountable bodies have come to assume a central place in the life of the community.

In the last forty years, the role of local authorities has come to be seen as that of the primary providers of services for the community. But they are much more than that. They are the Government of the community. At their best they are the expression and the instrument of the democratic will of the community, mediating between the conflicting demands of individuals, community and voluntary organisations, private businesses and public service. To reduce local authorities to the status of service providers, re-imbursed by a flat-rate charge, as the present government proposes with its Poll Tax, is to entirely miss the significance of the community to its members.

It is the role of democratic government, local and national, to give expression to the aims of social provision and then seek to identify the best means of enabling the community to achieve them. It is also its task to lead, and to initiate good practice (and to regulate to prevent bad practice) in both public and private sectors. To fulfil these roles, it is also necessary to constantly monitor and review the means by which government becomes aware of the needs and wishes of the community.

A voice for the citizen and consumer

There is no reason why democratically-controlled services should be monolithic. Government, whether central or local, should aim to ensure a plurality of provision. It should seek to give people a positive opportunity to shape services by political participation – in other words give people a voice – rather than leaving them the choice of simply accepting or rejecting what is on offer, whether it be in the market place or in the Town Hall. In this way a local authority can extend democracy in a way that is impossible in the market economy.

At a time of rapid change in work patterns, lifestyles and technology, the ability to exercise such a 'voice' is essential for the health of democracy and the wellbeing of the community. Equally, the benefits of new technologies cannot be fully realised without a degree of democratic participation, which reinforces a sense of mutuality and spreads the benefits of greater productivity. People want to feel they have the power to control technology rather than be its servants.

We have used the headings 'consumers' and 'community' in our analysis because the two are inseparable. We are none of us merely a consumer – nor is consumption the only form of participation. We are consumers and citizens, citizens and electors, electors and tax-payers, tax-payers and contributors, contributors and producers.

Such a complex of relationships between the individual and the society is the community. It is something greater than the sum total of consumers. It is an essential ingredient in the quality of life of each individual. The citizen has a stake in all the services, even in those of which he or she is not a direct consumer.

Service delivery is the key

But despite the importance of this interest of citizenship, it is

ultimately on the outcome of the service that it is judged – and rightly so.

People want a good service, and for their criticisms to be heard and their priorities noted. But they also want to entrust the day-to-day management of the service to those who are employed to provide it.

There is no single best means of achieving quality and responsiveness of service. The voluntary or community organisation has a part to play, as does the private company or major public corporation. Quality and efficiency are advanced by fair competition and the clear identification of priorities. As democrats, we believe competition is in the widest interests of society, but competition taken in the sense of an exploration and open examination of ideas and approaches without preconditions or preconceptions – not a narrow, strictly market-oriented definition of competition.

But we also recognise that in both public and private sectors there are a number of natural monopolies in which competition is both inappropriate and unreal. In such cases, government must devise independent machinery to encourage efficiency, quality and choice. Declared service objectives, customer satisfaction audits and powerful consumer 'watchdog' committees all contribute to effective public regulation.

New opportunities – more responsive services

Information technology and new management methods hold out the chance of better quality services – as well as the possibility of changing the whole nature of the services themselves by greater decentralisation and attention to the needs of the individual.

Many current initiatives show us clearly how some forms of public provision are the only way of giving people real choice. For example, the idea of a neighbourhood centre, combined with an elderly persons unit providing a whole range of services on which people can draw at the time they need them, with ease of access, would only be available to a millionaire if provided by a market economy.

Combined with the pressures from consumers and voters, these new developments mean that we can look forward to radical service initiatives. They should also mean more information to enable people to involve themselves in local decisions, and the chance to tailor services more closely to the needs of individuals, instead of having them conform to a pre-determined pattern.

A new public enterprise 'culture'

These new initiatives must also involve the workforce that delivers them, so that public authorities provide services with the public rather than simply to the public. It is essential that the public sector orientates itself more towards the consumer.

This includes new forms of user management. Initiatives already include tenants' management of housing, people with disabilities helping run day centres and neighbourhoods assisting in managing leisure facilities.

Management must see that a service is of real value only if it is of value to those for whom it is provided, and rise above the simplistic notion that 'value for money' is a matter of cutting costs. Services must be allowed to operate on the premise that real value lies in the quality of the service provided, and in ensuring all who need it can use it.

Our goal is thus to create a new public-enterprise culture.

Strategic planning, provision of socially useful goods and services, and comprehensive workforce training have long been

virtues associated with municipal and public undertakings. They are essential to construct a solid basis for personal opportunity and a more widely-shared prosperity.

Far from being a drain on the public purse, a public-enterprise culture would be a net contributor to the community – a positive force in shaping and improving the employment opportunities and service choice available to the community.

For example, transport or health services can revitalise the local economy – both through employment and through the productivity and quality of life they bring to the whole community. Yet while it is generally accepted that spending on defence procurement is a key element in public investment in research and in stimulating manufacturing, the same has not been accepted for public services. This failure to recognise the link between spending on services and wealth creation, manufacturing and export potential has had profound consequences. The belief that private enterprise creates wealth and public services dissipate it, is misguided. Investment in infrastructure, transport, education, training, research and in social and health provision, creates a home market for products, services and skills that helps us compete in world markets while maintaining a civilised and caring community.

Collectively financed innovation and democratic control therefore do not only help create better services for consumers and a more satisfying and secure working environment for producers. They can also provide the basis for wealth creation – to the benefit of the whole community.

In developing policies, the use of good practice is at least as important as the use of legislation, and this report reflects the priority we give this.

3. FUTURE POLICY DEVELOPMENT

To give effect to the principles and values outlined in this report, we will be examining more detailed policy areas in the second stage of our review. The following section highlights some proposals we expect to look at further.

Organising for quality

As a starting point, we apply three tests:

- Does the service put the individual consumer at the centre of the picture?
- Does it adequately reconcile any conflicts between different individual interests?
- Does it serve and safeguard the larger interest of the community as a whole? How far does it reinforce the mutuality, co-operation and interdependence of a healthy and civilised society?

At present, few public or private services would pass these tests.

So how should they be organised?

Markets are appropriate for the delivery of many goods, but the interests of substantial sections of the community are poorly served when profit motivates all service delivery.

The primary intention of a good service is to meet need – not to make money. Once the need for profit has been introduced, we may lose sight of the whole point of providing the service – be it in health, education, transport or care of the elderly. An approach that regards all services as commodities leads to compartmentalism and fails to see the individual or the

community as a whole. Thus, for example, preventative health is neglected, training provision under-funded and childcare ignored.

Many services can only be organised on a community basis – because we all benefit from the service itself, or because of the mutual concern and social cohesion they epitomise.

But democratic ownership means more than efficiency or the meeting of need. It is the means by which people exert control over their lives. It is the only means, for example, that the individual consumer can be powerful enough to influence a multinational company.

This is why we reiterate our commitment to social ownership for key sectors of the economy and look for new ways of expressing clause four, part four, of the party's constitution in the search for "the best obtainable system of popular administration and control of each industry or service".

However, there are many flaws in the structure and delivery of collectively provided services. Performance has not always matched potential. Users have not always found the service accountable to them, nor have they obtained the quality or choice of provision they wished for. Adherence to the principle of collectively-provided services does not prevent us recognising these facts and seeking improvements, especially by extending democratic control and improving service delivery.

Between both public and private, however, there is a growing third sector, embracing co-operative, self-help co-operative, and voluntary initiatives. This we welcome. But even here we need to protect individual rights and ensure that all sectors of the community are adequately served.

A variety of methods, a variety of needs

We recognise that there will be a variety of methods of providing different goods and services; neither 'collective' nor 'market' provision can meet every need.

Our concern is to maximise the contribution of each to social well-being, so that users can exercise influence and control over the services upon which they rely. The aim is to break the Conservatives' attempt to impose a monopoly of one type of thinking, that which relies exclusively on the market.

A number of clear guiding principles have evolved from our discussions.

1. Responsiveness to individual needs and wishes

Delivery of goods and services should be as responsive as possible to individual needs and wishes. This should be underwritten and made enforceable by clear entitlements to services, specified choices and standards, means of complaint and redress, and information.

Our aim is to ensure that consumers in both the public and private sectors know their rights and are able to exercise them.

These rights and duties could include:

- a) Laws which provide real protection for consumers from defective products, and to ensure compensation when things go wrong.
- b) A general duty requiring companies to trade fairly – enforced by statutory codes of practice.
- c) Arbitration and simplified court procedures for people seeking redress.

- d) An independent complaints procedure for professions, such as estate agents or lawyers.
- e) A duty upon public agencies to consult users over changes in services.
- f) Guaranteed access to consumer advice and protection facilities.
- g) Clearly defined user rights in public services – as examples, a woman's right to see a woman doctor and a patient's right to a second opinion.

2. Choice must be expanded and made meaningful for all members of society

We shall look at how to implement our proposals in each of these areas. Four questions need to be considered:

How to build choice into our social services. Within the NHS, for example, we will consider such issues as choice of GPs and consultants, timetabling of operations and consultations and access to Well-Women facilities. Within the social services, we will look at ways of giving elderly people a choice of means to remain independent in their own homes – aids and adaptations, home helps, access to community facilities and, where needed, residential and respite care.

How to remove barriers to choice – such as the restrictions on house maintenance or minor improvements sometimes applied to council tenants, and the difficulties in housing transfers. With education we shall consider how to turn the idea of lifetime entitlement into a reality.

How to facilitate real choice. We need for example, to improve consumer information and ensure that individuals have full access through comprehensive advice facilities and consumer education within schools.

How to ensure that all members of society can exercise choice. Choice must not be restricted to those with the ability to pay. Equally, we must oppose restrictions that prevent women, black people and people with disabilities from having a fair share of the benefits the community has to offer. Positive steps must be taken so that all the groups and communities which make up our society have a say in planning services.

3. Individuals must be fully protected against the harmful consequences of the unregulated activities of other individuals or institutions

People look to their community representatives to take planning decisions in such areas as traffic control or environmental pollution. To exercise this role, local authorities must have the power to act on behalf of the residents affected.

4. Individuals should have the opportunity to be involved

For example, they should be consulted on local transport plans, or be assisted to participate at public inquiries on an equal basis with vested interests. And there should be a clearly-defined "right of reply" in the media.

5. We must empower users to find out the facts and influence the behaviour of public and private institutions

For example, greater emphasis on the 'right to know' will help consumers actively participate in service planning and exert a positive influence. The organisations themselves, public and private, must have a duty to inform the public about plans and decisions:

Within the public sector this could involve the wider adoption of 'good practice'. We should learn from countries such as Sweden and Norway, that are refining their models of customer responsiveness. But we must learn too from the best of our Labour councils. We must develop policies in such areas as:

- the setting of clear targets and priorities, for instance in service levels and safety standards;
- measuring user satisfaction, for example using opinion polling or 'panels' of local service users;
- involving users in planning, either directly or through voluntary and community groups;
- monitoring complaints, including specific feedback on tasks such as council housing repairs.

Within the private sector. All too often this sector escapes criticism, as it is argued that consumers can exercise choice through the market. In practice this choice is often limited and may often only be exercised at disproportionate cost.

Much could be done to make private-sector companies and organisations more responsive to their customers. For example:

- "social audits" for private companies;
- arbitration and complaints procedures;
- more resources for local authority inspectorates.
- creation of consumer and user 'shares' in these activities.

6. Consumers have a right to high standards of quality in goods and services in both sectors

We should improve the quality of services from the public sector and regulate for comparable standards in the private sphere. This could involve:

Developing a 'Quality Commission' to monitor and guide public agencies in improving their services. Such a commission would stress the 'effectiveness' side of service delivery as a complement to the 'efficiency' scrutineering role of the Audit Commission.

Learning from progress towards 'public service orientation' in Sweden and elsewhere (including our own Labour Councils). This involves new management styles developed for the public services – not borrowed from the private sector; better use of staff skills at all levels; improved training in service and management skills (including training for elected representatives); and extending experiments on decentralisation, 'one-stop' service delivery, improved reception facilities, etc.

Allowing the public sector to undertake new activities, by removing artificial barriers to competition. This should be

based on equal financial and social disciplines and adequate monitoring to ensure that management is fully accountable. The public sector should be able to compete with the private sector on an equal basis, and demonstrate its capacity to deliver high-quality services where the 'market' fails the consumer. Examples include estate agency, car servicing and house maintenance. Our aim is to promote a public-sector 'enterprise culture': an innovative redrawing of traditional boundaries.

Ensuring that standards for the private sector are not merely laid down but enforced: with sufficient trained staff to carry out inspections, adequate penalties to deter offenders, and adequate funding for user groups, particularly in such areas as transport and communications.

Developing and implementing proposals along the lines indicated in Labour's Charter for Consumers – to ensure consumers have sufficient information and legal protection.

7. We must recognise that for many people "ability to pay" effectively limits choice

If charges are to be levied for particular services they must not inhibit the provision of essential services to those who need them. Our definition of 'consumer' draws on the concept of need as well as the means necessary for the exercise of choice. We should therefore be highly selective in the imposition of charges.

Charges have no place in health care, for example, or in education, or in the majority of social services. Where they are levied – for example, in public transport or adult education – they must be assessed carefully and not inhibit use of such services.

8. Well run organisations, responsive to consumer needs, are in the long-term interests of both consumers and employees

Public-service workers performing what are frequently vital but all too often under-appreciated jobs can find themselves in a different position from those in private industry. There may be potential conflicts of interest between, say, one group of employees and either consumers or other employees. Wherever possible we should identify and resolve them through more effective management, and consultation with users and employees.

9. At every stage of policy development, the emphasis should be upon implementing change rather than enacting legislation

Our aim will be to experiment with some of our proposals in Labour local authorities, and to publicise the positive results and achievements of such 'flagship' services.

4. CONCLUSION

The proposals above all have different applications in fields covered by the review group – including health, education, transport, leisure and local and central government services.

The second phase will apply the principles and move from the general to the particular, testing our suggestions in terms of practical policy. For example:

- a) What will "public service orientation" mean to the management of our public transport systems?
- b) Which method of establishing user priorities will be most effective – for example, participation in planning, a simplified complaints/comments system, or opinion polling?
- c) Will entitlements to choice, standards and speed of treatment enable individual users of the National Health Service to obtain better service, and thereby improve standards overall?
- d) How can a new emphasis on staff training help give a better quality of care for residents of homes for elderly people?
- e) What will be the powers and duties of the proposed 'Quality Commission'?
- f) How can we develop new forms of democratic accountability and consultation to identify the needs of all users, rather than just those of particular interest groups.

It has only been possible to lay down the broad principles on which to build the second stage of the review. It is essential that radical ideas which accord with our democratic socialist values are put forward by all those with something to offer. In this way, we will be able to build on the foundations already laid to provide the programme and policies for a credible socialist alternative. Labour must give new form in the late 20th and early 21st centuries to the aspirations of equality, fairness, justice and community, which our grand-parents sought to achieve.

The key question we need to address is how to extend and develop the working of democracy in modern conditions. This will provide a counter-weight to the siren song of wealth which gives a few real power, whilst offering a cynical delusion to the many. How we increase accountability, meet need and offer real participation will be vital in making attractive and credible

specific policies for improving the services we are committed to provide.

We can only succeed if we honestly identify where past action went wrong ;and if imaginative democratic socialist proposals are clearly laid out for people to see that the future is in our vision of a better, more civilised society. We do not seek in any way to accept or absorb the boundaries of Thatcherism, but rather to leap-frog over them into the 21st century – where quality of life, care for others and personal-fulfillment will take precedence over self-interest and greed.

Appendix

The Consumers and the Community Policy Review Group was asked to concern itself with:

Responsive public services and more effective local government . . . questions of quality, quantity and real choice of services including education, housing and transport, and policy to make both public and private sectors more responsive and accountable to the public interest in their delivery to communities, individuals and families."

(Note: The financing, structure and role of local government has been dealt with by a review of a consultation paper issued at the beginning of 1987. A separate report will be made on this to the NEC)

The National Executive Committee and the Shadow Cabinet asked the following to serve as members of the group:

Jack Straw MP (*Joint Chair*)
David Blunkett MP (*Joint Chair*)
Colm O'Kane (NEC)
Andy Dodds (NEC)
Renee Short (NEC)
Harriet Harman MP
Alan Williams MP
Jeff Rooker MP
Garfield Davies (USDAW)

Joint Secretariat: John Newbiggin, Helen Shreeve, Richard Margrave, Tim Lamport and Karen Buck.

Democracy for the individual and the Community

INTRODUCTION

Labour's statement *Aims and Values* proclaims the purpose of democratic socialism. Our object is to protect and extend our liberty – the real freedom that comes not from possessing theoretical rights but from having the power to decide between the choices provided by a free society. Our task in this report has been to consider ways in which that real freedom can be enhanced and those real liberties extended.

Other reports (particularly those on industrial and economic policy) examine the distribution of income and wealth, and the extension of freedom and choice which that will provide. What is clear from those reports, and what we emphasise especially here, is that the key to extended liberty is the power to choose. When most men and women in our society lack the means to afford the choices freedom provides, the right to choose is notional and of no value. Unless we can remedy the present unequal distribution of both wealth and power, there will be no true extension of freedom.

There is, however, another element, in the extension of individual liberty and democratic rights. The institutions of society, the extent and nature of its democracy, its system of justice and the ease of access to that system – even the attitudes of one group towards another – play a vital part in either extending or curtailing true liberty. It is on these structural and social elements that we have concentrated our work in this phase of the review. In the second phase we shall look at the practical extension of democracy in national and local government.

1. A FRAMEWORK FOR POSITIVE RIGHTS

The task for the future is to extend both the democratic rights and responsibilities of all citizens. This is the key to a community in which everyone is a full and equal member, as well as being the basis of good government. Those democratic rights can only be exercised where society's institutions are accountable and representative and where the individual can challenge government decisions and actions; and, at the same time, be protected from the exercise of arbitrary power.

Those fundamental conditions of freedom and of citizenship in its broadest sense are not met in Britain today. The present government, with a large parliamentary majority, a ruthless disregard for democratic practice and a disdain for 'society' and community, has used its power to override individuals, trade unions, the press, local government and even parliament.

Over the next few years, our democracy will continue to be weakened and individual rights will continue to diminish. The introduction of the poll tax, the privatisation and centralisation in public services, reduced rights in employment and social security, and the implications of centralised systems of information technology will combine to increase the power of government.

We believe that the most effective way to redress the balance of power is to promote policies that advance the rights of the individual, especially in the way collective institutions are formed and run; that promote equality before the law and equal access to the law; that effectively challenge discrimination by promoting positive rights; and that in the process lead to more open and effective government.

Five Principles

In preparing this report, we have been guided by the following principles, ones which will guide us through the second, more detailed, stage of our work:

First, in a pluralistic democracy, power, real power, must be passed outwards and downwards. Wherever possible, decisions must be taken by the men and women whom they affect, rather than be imposed from above; and to take these decisions, people must have the necessary information, resources and assistance to do so.

Second, the quality of democracy depends upon the extent to which men and women have access to their rights, and understand them, and are protected against any injustices that may follow from the decisions and actions of government.

Third, while laws may be intended to promote rights and fairness, freedom and equality can only be guaranteed if the law has the support of positive strategies and policies to enable those rights to be exercised. For example, for many women, fair employment legislation is meaningless without provision for child care to enable them to exercise the freedom to work.

Fourth, even while the law exists to promote equality, the idea of extending freedom, greater equality and open access to government is crucial in creating the appropriate climate. The opinion formers within society have a key role and must be encouraged to promote those positive ideas.

Fifth, rights must not only be realisable in practice, but be available equally to all citizens, irrespective of gender, race, sexuality, disability or economic circumstances.

Open Government, Parliamentary Control and the Rights of the Individual

With these principles in mind we have drawn up a strategy for legislation that provides a framework for a more effective and open democratic process.

At its heart is a Freedom of Information Act. A government that wishes to act with the consent of the people must be open in its objectives and willing to submit the details of its proposals to informed debate. Nine other democratic countries already provide this fundamental right.

For a Freedom of Information Act to be effective, the presumption of the legislation must be that all information is freely available. Exemptions, to protect both national security and individual rights of privacy, must be specific and carefully defined and there must be a right of appeal. It will be for those who wish to retain the confidentiality of specific items to make their case for individual exceptions to the general rule.

The Act will apply to local as well as national decisions: at present, people are unable to find out about proposals which may affect their homes, amenities, services or safety until it is too late to affect the outcome. We would also extend disclosure to the public archives.

Our new Act would also bring about the reform Section 2 of the Official Secrets Act and limit the Act to national security issues. In this respect we are particularly concerned that the government's plans to reform section 2 will make matters worse. Our new procedures will, to a great extent, balance the requirements of national security and the law with the need to ensure that all actions of government are subject to political and parliamentary control.

In this respect we have been concerned with the arbitrary use of the Royal Prerogative to legitimise, within the notion of national security, action that would otherwise be criminal. A vast range of powers reside under the general heading of Royal Prerogative, including the signing of Treaties. We therefore conclude that, to prevent abuse, we should identify particular areas of government activity at present legitimised by the Royal Prerogative, and exclude them or regulate them by statute.

We also recommend that all legislation in the remainder of this parliament be scrutinised to see if appropriate amendments of this type are necessary.

It is equally important to control executive power by reinforcing the integrity of the Civil Service. This government has identified the civil service with the government of the day, and has punished "disloyalty" severely. We would put a duty on civil servants – conscious of improper behaviour on the part of ministers, for example – to report such matters to their permanent secretary. The latter would then be under a duty to investigate matters and report to an all-party parliamentary select committee. There would be thus no question of such action leading to dismissal. Security vetting in the civil service should also be reviewed to limit the number of posts covered and to re-define the criteria for security clearance.

Protecting the Individual

Our strategy for protecting the individual rests first on a Personal Files Act. It would extend access and strengthen the powers of the Data Protection Act. Individuals would have a right to see and correct information about them on manual as well as computer records, held by public and private bodies. We would also seek, for instance, to improve the rights to compensation for damages incurred by the use of inaccurate information.

We need to reform administrative law. Our Freedom of Information Act would create a new right, under which public

authorities would be required to make publicly available the guidelines on which decisions on rights, benefits and penalties affecting individuals are based, and the reasons for such decisions.

Complementing each of these new developments we also propose a general right to privacy, which could be exercised in the courts as a check against the public invasion of privacy. With all of these proposals, we intend to consult widely to see how best they could be introduced – for example, on the extent to which a right to privacy should be balanced by a defence of publication in the public interest.

Should we have a Bill of Rights?

The strategy outlined above would correct some of the obvious deficiencies in civil liberties. It would also bring us into line with practice in other countries. And it would, we believe, be more effective and more appropriate than an entrenched Bill of Rights, often promoted as the sole solution.

We have carefully considered the merits of a Bill of Rights, but reject it on the grounds that by nature it is concerned with negative rather than positive freedom. Furthermore, it is assumed that such a Bill would rest upon the European Human Rights Convention, which itself deliberately creates a large number of exceptions.

A Bill of Rights would thus be at the mercy of judges who would be free to adopt the most restrictive possible interpretations. It would also open the way to decisions on economic issues that would protect the rich and powerful at the expense of the rest of the community. Far from giving power to those who have least, it would diminish it still further. We certainly have no confidence that the narrow social experience and outlook of the judiciary would produce an approach to the rights of the individual which is consistent with our view of society. Incorporation of the European Convention would, ironically, also make it even more difficult for individuals to bring a case before the European Court of Human Rights.

However, we are conscious that access to the European Court of Human Rights is already slow and extremely difficult. Furthermore, we recognise that, through the European Human Rights Commission and Court, the convention has provided a useful remedy against injustices committed by the British government. We are also aware that in the field of race relations and human rights, there are international principles and standards which might appropriately be applied to Britain. We propose, therefore, in the next stage of our work, to look beyond the UK to see how access to the European courts could be improved, possibly through a parliamentary commissioner for human rights. We will also examine how UK legislation might be made more compatible with the European Convention.

2. EQUAL ACCESS TO THE LAW, EQUAL RIGHTS UNDER THE LAW

The law and justice are central to Labour's commitment both to genuine freedom and to the civil and individual rights that go with this freedom. Our task in considering the system of justice in this country is to ensure equal access to the law and equality of treatment before the law. We therefore welcome the charter for legal rights prepared by Labour's parliamentary

spokespersons before the last general election, and wish to build upon these central themes of that charter.

At present the law is often inaccessible and prejudiced in its administration. Women are disproportionately liable to custodial sentences, as are those from ethnic minorities; the latter also find it more difficult to obtain bail, and are more likely to be held on remand. The young, the poor and the inarticulate, those in most need of legal assistance, are the least likely to gain access to it, just as they are more likely – sometimes unfairly – to fall foul of the police.

We must review the administration of justice as a whole if we are to eradicate this consistent unfairness. Exhortation, example and the creation of a different climate are all necessary. Specific issues, such as the need for more non-custodial sentencing and a reform of penal policy, still need to be addressed in phase two of our work. But there are some parts of the administration of justice where recommendations can be made.

A new approach

To sustain universal access to the law it is necessary to provide a co-ordinated central government approach to the funding of public legal services. But we also need a consumer-led legal and advice service commission, working nationally and regionally to ensure the co-ordination, distribution and cost effectiveness of this provision.

This requires a comprehensive national network of both general and specialist advice and legal services. This should be based on the planned expansion of law centres and agencies in every area, to eradicate present geographical inequalities. The use of private practitioners must be encouraged where this expands choice and provides a more economic service.

The success of this national network will depend on secure and guaranteed government funding, supplemented by assistance from local authorities. Local councils must be the vehicle for implementing this policy. The commission will be responsible for negotiating with national government to make sure the necessary funds are made available, and will also ensure that local councils fulfil their statutory duties to make adequate provision in their areas.

Legal aid

The general issue of access to legal aid needs further consideration, but on one specific area it is possible to make recommendations. The availability of legal aid has diminished alarmingly during the last few years, rendering many people incapable of resorting to law. The Legal Aid Bill, now before parliament, will make matters worse. Furthermore, there is a startling lack of legal aid for representation before industrial, immigration or social security tribunals or coroners' inquests.

There is no greater unfairness than the legally unrepresented applicant against the legally represented employer or government department. In 1986 and 1987, over a third of applicants were unrepresented in contested industrial tribunals cases on unfair dismissal, redundancy, sex and race discrimination, and equal pay. Before the immigration and social security tribunals there is virtually no representation.

Our aim is to extend legal aid for advice and representation before all these tribunals, in all cases where the factual or legal difficulty or general importance of the case merits it. To make the legal system accessible to all, legal aid provision must be properly integrated with the detailed proposals for legal services we will develop in phase two.

Other reforms

For most people, court and tribunal proceedings are both mysterious and daunting, robbing ordinary people of their confidence. They must be de-mystified. And the method of selecting and training members of tribunals, judges and magistrates, not least in rape cases, must be fundamentally reviewed, along with the selection procedure for juries. All of this will be pursued in phase two.

We must also create more specialist courts, which are informal enough to encourage people to use the legal system to enforce their rights. The arguments for a single court to deal with all family matters are mentioned elsewhere in this report. Similarly, we may need a specialist housing court set up to adjudicate upon new housing legislation. Whilst the details need extensive work, we are determined to ensure that the outcome creates a system which people understand and are able to use.

We also believe that ministerial responsibility for these major reforms in the administration of justice should reside with someone other than the Lord Chancellor. During the next stage of our work, therefore, we propose to consider the Lord Chancellor's role and responsibilities and the possibility of incorporating much of his or her work within a new ministry.

We have yet to scrutinise the operation of the Police and Criminal Evidence Act and the Public Order Act. Our task will be to strike the right balance between the rights of the citizen and the rights of the police, so that society is properly protected yet free from coercion. This will often mean taking political initiatives to create closer working relations with the police. It will also mean adopting policies on employment and the inner cities which will improve the position of both the community and the police, and funding the extra police which each authority genuinely needs. To create the necessary degree of trust between community and police, we also need a more effective complaints procedure and directly accountable police authorities, including an elected police authority for London.

3. PROMOTING EQUALITY: EXTENDING RIGHTS

A central objective of a future Labour government will be to change the balance of power in Britain to achieve real equality between the sexes and the races. We must break down the barriers of prejudice that limit the life chances of so many women, condemn the ethnic minorities to second-class citizenship, divide classes, leave young people powerless, and often place people with disabilities outside the community and restrict their quality of life.

Little progress has been made since the 1970s. Job prospects for black people are no better now than they were before the Race Relations Act became law twenty years ago; women still earn only two-thirds of average male earnings and are largely segregated into a narrow range of unskilled and semi-skilled jobs; and people with disabilities are still often excluded from skilled jobs, decent incomes and the prospect of promotion.

Women, ethnic minorities and people with disabilities have rights under the law. But the law is only a framework within which rights are exercised. Civic rights can only be advanced within a society where all the conditions for social and political freedom are sustained. Unless women and men have the power to choose, the right to choose has no value.

A Government Lead

The key to achieving that change in the balance of power is a government eager to use its powerful role as the principal employer and provider of services; a government willing to show by intention and deeds that it is committed to combating discrimination at all levels of society.

We believe a new Ministry for Women remains the right way to tackle the complex prejudice and discrimination that still face the female majority. This Ministry would be close to the centre of power in Whitehall yet accessible to women through their active involvement at regional and local levels. It would ensure that government is informed of women's real needs and that these are placed high on the political agenda.

The promotion of good race relations and equal opportunities for ethnic minorities also requires a lead from government departments. They should be required to ensure that within each of them institutional mechanisms exist for this purpose. We will consider in phase two whether the Home Office should continue with primary responsibility in this area, what measures need to be taken for co-ordinating government effort, and the role of the Commission for Racial Equality within these new arrangements.

Government must lead by example. We believe that each government department should be required to examine its policies and practices to see that they contribute towards greater equality. A broader obligation than the one which at present exists in the Race Relations Act should be imposed on local authorities and other public bodies to promote equal opportunity and eliminate discrimination. These authorities should be required to report annually to the appropriate minister on their performance of this obligation; and the minister should be empowered to give directions to see that they keep up to the mark.

As part of this equal opportunities obligation, we believe that all public bodies, national government and local authorities alike, should be required to ensure their contractors comply with the laws on equality. This would mean taking positive action, designed to counteract the past discrimination faced by women and oppressed minorities. The US experience proves that contract compliance is ineffective unless it is compulsory. The Department of Employment thus should monitor and enforce compliance.

In phase two of our review we will look in more detail at how this equal opportunity obligation, which would include the monitoring of an organisation's workforce and the filing of annual returns, can be extended to private sector employers and be properly enforced.

Effective contract compliance programmes will help secure a fairer deal for women and disadvantaged minorities at work. But much more needs to be done to overcome the specific hurdles they face in exercising their rights to participate equally, in all areas of economic and social activity.

Prejudice and discrimination cannot be separated from the economic and social opportunities of those groups and individuals still denied the full rights of a free society. For women, the lack of alternative care for children must be rectified by a statutory right to childcare for parents, to be provided by properly-funded local authorities. For people with disabilities, the need to participate fully means that all buildings must provide access and that public transport must make proper provision for their needs on scheduled services. For ethnic minorities, more resources need to be channelled into deprived inner city areas where a disproportionate number of black people live.

In phase two we will examine in greater detail the range of initiatives needed to create genuine equality.

Improving the Existing Law

Our existing laws on sex discrimination, equal pay and race relations are inadequate, and their scope and power must be extended to enable government to fight prejudice and discrimination. The law can and must foster a climate of opinion in which non-discriminatory practices become the norm.

Existing immigration and nationality laws have the opposite effect. They have poisoned the climate of race relations in this country. We will therefore introduce a new British Citizenship Act. This would establish nationality and immigration laws and procedures that respect the family life of all those living here and do not discriminate on grounds of race or sex.

If laws are to be effective, there must be no barrier to using them.

We must make it easier for individuals to bring and prove cases of discrimination. We need clearer and more comprehensive definitions of discrimination and less complex and time-consuming procedures.

We will do this by, for example, shifting the burden of proof so charged with discrimination must prove that there are grounds for the decision other than sex, race or victimisation. We will also broaden the definitions of indirect discrimination within the Sex Discrimination and the Race Relations Act to include 'practices, preferences or policies' so that, for example, the discriminator must demonstrate that the action was 'necessary and unavoidable'.

Second, we must also consolidate the Equal Pay and Sex Discrimination Acts and incorporate fully the requirements of European law, making our laws more powerful weapons against discrimination. The Sex Discrimination Act, for example, does not cover pay, while the Equal Pay Act does not cover indirect discrimination. In order effectively to challenge the differential pay rates paid to part-timers, the provisions of both Acts need to be combined.

The Equal Value regulations (introduced in a half-hearted response to a European Court judgment) should also be amended to allow job segregation, such an important factor in perpetuating low pay, to be tackled adequately. In particular, the woman's claim must be allowed if she can show she would be receiving better treatment if she were a man not just if she is treated less favourably than a man.

Third, we must widen the scope of existing equality laws - to cover the activities of central and local government, notably the prison, police and immigration services. Legislation should also cover all private members' clubs and associations, unless the main object, as in, say, a health club, is to provide benefits to persons of one sex.

The sex equality law should also be extended to cover marital and family status discrimination against single people. The allocation of services should bear no relation to marital status. Nor should single status, the intention of getting married, pregnancy or the responsibility for children or other dependants provide reason for discrimination. The protection offered to pregnant women under the Employment Protection Act should be fully incorporated into sex equality law. This would remove the present requirement for a woman to work full-time for the same employer for a minimum of two years, and also make discrimination on the grounds of pregnancy unlawful.

Enforcing the Law

Rights without enforcement are a mockery. The Commission for Racial Equality and the Equal Opportunities Commission have failed to counteract systematic and indirect discrimination. The Commissions' powers to conduct formal investigations must be simplified and made more effective; and be extended to any situation where equality of opportunity appears to be denied.

We can extend the effectiveness of the equality laws by adopting procedures for 'class' action. This would enable individuals who have suffered a common wrong to seek a collective remedy; and allow a binding decision to be made in relation to all disputes on a common question of law. Although we appreciate the difficulty in applying legislation to "potential or future" employees as in the US model, we believe it would be relatively easy for "test cases" to be picked out that would determine the outcome of cases concerning the same points of law.

Extending rights

As democratic socialists we want to create a society based on tolerance and diversity, in which all people receive fair and equal treatment. We therefore want to protect those groups in society who because they are not covered by anti-discrimination laws are especially vulnerable to prejudice abuse and discrimination.

For example, even when they fully understand what is proposed and their future is at stake, the views of young people are neither sought or listened to. The increasing ability of young men and women as they grow older to take decisions about their own lives must be recognised.

Obviously, children achieve maturity and levels of understanding at different ages, and some decisions require more maturity than others. The right of under sixteens to decide about contraception and medical treatment, for example, must rest as – the Law Lords in the Gillick judgment made clear – on the young person having "sufficient understanding and intelligence" and "being capable of understanding what is proposed". Young people who have not reached the necessary level of maturity to make decisions on their own behalf should have the right to be consulted.

The best protection a young person can have is the care and the support provided by a loving family. But because of their vulnerability children need protective as well as participatory rights.

We will also consider in phase two the exact ages at which we believe young people to be sufficiently mature to take decisions for themselves. We will examine the way other countries, such as Norway with its children's Ombudsman, strengthen the rights of children; and we will consider how children who can make a simple written request might be assisted to secure access to personal files at school.

Children in custody, in hospital, in children's homes or at school should have independent procedures, possibly ombudsmen, to which they can take grievances. And children at risk should have the right to initiate care proceedings. We will also consider how to ensure that children can best be informed about their rights; and how proceedings can be made understandable and accessible to them. We also believe children of divorced or separated parents should be able to initiate court proceedings to consider whether terms of custody or access orders should be varied.

The current division of legal responsibilities on family matters involves three different tiers of courts, and is complex and confusing. It leads to inconsistent judgements and increases the distress of children involved.

To bring about a fairer and more efficient enforcement of the law, we believe that a Family Court should be set up to deal with all matters involving children, including divorce, custody, access, care proceedings and juvenile crime.

Many children have a close and binding relationship with their grandparents. At the moment, if the family home breaks up, neither children nor grandparents have any legal rights of access. Such rights must be enshrined in law.

The needs of people with disabilities and handicaps have in the past been placed far down the equal opportunities agenda. Shunted off to the voluntary sector, they receive only grudging support from government, relatively little opportunity to voice their needs and little help with guaranteed employment opportunities. The 'quota' system of employment is ineffective. Unlike women and the ethnic minorities, people with disabilities have no legal protection against discrimination.

We want to ensure equal access to the law to secure equal treatment. That means legislation to make discrimination against people with disabilities illegal; and it means the full implementation, backed with resources, of the 1970 Chronically Sick and Disabled Act. This Act should be extended to include those who care at home and in the community for people with disabilities.

There is also no doubt that discrimination on the grounds of sexuality is increasing. Clause 28 of the Local Government Bill is the latest manifestation, an assault on civil rights and freedom of expression. It must be repealed.

Lesbians and gay men must have the same freedom from discrimination and prejudice and the same freedom to live their lives as other people. This requires legislation to prohibit discrimination and unfair dismissal on grounds in any way connected with sexuality or lifestyle. In the second stage of our work we will determine the form such legislation should take.

DEMOCRACY, THE COMMUNITY AND GOOD GOVERNMENT

So far we have only briefly considered those parts of our work that apply to government and to the electoral and decision making process. This will be central to our consideration of how power can be devolved to the benefit of the whole community. This principle is exemplified in our commitment to local government and to the emphasis we place on the local and regional organisation of the Women's Ministry. In the next stage we will look in detail at how people can be empowered in other ways within the community to take those decisions which affect their lives.

We shall also be looking to see how we can improve the quality of democracy. Positive action to select, train and pay those who represent others in local government is one way to ensure that the community is properly represented, and is an option we shall consider.

Likewise, the next stage of the review will also look in detail at local and regional democracy. We already have a clear commitment to devolution for Scotland. But Labour also wishes to move to a greater devolution of power more generally, and the extension of democracy along the lines of the consultation paper on local government reform which we published in 1987. That is the direction in which our deliberations will move.

We believe that the strength of democracy depends on its place in the daily life of the people. Knowledge of rights and responsibilities are central; and experience and education, we

believe, are the keys. We would like to see throughout the education system, far greater provision for teaching children and young people about their rights and responsibilities as citizens; and we intend to develop these themes in the second stage of the review.

Free expression and a free press are crucial to strengthening democracy. The media, written and broadcast, have a critical part to play both in reporting objectively on events within our democracy and in exposing anything that undermines the democratic process. At present they fail to perform these roles adequately, and we will address the issue in Phase Two.

Rights without the power to realise them are meaningless. Implementing rights implies a total strategy to promote them – which extends beyond primary to secondary legislation, and beyond the law to public and private provision and practice. In the next stage of the review we will look closely to see how we can ensure that rights we legislate for become a reality in practice.

Our proposals for open government, for restoring parliamentary control over government, and for protecting individuals from the abuse of powers by government, represent a significant step forward. In the next stage of the review, however, we will look at how to extend this process: for example, by looking at the role of public enquiries, Quangos and Royal Commissions as an aid to planning and policy, and by examining access to and the effectiveness of the Ombudsman.

Our examination of the effectiveness of our present machinery of government as a whole, will aim to establish democratic and good government during the 1990s. This will

enable us to face the economic and social challenges of a new century, confident that we have, as democratic socialists, created a framework for real equality and real democracy.

Appendix

The Policy Review Group was asked to cover:

Civil liberties and equal rights, freedom of information and expression, policies to combat crime, involvement in the democratic process at local, regional and national level, the media and democracy, and the issues of centralisation and de-centralisation.

(NB Detailed work on the structure and finance of local and regional government is being covered by a separate consultative exercise.)

The members of the group are:

Roy Hattersley MP (*Joint Convenor*)
Jo Richardson MP (*Joint Convenor*)
Eric Clarke (NEC)
Joan Lester MP (NEC)
Jack Rogers (NEC)
Paul Boateng MP
Lord Alexander Irvine
Ann Taylor MP
Danny Sargeant (*SOGAT*)

The joint secretaries were David Hill, Liz Atkins, Kay Andrews and Chris Paradine.

Physical and Social Environment

INTRODUCTION

This report is about providing the people of Britain with the tools they need to build a better environment. It proposes a new approach to planning, one involving much greater public participation. It argues for a new balance between the rights and responsibilities of individuals and those of communities. It suggests the need for wider and easier access to essential services, both public and private. It stresses the importance of environmental issues of direct and immediate concern to individuals such as dirty streets but does not ignore either the global issues or our international obligations.

We reiterate our commitment to our 1986 environment statement. But we also recognise the need to develop its policies for the conditions Britain will face in the 1990s. In particular, we recognise the need to develop our policies on the rural areas, the impact of the environment on our children and new ways of seeking international co-operation.

1. WHAT FUTURE FOR THE ENVIRONMENT?

The quality of life in Britain is under growing threat. Pollution is increasing in the air, at sea, on land. Health and safety standards are being undermined at work, on transport, and in our food. Local communities are being broken up and divided; our urban environment is becoming more and more run down; streets have become dirtier; neighbourhoods are more noisy; housing estates more dangerous and unpleasant to live in. In spite of this, the government has no clear picture of how to deal with the environment, and no planning priorities; as a result there is dereliction and decay in the North and in the inner cities, and over-development and congestion in the South and elsewhere.

Britain now lags behind other European countries on almost all the key environmental indicators. The Conservative response, financial accounting as the sole arbiter of investment and service decisions, only serves to cause much heavier costs which society will have to meet at a later date or in another way.

The King's Cross underground fire was a sharp reminder of how great those costs can be. By the 1990s the need for substantial investment in such public facilities, will be even more compelling than it is today not only in transport but in housing and throughout the infrastructure, from sewers to street lighting.

Britain faces new opportunities, as well as new challenges. During the next decade the nation will have no choice but to reappraise its whole attitude to the environment. We will need

to repair the damage done by the present Government. We will have to deal with new threats and dangers to the environment, to our rural areas and to our towns and cities. But we also have the opportunity to make a radical improvement in the quality of life and usher in a new era of environmental progress.

Some action will clearly be of a short-term 'emergency' nature. But our main aim will be to provide the means to build a better environment, one for the 21st century.

The decade of the 1990s will see the great majority of people having more leisure time, greater spending power and wider horizons. It will also be one in which we will have to deal with the social costs of heightened industrial activity, the reconstruction of our inner cities and the increasing drift to the countryside.

Fortunately, awareness of particular environmental issues is increasing especially as they relate to people's more immediate problems. And the growing demand for action on global questions also sets priorities for our programme, from desertification and acid rain to possible major radiation leaks and the ozone layer.

The challenge to Labour is to come forward with solutions that do not impose impossible burdens on individuals or communities, or which restrict people's real freedoms and choices.

Britain is a densely-populated, heavily-industrialised and intensively-farmed country. Consequently, the single most important aspect of environmental awareness will be to mediate between individual rights and aspirations on one hand, and the needs of the community on the other.

Nor can we ignore the international dimension of many environmental issues. Britain must cease to be an 'exporter' of environmental problems, whether acid rain, pollution of the seas, or by encouragement of poor environmental practice in the developing countries. Instead, we must place ourselves at the forefront of international action and collaboration.

These questions are not limited to the physical environment. Leisure time, for example, will continue to expand and with it the range of leisure facilities. And the whole face of retailing is changing. We should integrate these activities into everyday life to ensure that they are not the preserve of the affluent. In particular, as the economy improves and we distribute the nation's wealth more fairly we must widen access to such facilities for everyone.

2. LABOUR'S OBJECTIVES

For much of the last forty years Britain has been a leader, not a follower, in setting environmental standards: it is a matter of record that much innovative legislation from National Parks

and Green Belts to safety at work and dumping at sea legislation has been the work of Labour governments.

Labour's objective is to put Britain once again at the forefront of environmental progress and innovation. We will co-operate with the many voluntary organisations active in Britain; we will work actively at the international level; above all, we will give a new priority to planning to safeguard the environment. Market forces alone and their short-term, profit-maximising perspective cannot ensure a decent environment or protect it for future generations.

The overriding theme of our approach is to develop a new planning system for our cities, suburbs, countryside and coastline – a system which can help resolve the conflicts and needs of the 1990's and beyond.

This new system will need to be:

- **fully responsive** to the needs and demands of ordinary people.
- **capable of resolving conflicts** between strategic necessity and local and individual concerns.
- **innovative** rather than conservative.
- **simple in concept and application**, soliciting people's views rather than waiting for a response, and offering redress that is simple and quick to obtain.

It will be planning for people

Our aim is a better balance between rights and responsibilities, not just for the individual but also for communities, for companies and for the state. Our concern is as much for local issues as for major international campaigns. Our objective is to improve the quality of life at all levels, and often it is local problems that cause the greatest distress.

However, we will not weaken our determination to see that Britain plays a leading international role. Many of the problems that affect the UK can only be solved internationally. We therefore intend to work closely with like-minded governments, the EEC, UN agencies and all those promoting a better international environment. At another level, the UK must not "dump" its environmental problems on the rest of the world – and thus we will introduce the tightest-possible safeguards. And we will strive to link closely our proposals for international action with our concern for local and immediate issues.

We also recognise that we will need to look closely at the public sector on issues concerned with the environment. Three issues, in particular, need to be emphasised:

First, where the state has a direct influence over investment decisions (for example in the health sector, the utilities, and development grants) decisions cannot be made on economic criteria alone, but must take into account human wellbeing and the environment. This approach can also be adopted by local authorities through, for example, contract compliance.

Second, arising from this, we must re-examine the role of the 'Morrisonian' state corporation. In the past they have not always served the environment well. Should the regional water authorities be privatised, for example, we would expect any public-sector replacements to be much more forward looking on environmental standards.

Third, environmental standards and regulations should be enforced by effective inspectorates and sanctions. We do not propose to unnecessarily interfere with the management of

private or public-sector enterprises. Both will be treated fairly, and will receive financial incentives to invest in non-polluting technologies and have access to research and development grants. However, under Labour, British industry will be helped to become environmentally clean as well as internationally competitive.

Policy making and the environment

Environmental policy-making poses particular problems for government. For most people, immediate concerns such as noise from neighbours or unsafe streets are more important than such issues as the depletion of the ozone layer. At the same time, any responsible government will want long-term care of our environment to become of increasing interest to the electorate.

Environmental policy must be a major consideration in all government actions and priorities; and a comprehensive policy requires a coherent strategic approach.

Many proposals of the other review groups (the desire for wider consumer choice, for example, the need to invest in new technology or the demand for better working conditions) will have environmental implications which should be fully taken into account. Our other policy proposals should not undermine our environmental objectives.

We have been acutely aware of the need to safeguard the health and wellbeing of children. For children have a unique dependence on the environment. On the one hand they are often most at risk from failures to meet acceptable standards – whether dirty beaches, atmospheric lead or poor housing design. On the other, it is our children who will inherit the environment we leave for them. If we damage it now, they will pay the price in years to come. If we protect and enhance it now, they will reap the benefits and in turn be able to hand it on to their children.

Working Together

A decent environment can only be guaranteed by people and nations working together to protect and enhance it. Individuals and nations can do immense harm to the physical or social environment. But together, they can determine what is and what is not acceptable. Together, they have the power to safeguard the future for themselves and their children.

3. THE PHYSICAL AND SOCIAL ENVIRONMENT

Labour believes that individuals and communities have certain basic "environmental" rights, rights that have to be guaranteed by central or local government. There are three areas of concern:

- **The right to live and work in a safe, healthy and pleasant environment**, and enjoy access to as wide a variety of different environments as possible;
- **The right to decent, reasonably priced accommodation;**
- **The right to a varied, wholesome and reasonably-priced diet** – and to safe water supplies.

How can such rights be made effective? First, individuals must be able to influence their local environment – a power that has to be coupled with a speedy and effective means of

redress. Second, local communities must, in turn, be able to influence the national environment.

On occasion, clearly, there will be conflicts of interest – when individuals or local communities try to exercise their power or claim their rights. And certain strategic demands may need to be reconciled with local interests. The successful resolution of these conflicts provides the key to a better environment for us all.

Responsibilities as well as rights

But environmental policy seen solely in terms of rights is insufficient. Individuals and communities also have responsibilities, which need to be defined and carried out. Dirty streets, for example, should not be seen solely in terms of a local authority's inability – for whatever reason – to ensure that they are adequately cleaned. Individuals must also take responsibility for the mess they help create – and for helping to clean it up.

Indeed, the question of the individual's responsibility for their environment has all too often been ignored to the detriment of the community – and needs to be given new meaning. Many responsibilities might seem obvious, but are nevertheless important: recycling common waste products, disposing of litter, preserving the countryside or respecting other's privacy by not making excessive noise.

Ignoring such responsibilities results in problems for people. Building awareness of these problems, and overcoming them, establishes a solid foundation for a commitment to other, less immediate policies for the environment, including our international obligations.

Striking a balance between such rights and responsibilities, we believe, is a further key element in ensuring a decent environment.

Planning for People

Britain's planning machinery is now in urgent need of overhaul and reform. We believe that these principles should guide that reform:

First, we should seek to rehabilitate the central arguments for planning. In many respects people welcome the benefits of planning (the green belts and building controls, for instance), but too often it is seen as negative, bureaucratic and obstructive – as a thousand ways in which a local authority is able to say 'no' to all but its own ideas and plans. The time has come to invest planning with a more positive role.

We need to place our planners at the forefront of development. They should suggest and facilitate ways to enhance our urban and rural environment, and take the widest possible view of the impact of particular developments on the environment and the community. Planning permission, moreover, needs to be linked to an acceptance of clear and specific community responsibilities, such as employment practices, the effective use and re-use of resources, and the provision of leisure facilities.

Second, we need to rethink the way in which we operate the planning machinery. Lengthy enquiries, dominated by lawyers and specialists, are neither democratic nor effective. – and they do not necessarily produce decisions that are just or popular. Indeed, involvement in planning has become almost exclusively the preserve of the articulate.

We must therefore improve public involvement. We must also simplify and demystify the planning process – for example, by reducing professional and legal barriers and by

cutting costs. Furthermore, we repeat our commitment to introduce measures to fund objectors at major public inquiries where appropriate.

Third, the emphasis in assigning responsibility needs to be changed radically. Instead of individuals having to take the initiative to oppose or object to a proposed development, the local authority or developer should have a duty to seek out the widest possible range of views on the proposal. We also need to speed up the process, especially for individuals seeking action or redress.

Our approach will probably involve new legislation. However, much can be achieved within current legislation. The Conservatives have used existing planning laws to the advantage of a select few. We will use them to the advantage of the community as a whole.

A Concern for the Local Environment

To protect and enhance our environment we intend to emphasise everyday matters as well as global concerns. People are justifiably concerned by marine pollution, acid rain and the ozone layer, but are equally worried about more immediate matters, for example, street cleaning and lighting, the safety of estates, the state of public amenities, and the level of noise.

The state of Britain's beaches is a good example of just this kind of issue. The Tories have an appalling record in complying with the EEC directive on bathing beaches, leaving many of our most frequently used beaches in an unacceptable state. We intend, therefore, in phase two, to see how the directive can be extended and strengthened – to cover more beaches, for example – and its standards more rigorously enforced.

We accept that in the past, Labour has sometimes been seen as giving too little priority to these everyday issues. But such issues are the foundations on which environmental policy must be built. Whatever we might say about restricting the dumping of waste at sea, people will rightly question our commitment to a better environment if we are unable to keep the streets clean. Environmental education and protection begin with good practice at local level.

More involvement

The process of creating, improving and defending particular environments should answer to the needs of communities and the individuals who live and work in them. Too often those needs have not been represented. Positive, innovative ideas have met with a bureaucratic response, or professional views have ignored those of ordinary consumers and voters. Witness the housing design disasters of the 1950s and 1960s.

In seeking to build a better environment, therefore, Labour intends to look at new ways in which people can help design their environment. We will also explore ways of 'positive action' to ensure that groups such as women – who are traditionally under-represented – can participate in the process of planning and design.

Such involvement has two direct benefits: first, the environment that we create will be much closer to the environment that people want; second, if people are more directly involved in the design of their own environment, they are more likely to want to make it succeed, and thus more likely to value and protect it.

In designing peoples' environments, local authorities and other organisations must adopt much more the role of facilitators rather than that of originators, offering expert opinion and advice to enable individuals and local communities

to put into practice their own ideas and wishes. Democratic involvement is the best way to create an environment in tune with what people want.

A more articulate, secure and informed population can counterbalance the demands of planners and builders. The dialogue and, at times, tension should be productive for both sides.

However, we recognise that in the past it was the most articulate and the most organised groups in the community that tended to dominate where consultation was attempted. In future we most impress on local authorities and developers their responsibility to seek out the views of all those concerned.

Housing is an especially good example of a 'local' environmental issue. Good housing is vital if family and children are to have the maximum opportunities for good health, education, employment and leisure. Good housing, and good housing design, also determines whether or not an area suffers from crime and vandalism. It can help to determine the whole shape and feel of the local environment.

Strategic Interests versus Local Concerns

Decisions that benefit the country as a whole sometimes harm local communities – for example, the siting of a sewage works or the construction of a by-pass.

Obviously, such decisions cannot always be subject to a local veto, otherwise communal progress could be stifled. Equally, however, if decisions concerning the environment are left solely in the hands of central government, then there is a danger that the poorer, more deprived and less articulate communities will suffer most.

Given such potential conflicts of interest, there is an overwhelming case for a regional tier of environmental decision-making, making it easier to strike a fair balance between strategic interests and local concerns. In the second phase of the review we will examine this further in the context of the consultations and discussions on the Party's consultation paper on local government reform.

Planning for better access

A major concern throughout our initial discussions has been the question of access – for example, to leisure facilities, shops and social services.

Recent trends, such as out-of-town retailing and increasing centralisation of health care, pose major problems. These are not simply the concern of the rural areas – which are often characterized as the main losers from these developments. The impact is far more widespread, affecting cities and suburbs as well. There have also been major changes in transport, both private and public.

As facilities become centralised they become more inaccessible for a whole range of people, often already disadvantaged, including those without cars (especially women with young children and pensioners) and low incomes.

It is not only increased inaccessibility which causes us concern. As facilities move out of our town and village centres into the urban fringes, they can leave behind communities that have become destabilised, economically weakened and environmentally blighted. When city centre shops close, and the life and activity they generate disappear, no-go areas appear that are unsafe for old people and women and prone to vandalism and dereliction.

The economic impact on those left behind can be extremely damaging, for they are often already disadvantaged and unable to benefit from lower prices and easier shopping offered by out-of-town retailers; they are doubly penalised as

the competition causes local shops to close or raise prices in order to survive.

Improved public transport – new services, better frequency or lower fares – will help to overcome some of the problems, as will improving transport infrastructure, especially if goods can be delivered without imposing new burdens on the environment. But much more will be needed if we are to halt the spiral of decline.

The second phase of the policy review will look in detail at bringing public and private services closer to the people and improving transport. For the rural areas, for instance, we will develop our ideas on mobile provision; for the urban areas, we will look at ways to revive city centres.

Sport and Leisure

Sport, art and leisure are important sources of enjoyment that add greatly to the quality of our lives. They are important to education and can make a vital contribution to rural and urban economies, and can also help create new jobs.

As working patterns change and people have more spare time, leisure becomes all the more important. Sports, arts and recreation opportunities should be available to all who want them, and the public sector, local authorities in particular, have a vital role in making them available.

Our aim in the second phase will be to build on the best practices of Labour local authorities, most of which already have a very good record. We will also learn from local authorities in terms of new developments: all new developments private or public, shopping centres, offices or housing estates should pay much greater attention to providing a proper balance of leisure and sporting facilities.

We will consider how planning can ensure that leisure industry developments, such as countryside theme parks, are dealt with sensitively and sensibly, balancing the interests of all concerned. If not planned properly, they can add to congestion, blight the countryside and result in a poorer environment for many who live in the vicinity.

We will also consider our general policies on sports, arts and leisure. For example, we will wish to examine the regulation and financing of sport, since often it seems to be controlled by small, privileged, cliques with little concern for either participants or spectators.

The Machinery of Implementation

One question running through our discussions concerns the institutions charged with implementing environmental legislation: the Health and Safety Executive, the Environmental Health Officers, Medical Officers of Health, the Agricultural Development Advisory Service, Her Majesty's Inspectorate of Pollution, Nuclear Industry Radioactive Waste Executive (NIREX) and so on. Apart from correcting certain anomalies (for example, Environmental Health Officers not being able to introduce legal proceedings against their own authority) there is a case for rationalising these bodies.

In the second phase we will investigate the possibility of separating management from regulation, and advice from enforcement.

Thus there could be one agency for disseminating best environmental practice, in the widest possible sense, and another responsible for enforcing environmental legislation. Obviously there would need to be close co-operation. But each agency has a different relationship with its clients – and they should be separate and independent. We shall look further into this issue.

4. FURTHER POLICY DEVELOPMENT

In Labour's 1986 environment statement we set out our basic approach:

As socialists we reject the false freedom of a market economy which allows individuals the 'freedom' to pollute and to squander natural resources. Our environment is our common heritage. Governments must set and enforce standards in the interest of us all.

This policy review, with its wider remit, builds on much in that statement. We look ahead to the 1990s in an attempt to define the key tasks we face and the framework required not merely to defend but to enhance our 'common heritage'.

Our 1986 statement addressed many of the key issues of the 1990s:

- the introduction of environmental considerations into economic and industrial strategy;
- more investment in the jobs potential of environmental industries;
- better monitoring, inspection and enforcement of pollution control;
- new provisions for waste management and new safeguards to deal with toxic waste and nuclear waste;
- greater consultation and involvement of the public in planning;
- new duties on local planning authorities coupled with new powers for positive planning to tackle the dereliction in our towns and cities;
- proposals to ensure Britain plays its part in safeguarding the international environment.

We remain committed to that statement, although as time moves on it will need to be updated. But although the statement did touch on some immediate issues, it perhaps failed to give sufficient prominence to them or place them within the proper context of people's concerns. This report, and the second phase, will redress that imbalance.

We want to improve our presentation of environmental issues so that they figure more prominently in the minds of the electorate, but we also wish to recast some policies in the light of the themes and approaches of this preliminary report: proposals for planning, resolving the strategic/local conflict, questions of access, the machinery of implementation and the balance between rights and responsibilities. In addition, we will want to do detailed work on specific areas of policy.

The continuing migration to the rural areas, together with

a worsening of many problems suffered in those areas, has also persuaded us that we need to re-examine this question in some detail, especially in housing, access and employment opportunities.

We are also considering the establishment of a working group to consider the impact of environmental issues on children.

Other issues we will want to examine include: atmospheric pollution; health and safety at work; frontier science; the link between environmental protection and job creation; the disposal of wastes; and the use of surplus agricultural land.

All these issues will need to be placed in their international context. We believe the Labour Party could promote a European Environmental Charter amongst all the European Socialist Parties, and agree common standards and strategies. In certain circumstances, however, it may be more appropriate to promote bilateral or multilateral agreement on specific issues.

CONCLUSION

Britain's environment is under attack. An attack that threatens everybody's quality of life.

Labour's goal is to reverse these threats to the environment – and to improve the quality of life of all our citizens. In this interim report, therefore, we have outlined the values and objectives on which we will base the policies needed to reach those goals – policies which will provide a better environment for all in the 1990s.

Appendix

The remit of the group, as decided by the National Executive Committee, was:

Environmental matters – urban and rural; questions relating to the use of natural resources; quality of life issues, including aspects of housing, media, arts and recreation policy; all taking into account, where appropriate, the international aspects of environmental factors.

The members of the group are:

Syd Tierney (*Joint Convenor*)
Anne Davis (NEC)
Sam McCluskie (NEC)
Ted O'Brien (NEC)
John Cunningham MP (*Joint Convenor*)
David Clark MP
Bob Hughes MP
Clive Soley MP
Barbara Switzer (MSF)

Joint Secretariat: John Newbiggin, Tony Page and Nick Sigler.

Britain in the World

1. THE CHALLENGE OF THE 1990s

A socialist foreign policy for Britain must serve two main objectives. It must help to secure an international environment in which a Labour Britain can fulfil its economic, political and strategic interests, including the key priority of providing a secure defence for Britain. It must also enable a Labour government to play a responsible and constructive role in world affairs, using its influence in the international community to make the world a better and a safer place in which to live. In particular, our internationalism involves upholding the principles of the United Nations Charter, which means:

- supporting the right of self-determination – whether in Nicaragua or Afghanistan;
- promoting the peaceful settlement of regional disputes, such as that in Cyprus;
- helping to secure a peaceful future, by supporting international negotiations on conventional, chemical and nuclear weapons;
- supporting the campaign to end apartheid and other offences against human rights;

Nowhere is the international situation changing faster than defence, disarmament and East/West relations. After years of Cold War confrontation, the superpowers have embarked on the slow process towards a new detente. Already, their negotiations have brought about an agreement to eliminate their land-based intermediate range nuclear missiles. The outlook for the future is dominated by further negotiations on nuclear, conventional and chemical weapons. The outcome of these negotiations will crucially affect a Labour government taking office in the early 1990s. These are among the issues which will dominate our continuing work over the coming year.

An issue which has particularly preoccupied us this year, as we prepare for the 1989 elections to the European Parliament, is the nature of Britain's membership of the European Community. By the time of the next general election, Britain will have been a member of the Community for almost twenty years. Already, trade with our Community partners accounts for some 60 per cent of Britain's exports, and all our trade and economic structures are adapted to it. The Community as a whole is moving towards greater economic integration, with the proposed establishment of a single internal market scheduled for 1992.

Developing countries will continue to face severe economic constraints in the years up to the next general election, not least because of the massive debts which many of them owe to banks and governments in the developed world.

Some of the poorest countries in sub-Saharan Africa are again faced with severe food shortages caused by war and climatic failure. As well as causing heartrending human hardship, these problems have a serious effect on the world economy, and will continue to undermine the prospects for international economic recovery. We need to look closely at how we can contribute to their resolution.

Alongside these issues the world faces the growing threats posed by environmental pollution and mismanagement, by terrorism, drug trafficking and the spread of AIDS. We must prepare to take action against these perils when we come to government. We must also play our part in resolving the many regional conflicts that threaten international security and economic order – conflicts such as those in the Middle East and Central America. In many of these – and above all in Southern Africa – there is also an important moral dimension.

Our response must be based on a realistic assessment of British interests and British influence. It is now forty years since a Labour government began the process of decolonisation; twenty since Britain withdrew its military forces from East of Suez. Britain today can no longer challenge the might or match the influence of the superpowers, either politically or economically.

Yet we retain a central role in international relations, through our unique participation in a series of international institutions.

Our membership of the United Nations Security Council – as one of the five permanent members – gives us a voice, as of right, in all major international crises.

Our membership of the Commonwealth enables us to play a leading role and learn from opinion in nearly 50 countries – rich and poor – around the world.

Our membership of NATO makes us a mainstay in the defence of Europe and in the improvement of relations between East and West.

Our membership of the European Community puts us at the heart of the world's largest trading bloc, and presents opportunities to secure co-ordinated European action to tackle problems at home and abroad.

Our presence at summits of the world's leading industrial powers imposes on us a special responsibility to promote economic recovery and reform of the key international financial institutions.

These international connections provide important opportunities for us to protect and promote British interests in the world community, encouraging the trade and investment

which will bring jobs to British industry. They can also help us to provide a secure defence for Britain. But our foreign policy should not be based on British interests alone. We should use our influence constructively – with our friends and allies – to make the world a safer and a better place.

We can do this by promoting the peaceful settlement of international disputes through the United Nations and other agencies – whether in the Middle East, in Central America, in the Horn of Africa or elsewhere. We can use our membership of the Commonwealth to help resolve disputes between fellow members. We should also ensure that British military equipment is not supplied to governments which will use it for international aggression or to suppress their own people.

We can use our influence in NATO and elsewhere to promote better relations between East and West. For too long, mutual misunderstanding and suspicion have fuelled the threat of conflict in Europe. We should take advantage of the new openness in Eastern Europe and the Soviet Union to defuse that threat – through cultural exchange, through improved trade relations, and through dialogue on issues of mutual concern from action against terrorism to better transport facilities.

We must continue to defend human rights whenever and wherever they are threatened – from Poland to Paraguay, from the Soviet Union to South Korea. Mrs Thatcher's government has taken a highly selective view of human rights. Labour does not. We support the rights of independent trade unionists in Eastern Europe and in Central America; the right of emigration from the Soviet Union and the right of exiles to return to Chile.

We must maintain our commitment to help developing countries confront the crisis of poverty which denies so many of our fellow men and women a decent standard of life. We should use our influence in the international financial and development agencies to secure more investment in developing countries and a resolution of the crisis of international debt.

Contributions to the international community of this kind are an important dimension of Labour's approach to foreign affairs. We believe that the British people want to play that constructive role, which should be a source of genuine patriotism.

This document is intended as an interim report. There is still much more work to be done in a number of policy areas. So far we have received over fifty submissions of detailed written evidence and more are expected. We are also benefiting from contributions made at the various *Labour Listens* events and more general submissions of evidence. A comprehensive and detailed report will be presented to the National Executive Committee in 1989 with a view to its being discussed at that year's annual conference.

For this interim report we have looked in detail at three areas – aid, development and debt; Southern Africa; and Britain's relations with the European Community. Our conclusions on these are summarised below.

2. AID, DEVELOPMENT AND DEBT

Developing countries are in crisis. Some, particularly in Sub-Saharan Africa, face continuing hunger and even starvation for their people. Many owe massive debts to Western banks, governments and international institutions. All have suffered from adverse trade conditions and from economic recession in the last decade.

Our review of Labour's policies on aid, development and debt broadly confirms the strategy we adopted before the general election. We believe that Britain can and must play an important part in helping to resolve the crises facing developing countries. We believe this for two reasons:

Firstly, because we cannot stand by and watch while millions of our fellow human beings struggle for survival. Our commitment to help them rests on the same principles of justice and equality as our commitment to improve the quality of life in Britain;

Secondly, because it is in our own interests to help them. As they progress towards greater prosperity, developing countries will provide new trading opportunities for Britain. Their economic expansion will create jobs in Britain as it improves lives in Africa, Asia and Latin America.

This conjunction of moral commitment and belief in the urgent need for international economic expansion lies at the heart of our approach to aid, development and debt. There are, however, clear limits to what Britain can do alone, and our approach must involve both independent and international action.

We must recognise that aid is just a part of the response we must make to the problems of developing countries. Indeed for many trade and debt relief are more important, and have just as direct an impact on the daily lives of the poor. We must ensure that our policies in all these areas are integrated fully into our strategy for economic and political recovery.

Aid

Overseas aid is the most visible part of development policy, and has suffered most visibly under the Conservatives. Since 1979, Britain has drifted further and further from the United Nations target for aid spending, and our aid budget today is at a record low. Since 1979, too, less attention has been paid to the needs of poorer communities when the aid budget is allocated.

This has damaged Britain's reputation. Britain can and should meet the United Nations target for aid spending, and we reaffirm our commitment to do so. But that financial commitment, substantial as it is, must be accompanied by improvements in the quality of Britain's aid – notably by focusing it once more on the needs of the poorest countries and the most disadvantaged social groups, including women. We must also pay more attention to the environmental impact of British aid.

Overseas aid is both a statement of our commitment and an opportunity to effect real change. We have an obligation to ensure that our precious aid resources are used as effectively as possible – to get the best value for money for British taxpayers and for the people of developing countries.

Trade

It is trade, however, rather than aid that lies at the heart of Britain's relations with countries in the developing world. Even minor changes in trade conditions can have a greater impact on some developing countries than changes in the aid programme. Increased trade – in both directions – would be of benefit to both them and us.

Yet the prospects for trade are hampered by the collapse of international trade arrangements, in which developing countries have been the greatest losers. We believe the time has

come for a fresh look at international trade. We need a better system of regulation which recognises the mutual interests of developed and developing countries – and which will contribute towards economic recovery and renewed prosperity. Achieving this will not be easy and will require coordination with like-minded governments North and South of the development divide, particularly our partners in the European Community. We will continue our work in this area over the coming year, in conjunction with the group reviewing the 'Productive and Competitive Economy', and discuss the issues with a wide range of interested parties.

Debt

The fundamental problem facing most developing countries today remains their massive burden of indebtedness, much of which can never be repaid. That debt threatens both debtor and creditor nations:

Debtors suffer because resources are diverted to debt service from social and economic development – and from a curtailment of new foreign investment so severe that there is a net outflow of money from many developing countries. Creditors, including leading British banks, face the threat of default by one or more major debtors. Even without such default, the destabilisation of world economic conditions caused by indebtedness inhibits economic progress.

In phase two, we will continue to develop our policy on international debt in the light of the changing international situation. We will also continue our discussions with our partners in the Socialist International and will present a comprehensive report next year.

3. SOUTHERN AFRICA

Labour stands firmly alongside the oppressed majority in their struggle for liberation; and supports comprehensive mandatory sanctions against South Africa. Labour will do everything possible to help bring about a non-racial democratic and united South Africa and a free and independent Namibia.

The apartheid regime continues to dominate events in the region. Its states of emergency, bannings, detentions, torture and hundreds of killings; its repeated military attacks on independent neighbouring states; and its continued illegal occupation of Namibia have all strengthened the case for sanctions against the Pretoria regime.

P W Botha and his Nationalist Party remain committed to the maintenance of a white controlled racial power structure. The liberation movements of Southern Africa, the African National Congress of South Africa and the South West Africa People's Organisation of Namibia have stepped up resistance inside their countries whilst attracting wider support from abroad.

Labour's three point plan is to:

- support vigorous United Nations, Commonwealth and EC action against apartheid;
- support the frontline states who have been victims of South Africa's military and economic destabilisation; and
- give humanitarian assistance to the liberation movements of South Africa and Namibia, the ANC and SWAPO.

4. PROGRESS IN THE EUROPEAN COMMUNITY

At the next general election, Britain will have been a member of the European Community for almost twenty years. Since Britain joined in 1973 democratic socialists in Greece, Spain and Portugal have brought their own countries into the Community just a few years after the fall of dictatorships there.

Britain is now a member of a Community comprising twelve sovereign nations and 320 million people. And today, 60 per cent of Britain's trade is with them. Indeed, our whole pattern of trade, the way our economy works, our foreign relations, have all changed radically over these years of adjustment. In the rest of Europe, EFTA and Comecon countries are now considering a closer economic relationship with the Twelve. Britain could not withdraw from the Community without huge damage to our economy and ruined relations with key trading partners.

Enlargement has made the European Community socially, economically and culturally more diverse. What is now essential is a fundamental change in the political and economic direction of the Community in order to overcome any obstacles to progress represented by the Rome Treaty.

Its obsession with an outdated, expensive and unworkable agricultural policy and with its plans to create an "Internal Market" by 1992 could now lead to a Community dominated by the demands of sectional interests rather than by the needs of its citizens. There is a danger that the Internal Market will lead to a concentration of industry in those parts of Europe where it is already strongest. There is also a danger of a two-tier Europe with the governments of the weaker economies – including Britain's being obstructed from pursuing active industrial policies. But there are also many new opportunities which offer scope for progress. It is this scope for progress which offers the Labour Party, together with other democratic socialists throughout Europe, the opportunity to transform the Community.

Labour will work within the Community to achieve our democratic socialist objectives in Britain and construct a new agenda for Europe. The European Community will not serve British interests unless there is a Labour Government in Britain committed to fighting for a square deal on jobs, industry and democratic accountability.

Labour's Approach: A New Deal for Europe

Labour's aim is to secure a democratic Community in which Britain can flourish as part of a group of nations committed to economic and industrial progress with full consideration for the social, regional and environmental issues. For this we both need a square deal from the Common Market and a new deal for Community Europe.

Our priorities for the European Community's economy and industry are to co-ordinate economic expansion and to establish a vigorous and co-ordinated industrial policy aimed at improving competitiveness, developing anti-trust policies and fostering scientific and technological advance. The Community should help to promote workers' and consumers' interests in relation to private and public bodies. There must be firm policies to tackle the social and regional consequences of the Internal Market.

Labour wants to secure joint action in the European Community to reduce regional inequalities; ensure that companies and governments abide by clear minimum employment standards and working conditions; protect and enhance the environment including safety at work in the civil

nuclear power industry; action against pollution, consumer protection, and standards of accommodation and living conditions in urban and rural communities; and enhance the status and rights of women in the Community, most importantly in the field of employment.

The European Community also needs an agricultural policy which puts decent quality food in the shops at the lowest prices achievable; ensures a decent living for farmworkers, farmers and all those who gain their livelihood from agriculture; removes from consumers the heavy burden of agricultural support; and encourages balanced, environmentally-sound agricultural development.

The budget crisis needs a permanent solution. Part of this could be the agreement to collect European Community revenues on a GNP-based calculation rather than a VAT-based one. This is clearly more equitable in the long term.

The European Community, as a group of Western industrialised nations, now has a particular distinct role to play in the wider world by itself. It is crucial that it play a lead role in the recovery of trade, income, and jobs in the OECD countries. As a multilateral aid agency it should also play a positive role in developing countries.

So Labour supports an active European Political Cooperation policy which reduces east-west tension and plays a vigorous role on the side of peace, freedom and justice in the world. Labour will also work to achieve the mutual dissolution of NATO and the Warsaw Pact.

Labour's approach is to establish practical and coherent programmes to meet the needs and challenges of the European Community in the 1990s. None of the above is a panacea. Each policy will be backed up by national action to advance the essential interests of the British people and the industrial economy on which the future of Britain as an efficient producer and effective partner depends. To this end we will continue to review the best way of dealing with the consequences of the European Community Act and the Single European Act. Only a Labour Government will provide this.

5. DEFENCE

The fast moving developments in world events following the US-Soviet Summits will have their effect on our review of how Labour's non-nuclear defence policy can best meet the challenge of the 1990s. These developments emphasise the relevance of this policy.

Labour welcomes the INF Treaty and the quickening pace in arms reduction negotiations between the superpowers. A Strategic Arms Reduction Treaty will have an impact on the Trident programme.

Furthermore our review of defence policy will have to take into account moves towards a treaty to ban chemical weapons and moves for arms and troop reductions in Europe through the Conventional Stability talks. It will be important to monitor and oppose any Conservative acceptance of NATO force goals which would involve the storage of chemical or biological weapons materials in the United Kingdom or any clandestine moves to compensate for systems eliminated by the INF Treaty.

We are continuing our discussions with our socialist partners in NATO and others, and we are intensifying our work. We intend to present a comprehensive report next year. In the meantime we consider that nuclear weapons create hostility and distrust which stunt the lives of individuals and communities across the world and that reliance on such weapons of mass destruction cannot contribute to the effective defence of our country or to the collective security of nations.

6. CONCLUSION

As we said earlier, this is an interim report of our work on Labour's defence and foreign policy. In this interim report we have set out to do four things:

- we have cited some of the basic values that must guide our foreign policy – and placed them in the context of the world as it will be in the early 1990s;
- we have described our approach to aid, overseas development and the debt crisis that threatens both developed and developing countries;
- we have asserted our commitment to the oppressed majority in South Africa and to the end of apartheid;
- and we have shown how the next Labour government will take positive advantage of our membership of the European Community to meet the needs and challenges of the 1990s.

Our foreign policy must reflect the values of our democratic socialism. We will use our influence constructively, both in Britain's interests and in those of the wider world community. Our work on this will continue, and we will present a comprehensive report to conference next year.

Appendix

The Britain in the World Policy Review Group was established to consider the following issues:

International relations; common security; the European dimension; defence policy; and North/South issues of co-operation and development.

The National Executive Committee and the Shadow Cabinet asked the following to serve as members of the Group:

Tony Clarke (*Joint Convenor*)

Gerald Kaufman MP (*Joint Convenor*)

Gwyneth Dunwoody MP (NEC)

Joan Lestor MP (NEC)

Denzil Davies MP

Stuart Holland MP

Martin O'Neill MP

George Robertson MP

David Martin MEP

Ron Todd (TGWU)

Joint secretaries: Mike Gapes and Matthew Hooberman.

RESTRICTED

Pyp

CHANCELLOR

BF for → *Rayson*

FROM: A G TYRIE

DATE: 13 JUNE 1988

cc Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Mr Hudson
Mr Cropper
Mr Call

LABOUR'S TAX PLANS

Ian Stewart has sent me a helpful letter, attached, together with a transcript of Kinnock's recent interview.

Kinnock reaffirmed Labour's 'position' that basic rate taxpayers would not be worse off with them. I think there are at least five lines of attack on that:

- i. How does Kinnock square this pledge with Labour's commitment to abolish the UEL on employees NICs, which would make 2 million (?) basic rate taxpayers worse off?
- ii. How does Labour's commitment to '25p people' square with their opposition to successive basic rate cuts from 29p to 25p?
- iii. Have Labour now dropped their pledge to abolish the Married Man's Allowance, making 12 million people worse off, yes or no?
- iv. The numbers don't add up. You can't fund a reduced rate band of any significant width from increases in the top rate.
- v. Have Labour now abandoned all their pledges on social security which they were once going to fund from increases in higher rate taxation (the so-called poverty package)?

Of these, I think the first is probably the best.

In general, I'm wary of having a really full blooded go at Labour on tax. It is so easy for them to shift their ground between now and their 1989 Party Conference, the point at which they have claimed they will commit themselves. What's more, having pulled out all the stops during the election, I doubt whether I could get the press really interested in another flurry of Labour tax plans stories.

You might want to discuss this in Prayers on Wednesday, when Ian will be there.

All the same, perhaps we could make something of this in the Party Conference speech.

AGT.

A G TYRIE

C.
As Mark says, not ideal for
First Order P.Q.s. X might
be useful.

ppp

FROM: MARK CALL
DATE: 13 JUNE 1988

CHANCELLOR

AAH
Referred to
paymaster

cc Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Mr Cropper
Mr Tyrie
Mr Hudson

LABOUR POLICY REVIEW

On a first reading this would seem to be a more useful source of speech material than 1st Order Questions knockabout. The general flavour is a mixture of wishful thinking bearing some similarity to the Conservative Manifesto and lip service to Labour Party principles. Platitude makes poor knockabout, and raises more the question "But can they deliver?". Below, however, I have indicated some points which could be made in response to the chapter 'A Productive and Competitive Economy'. I will discuss with Andrew Tyrie whether the document contains enough detail for a costings exercise.

Section 1, paragraph 2: This leans heavily on the coming 'technological revolution' and the need for appropriate training. We might draw analogy with Harold Wilson's 'White Heat of Technology'. On training/education for the technological age, we might say that we therefore expect Labour to support the City Technology College initiative.

Section 1, paragraph 4: Asserts that Britain is failing to modernise the economy and thus losing competitiveness. Counter with high investment by industry currently and expected. Manufacturing productivity growth and economic growth show Britain becoming more competitive - a trend reinforced by the Budget tax cuts.

X | Section 1, paragraph 6: Asserts that "Our current pattern of economic growth erects barriers that inhibit flexibility". That's rich when serious labour market inflexibility derives from the Trade Unions.

Section 2, paragraph 3: Says "Manufacturing investment has still not returned to its 1979 level". I think that's wrong. - No. - 1987Q4 was still down 14% on 1979 H1, so even with this year's strong growth forecast, will be barely back to 1991.
Section 2, paragraph 4: "Pre-1979 policies of economic management will not be adequate". Really?!

Point is what the "enabling role" consists of.
Section 2, paragraph 7: "Success follows only if society as a whole, with government playing a major enabling role, creates the conditions and accepts the responsibilities to enable everyone to make their full contribution to the production of goods and services." The evidence of the '70s is to the contrary.

Section 2, paragraph 10: "If individuals are to have the chance to make their full contribution, a new partnership between the individual and society is necessary: a partnership that couples opportunity for each individual with the acceptance by government of overall responsibility." Mistakenly equates society with Government.

But see next sentence
Section 2, paragraph 12: "Short-term market pressures do, of course, spur competition, stimulate innovation and widen consumer choice." Right!

Section 2, paragraph 15: Ominous talk of nationalised banks - "To reverse this bias (against longer-term investment) and redress the failures to invest, we should look to the experience of other countries where government sometimes through the agency of government banks has established a sound balance between finance and industry and thereby has given industry a more productive and long-term commitment from finance."

Section 2, paragraph 17: "Both sides of industry". Old Speak.

Section 3, paragraph 1: More obsession with new technology.

Section 4, paragraph 1: Recognises importance of service industries.

Section 5, paragraph 2: Asserts that privatised companies abuse their monopoly position. Evidence? Goes on to encourage the abuse of state monopoly. "We have to recognise that these monopoly enterprises have another role as providers of essential services to the economy and the community in general, and that we need to some degree to insulate them from the short-term pressures of the market".

Section 5, paragraph 4: "In some cases a change in ownership or control as well as regulation may prove necessary to safeguard the interests of the consumer and the economy." This should worry Sid. Goes on, however, to admit the failings of the 'Morrisonian form of public ownership'.

Section 5, paragraph 5: **Candidate for most platitudinous sentence:** "In each case, the particular outcome will be one appropriate to the enterprise concerned, conducive to economic efficiency, fair to existing shareholders, of benefit to consumers and to employees, and helpful in securing the economic and social accountability that the national interest requires."

Section 5, paragraph 5: Spot the non sequitur: "Putting to one side the question of economic efficiency, the case for these forms of common or social ownership rests on the right of each of us as individuals to control our own lives, to participate in the decisions which affect us, and to share fairly in the benefits to which we contribute."

Section 6, paragraph 3: On inner cities: "Effective change comes from indigenous development, encouraging the participation of the local community and using resources from both the public and private sectors." Agree. See the Action for the Inner Cities booklets.

Section 7, paragraph 1: "Britain is today a more open economy than ever before, a trend that is sure to accelerate." I'm not sure this is meant to be a compliment, but should be taken as one nonetheless.

Section 7, paragraph 2: "Slow growth" seems to be somewhat outdated.

Section 7, paragraph 7: Argues against free movement of capital in EC post-1992 to prevent "rapid and destabilising capital movements". Description of Britain as one of the "weaker economies" hardly justified by the facts.

Section 8, paragraph 4: After a year of reflection state of progress summed up by "The common theme running through this work, and the springboard for the detailed work in phase two, is the conviction that we cannot go on as we are."

I have had only a preliminary look at the chapter "Economic Equality".

Section 5 argues against integrating income tax and benefits.

convincingly, in my view! AH

Section 7 states the need for a "user-friendly DHSS, and asserts the need for "substantial numbers of extra staff".

Section 11, paragraph 3 states: "Taxation should promote Britain's economic performance, not undermine it." We must have made this point at some time in criticising Labour's 98%/83% tax rates.

Section 12, paragraph 8: Indicates Labour would favour a starting rate lower than 25%. The maximum rate would be in the range 55-60%.

Section 13, paragraph 2: "Mortgage relief available to homeowners through MIRAS would continue to be paid under Labour" (no mention of confining it to the basic rate).

Section 13, paragraph 6: The Inland Revenue must be properly staffed to give an efficient service.

I will take a look at the remaining chapters before Thursday.

Mc
MARK CALL



FROM: MISS M P WALLACE

DATE: 15 June 1988

MR M CALL

A handwritten signature in dark ink, appearing to be "M Call".

LABOUR POLICY REVIEW

The Chancellor was most grateful for the copy of Social Justice and Economic Efficiency you sent him with your note of 10 June.

A handwritten signature in dark ink, appearing to be "Moira Wallace".

MOIRA WALLACE

Accept

CH/EXCHEQUER	
REC.	21 JUL 1988
ACTION	
COPIES TO	

Conservative Research Department

32 Smith Square Westminster SW1P 3HH Telephone 01-222 9511

Director: ROBIN HARRIS CBE

PRIME MINISTER

*Grateful
for advice w/
check this. In particular
from the committee
had in mind*

*(P Cropper has
received my
draft)*

LABOUR'S POLICY REVIEW

... I attach an analysis prepared by the Research Department of the outcome of the first stage of the Labour Party's Policy Review.

As you know, the 1987 Labour Party Conference initiated a Review of the Party's policies. Seven Policy Review Groups were set up. The membership of each included MPs, Trade Unionists and members of the NEC: each was chaired by a member of the Shadow Cabinet. Phase I of the review process was intended to produce a philosophical framework within which detailed policies could be produced in Phase II. The findings of the first Phase have been endorsed by the NEC and will be presented for approval at this autumn's Labour Party Conference (3rd - 7th October).

Phase II of the review process is intended to construct detailed policies for presentation to Labour's 1989 Conference. Consideration of the thorny question of defence has also been postponed to next year: though, of course, Mr Kinnock has already been forced to reaffirm his policy of unilateral nuclear disarmament.

The findings of the seven Review Groups were published on 10th June under the title Social Justice and Economic Efficiency. The document is split in to seven sections, one for each Policy Review Group.

I am sending copies of this minute and of the analysis to members of the Cabinet and their Special Advisers, to the Party Chairman, Deputy Chairman and Vice-Chairmen and to Brian Griffiths.

RH

ROBIN HARRIS

RH/CR
21.7.88

CONFIDENTIAL

SOCIAL JUSTICE AND ECONOMIC EFFICIENCY

Briefing on the First Report of Labour's Policy Review

prepared by Conservative Research Department

21st July 1988

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INTEREST RATES AND EXCHANGE RATES

'Social Justice' states that the aim of Labour's macro-economic policy will be 'steady expansion, competitive exchange rates and low inflation' (p 3).

The document goes on to criticise 'policies that favour high interest rates and an overvalued exchange rate' (p 4) though at no point is there any indication of how Labour would achieve low inflation, low interest rates and low exchange rates.

Comment

Labour is disingenuous in promising low inflation and lower interest and exchange rates. To finance increased expenditure Labour would have to push up borrowing. To control the inflationary pressures that would inevitably result, and to attract funds to Government debt, interest rates would then have to rise. The immediate consequences would be a strengthening of sterling. Thus, higher public spending is simply irreconcilable with low inflation and lower interest rates and exchange rates. If, as Labour appears to be suggesting, it renounces the use of interest rates to counter inflationary pressures, a Labour Government would have no effective means whatsoever for curbing inflation.

SOLVING UNEMPLOYMENT

Labour suggests that 'at the heart of a rational economic policy must be a commitment to full employment and to the measures necessary to secure it' (p 4).

Comment

According to Labour's own estimates 2 million people will be unemployed in the early 1990s. 'Social Justice' promises that Labour will 'create opportunities' for these 2 million and for 'others excluded from employment' (presumably those who would take a job were more available but are not currently drawing unemployment benefit eg. housewives, the retired, etc).

Labour does not even try to answer the question of how it plans to create over 2 million jobs or how it would fund such a venture. They do, however, make it clear the promise of full employment will involve the creation of new jobs rather than the expansion of training schemes: 'Training programmes should not be a device to reduce unemployment' (p 18). Nor does Labour try to square its obsession with new technology - which is bound to result in more redundancies as capital is substituted for labour - with increasing employment opportunities.

The introduction of a minimum wage (p 18) would make employers even more reluctant to take on workers, particularly the unskilled who now constitute so many of the long term unemployed. According to Department of Employment estimates 600,000 jobs would be lost if a minimum wage of £80 - the lowest level the unions are likely to accept - were implemented.

The removal of nuclear weapons - which inevitably precipitate the withdrawal of U.S. bases - would also destroy an estimated 60,000 jobs.

'Comprehensive mandatory sanctions' (p 47) against South Africa could destroy British jobs: the Foreign Secretary told the House of Commons Select Committee on Foreign Affairs in December 1985 that 120,000 British jobs would be in jeopardy, and even more if South Africa retaliated.

Finally, Labour's economic policy would destroy jobs not increase them. High inflation and taxes would throttle enterprise. Repeal of Conservative trade union legislation would bring the irresponsible nuisance of union power. Re-nationalisation and controls would impede industrial efficiency.

Background

The Labour Party, when out of Government, has always promised that it has the answer to unemployment. However, every Labour Government has presided over an increase in unemployment.

Since March 1983 unemployment has fallen by well over 800,000, the longest period of falling unemployment since the War. At 8.4 per cent UK unemployment is below the European average.

RENATIONALISATION

In order to dodge the issue of renationalisation Labour declares that it will 'designate a new category of company, the public interest company, for those industries with a statutory responsibility to service both consumers and the national interest'. These industries include the 'water, gas and electricity industries, and the rail, post and telecommunications networks'. For these industries, targets will be agreed 'in terms of consumer service, investment, pricing policy and other measures of economic performance' (p.5).

Subsequently Labour admits that -

'in some cases a change in ownership or control as well as regulation may prove necessary to safeguard the interests of the consumer and the economy' (ibid).

Comment

Labour is simply changing its rhetoric - without changing the substance of policy. Before the last election 'nationalisation' was replaced by 'social ownership' - and now the name is to be changed again and the threat of renationalisation veiled under 'public interest companies'.

Labour admits that a change in control may be necessary for certain privatised industries. It does not explain however how this will be done - but it would certainly mean shareholders losing control over their shares at the very least.

Background

Certain leading Labour figures have been more explicit about Labour's continuing attachment to nationalisation.

Mr Hattersley, for instance, has said that 'the public utilities - gas, electricity, telecom - should be in public ownership ... it's very much better to have a public monopoly than a private monopoly' (Today, Radio 4, 28th October 1987).

Mr John Prescott, a challenger for Mr Hattersley's job, has added that Labour must 'recognise the importance of public ownership in helping Labour to achieve its economic aspirations' (Tribune, 3rd June 1988).

REGIONAL POLICY

The twin instruments of Labour's regional policy continue to be intervention and subsidisation: 'We require ... the direction of new investment to the regional economies ... [we] will consider how the achieve these objectives through ... location incentives and controls' (p 5). The direction of private sector investment will be complemented by 'a new approach to decentralisation [of government functions]' (p 5).

Comment

Labour's recipe for restoring the health of our regional economies is precisely the same one that was tried - and failed - in the 1960s and 1970s. Talk of 'location incentives and controls' (p 5) is code for subsidies to companies that invest in the regions and penalties for firms that locate elsewhere. Subsidies give an unfair advantage to recipients and frequently cause job losses elsewhere in the country. Moreover, research by the DTI indicates that the cost per job 'created' by Government subsidies in the 1960s and 1970s was about £50,000 at current prices. To 'solve' unemployment using such policy measures today would cost about £100 billion - five times the current annual cost of the Health Service.

By controlling the location of firms Government would deter foreign investment and force companies to postpone or cancel investment decisions. Business which did relocate under pressure from Government would be put at a disadvantage to competitors which had been able to set up in the best commercial location.

Labour's plans for an interventionist regional policy fly in the face of the success of this Government's approach to the regions - evidenced by steadily falling unemployment, buoyant demand and strong business confidence. A new bureaucracy to administer aid to the regions would only duplicate the work of the many existing bodies (English Industrial Estates, the Development Commission, Local Enterprise Agencies, the Scottish and Welsh Development Agencies, DTI, etc) which are already dealing with the problems of the regions.

THE TREATY OF ROME

Labour admits that Britain's membership of the EEC may well be an obstacle to the implementation of the Party's economic policies:

'We must be clear that the Community cannot be allowed to deter Britain from doing what is required to regenerate our economy' (p.6).

Comment

The Policy Review document is drawing attention to one of the central problems at the heart of Labour's economic policies: the Party's policies for import planning, exchange controls and selective public investment in industry and services would all be contrary to the Treaty of Rome and could be declared illegal under it.

Background

Dr Barry Seal, Labour's new Group leader in the European Parliament, has made the point even more starkly. He has declared that the completion of the internal market 'will make many of Labour's industrial and trade policies illegal' and the 'next Labour Government must stop it' (Tribune, 15th May 1988). He has also pledged to find 'ways to ensure that the next Labour Government will be able to carry out the policies on which it was elected without being impeded by the rules of the Common Market' (Strasbourg, 14th June 1988).

If no way could be found, Labour would face a stark choice - to change its economic policies, or contemplate withdrawal from the EEC.

CLOSED SHOP

'Giving individual workers new legal rights ... will only work in practice if those rights can be easily enforced; and the support of a trade union is, in practice the most effective way for an individual to secure their legal rights at work' (p 10). 'In workplaces that are not yet unionised, a requirement to create a near representative management/employee forum will provide a means to encourage trade union membership, and thus secure the right to trade union recognition' (p 14). 'It is a basic right for individuals to be able to join a trade union' (p 10).

Comment

In the 1987 Manifesto, Labour was determined merely to 'encourage union recognition by employers' (p 13). Now it believes it to be a 'basic right' to join a trade union and that employees who wish to join a trade union 'need the security of knowing that they will not be dismissed ... for doing so ... and that an employer will recognise a trade union acting on their behalf' (p 13).

Labour carefully avoids a clear statement of its objective but its intention is clear: the right to join a union and the right for it to be recognised by an employer.

This is the first step down the slope to the 'closed shop'. The suggestion that the most effective way for the employee to enforce his new rights is via the union, is a thinly disguised proposal to strengthen the closed shop, the abuse of which the Conservative Government has curtailed. Far from enlarging the freedom of workers, the closed shop restricts the individual's freedom of choice.

Background

Under the last Labour Government, the lack of any protection from unfair dismissal for refusing to join a closed shop resulted in the dismissal of some 500 employees before 1980.

Mr Michael Meacher, Labour's employment spokesman, said last September that firms 'could be forced to go to arbitration' if they refused to recognise unions, but he preferred 'to give the workforce a statutory right to hold a ballot, possibly every five or ten years, on whether they should be represented by a union'. The result would be mandatory. (Independent, 8th September 1987).

The joint Labour Party/TUC document 'People at Work', which was adopted as official policy at the 1986 Labour Party Conference, states that the process encouraging collective bargaining 'will involve ... providing for the negotiation of fair union membership agreements and arrangements' but there was no mention whatsoever of any protection for those unwilling to join a closed shop.

TRAINING

Labour recognises that 'it will not be possible to meet the economy's need for new skills simply by training school leavers' (p 11). Its goal is 'high-quality training opportunities for all' (ibid). It will ensure that 'everyone, including the redundant and long-term unemployed, has the opportunity to acquire new or improved skills so as to ... widen their range of job opportunities' (ibid).

Comment

The document's discussion of training is vague, with no detail of the type of schemes proposed or of cost: where will the money come from? There is, though, no condemnation of Government training schemes, so perhaps the Government can now expect support for YTS and for Employment Training, which both trade unions and Labour local authorities continue to oppose.

Background

This Government has developed its employment and training measures on an unparalleled scale and is spending some £3.2 billion in 1988-9 - more than double what was spent in 1978-9, even after allowing for inflation. The new 'Employment Training' programme, the largest training programme ever undertaken in the UK, will support 600,000 places a year at a cost to the Government of some £1.4 billion.

ADULT TRAINING

Labour believes that 'many employers are reluctant to fund training' (p 11). Therefore it will examine 'methods of increasing investment in training' and 'the best means to ensure that all employers contribute fairly' (ibid).

Comment

The Government has always made it clear that employers should take more responsibility for training and only recently has reiterated the theme of 'Training Through Life'. Labour is simply repeating what we are already saying.

Where it does differ is in the method of encouraging training. Labour does not commit itself to explaining how training whilst in employment will be funded. However, in Labour's policy document 'New Skills for Britain' (March 1987) a fair contribution was defined as a levy into the National Training Fund which would be repaid if satisfactory training were undertaken. Under that system, employers would undertake training purely to recoup the levy, regardless of whether it were needed. Labour planned that all firms, large or small, should contribute.

YOUTH TRAINING

Labour considers the present post-16 system of training to be 'old-fashioned and inefficient' (p 11). It would bring about a 'major improvement in the education and skills of young people' and would integrate 'academic and vocational education' (ibid).

Comment

Labour again proposes what is already the case: under this Government, every young person can now stay in full-time training or education until 18. Every young person has the opportunity to enter work with a recognised qualification.

Background

The Government's TVEI is relating the curriculum more to the world of work - £900 million will be spent over the next ten years. YTS is now a two-year programme; all 16 and 17 year olds who want it can have training in industry or commerce and the chance to get a recognised vocational qualification. 75 per cent now go on to a job or into further education or training. In 1987, the National Council for Vocational Qualifications was set up and by 1991, there will be a new structure of National Vocational Qualifications based on competence, covering the whole range of employment.

NURSERY EDUCATION

In the section of the document on People at Work, Labour addresses itself to 'individual access to education and training'. In order to extend opportunities for women there is a commitment to provide 'a comprehensive framework of day-care and education for children below compulsory school age' (p.11).

Comment

Labour has now retracted its 1987 manifesto pledge to 'make nursery education available for all three and four year olds whose parents want this opportunity' and substituted a more general commitment.

However the last occasion on which Labour was in a position to fulfil a similar commitment (in 1974), it failed to do so. Capital allocations for nursery provision, for example, fell by some two-thirds between 1974-5 and 1978-9.

Background

It is for local authorities to provide for the particular needs of their areas; the Government aims to maintain spending at its present levels and to encourage diversity. Four out of five children now attend nursery classes, reception classes or playgroups; the proportion in formal nursery education has increased from 37 per cent to 43 per cent.

STUDENT/PUPIL SUPPORT

'There should also be a move toward income maintenance assistance for those in full-time education (aged 16-18)' (p.11).

Comment

Labour's proposal seeks to support its plan to 'bridge the divide at sixteen [between those who stay on at school to take 'A' levels and those who do not] by providing a variety of integrated patterns of academic and vocational education'. In fact, a variety of provision already exists. All Labour's proposal would achieve is to increase the tax burden on parents in order to pay the money back to their children.

There would also be a heavy 'deadweight' cost involved in implementing this proposal, since many pupils stay on without receiving any payment.

Background

The proportion of 16 year olds staying on in full-time education has risen from 41 per cent (1978-9) to 45 per cent (1985-6) under this Government.

EMPLOYMENT RIGHTS

Labour says there should be 'minimum legal standards for everyone at work, whether full-time or part-time, permanent or temporary, whether unionised or not, whether in large companies or small'. Labour will therefore legislate for 'rights on unfair dismissal, the minimum hourly wage, the minimum paid holiday, maternity and paternity leave, anti-discrimination, health and safety standards, rights to participate in a union, and fair disciplinary measures' (p 12).

Comment

If Labour is serious about its commitment to full employment, then its task will be made exceptionally difficult by this proposal. The key to solving unemployment does not lie in placing unnecessary burdens or regulations on employers. Superfluous regulation increases employers' costs and inevitably has a negative effect on employment. This is particularly true of legislation intended to protect part-time workers and consequently in the past there were fewer opportunities for part-time work than there might otherwise have been. Flexible part-time work is particularly welcome to women, and therefore regulations which tend to reduce its availability place women workers at a disadvantage.

Labour proposes that these 'rights' should apply equally to both large and small companies. The Government has generally been more relaxed towards small firms, recognising their job-creating potential and the difficulties for the small businessman in complying with some of this legislation; difficulties which lead to reluctance to create job opportunities, especially for women.

The rights of people in employment have to be balanced against the needs of the unemployed.

A more flexible labour market, not a more rigid one, will create jobs.

EMPLOYEE PARTICIPATION

Employees 'must have ... a very real influence in their enterprise or workplace. They should be enabled and encouraged to contribute to a partnership in their workplace'. Employees must have 'a right to information and consultation, and ... an influence on decision-making on the issues which most affect them ... All employees, whatever the nature of their work or workplace, should have access to an appropriate forum where issues of day-to-day concern can be considered by employers and management' (p 13). Labour would provide 'state funding' (p 14) to trade unions to train representatives for this forum.

Comment

Employee participation in principle is desirable; but it must depend on decisions by individual companies, not exist as a statutory right. Labour are keen to give more power to the trade union leaders to interfere in the smooth running of companies. The prime goal, however, should be to work for an efficient and competitive company which secures jobs. Labour's proposal distracts people from that main objective and involves a bureaucratic and costly burden on employers, whilst state funding is provided for the unions.

The proposal only suggests funds for trade unions, and not for employees in non-unionised companies.

TRADE UNIONS

Labour is determined that 'the trade unions will have an essential part to play in the 1990s' since 'most people ... believe ... that trade unions are essential to protect individual employees and improve pay and working conditions' (p 10). Labour will promote 'effective trade unions' to redress the 'unequal balance between employers and employees' (ibid). 'Recent experience', it says, 'has shown that the Conservative government's anti-union legislation has not suppressed industrial conflict and strikes' (p 14).

Comment

Labour refuses to acknowledge in any way the major improvements in industrial relations over the past 9 years. Strikes have been at their lowest for almost fifty years and the number of working days lost, at its lowest for almost a quarter of a century. Union leaders have become more accountable to their members and the number of single-union no-strike agreements has risen rapidly.

The phrase 'an essential part to play' is deliberately vague - could it mean a National Economic Assessment, as outlined in the 1987 Labour manifesto, in which trade unions are involved in determining government economic and social policy?

Labour mentions an unequal balance which needs to be redressed. Labour seems to be encouraging a re-run of the 1970s which saw the Social Contract disintegrate into the Winter of Discontent of 1978-9, with 9.5 million working days lost in strike action.

Labour claims that most people believe trade unions are essential to protect employees, yet a MORI poll (The Times, 13th June 1988) shows that 38 per cent of those polled believed that unions had too much power and just 18 per cent thought they had too little.

Background

Mr Bryan Gould has confirmed that 'the trade union movement would be brought back into the decision-making on the economy under a Labour Government' (Independent, 3rd February 1988).

SECONDARY PICKETING

Labour will remove the 'ban on all types of sympathetic action' (p 14).

Comment

Labour is prepared to return to the days of secondary picketing and the flying pickets of the late 1970s, so denying individuals the right to go to work when they are not involved directly in an industrial dispute. In 1980, when the ban on sympathy action was enacted, 79 per cent of trade unionists supported the elimination of secondary picketing. (The Times, 31st January 1980).

Background

The Employment Act 1980 made unlawful secondary picketing and flying picketing of the sort which was the source of great concern during the industrial disputes in the Winter of Discontent, including those involving lorry drivers, local authority and health service workers.

The legalising of secondary action would mean a return to the kind of mass picketing witnessed at Saltley Coke Depot in the 1972 miners' strike and during the dispute at the Grunwick film processing laboratory in the summer of 1977.

SECRET BALLOTS

Labour says that it supports 'ballots before strikes' (p 14) and believes union members 'should have the right to a secret ballot on decisions relating to strikes as well as in the election of union executives' (p 14). However, in some strike circumstances, it will be content for the ballot to take place 'subsequently' (p 14). Members will not have recourse to the courts if no ballot is held but an 'appeal to an independent tribunal' (p 14). This 'right' to a secret ballot will, however, be 'translated into union rule books' and enforced 'through the independent tribunal' (p 14).

Comment

No mention is made of a secret ballot for votes on the continuation of a political fund. Will these no longer be necessary?

Are the secret ballots in the election of union executives to be workplace or fully postal, as under the Employment Act 1988? From what Mr Meacher has said during debate on the Employment Bill (Hansard, 3rd November 1987, col. 829), they would presumably be workplace - the turnout may be higher but union members are concerned at the correct running of the ballot. There is ample evidence of ballot rigging from the TGWU and CPSA elections in 1984.

There is no proposed statutory right to a pre-strike ballot and the ballot will not even be pre-strike at all in some cases. Rather, this 'right' is to be written into union rule books. This had little effect during the miners' strike in 1983-4, when Mr Scargill persistently refused to hold a ballot, although it was written into the NUM rule book.

Background

A MORI poll showed that 70 per cent of trade unionists backed the proposal (now law) that individual union members should have a statutory right to obtain a court order preventing their union from calling them out on strike without first holding a secret ballot (The Sunday Times, 6th September 1987).

Mr John Prescott, a former Labour employment spokesman, has admitted: 'I personally do not believe in pre-strike ballots. I do not think they work' (Financial Times, 5th September 1986).

Mr John Evans, another Labour spokesman, has also declared that: 'Trade unionists also seek and expect rights to secret ballots on strikes ... [but] not necessarily before a strike ... but within a reasonable time if the strike continues' (Labour Party Conference, 30th September 1986).

(a) 'No reasonable and objective Government ... could allow the four Employment Acts of 1980, 1982, 1984 and 1988 to stand as they are'(p14). Measures which are described as 'most objectionable' and which would be removed, include:

i) 'Protection by law against union disciplinary action for a minority who have refused to accept the ballot decision of a majority in the union to take industrial action'

Comment

A MORI poll showed that 47 per cent of trade unionists supported the proposal to prevent the disciplining of members who refuse to strike (The Sunday Times, 6th September 1987). Labour is not prepared to allow the individual to decide whether to take industrial action; instead, the union is to decide his priorities.

ii) 'The use of ex-parte injunctions - taken out at only a few hours notice and without the union side being able to be present - in order to frustrate legitimate industrial action.'

Comment

Labour would thus allow the unions to delay any court action brought by employers.

iii) 'The revival of the liability in tort of the union ... which had been excluded since 1906, and which has led to penalties of sequestration out of all proportion to the cause.'

Comment

By ending the unions' liability in tort, Labour would effectively also end the possibility of sequestrating a union's assets. The threat of sequestration has proved useful to employers who have increasingly gone to the courts to end unlawful industrial action.

(b) Labour is determined that 'workers engaged in a legal strike or industrial action must have protection against unfair dismissal by their employer'(p14). This presumably would mean that an employer could not sack anyone on strike, even if in breach of their contract of employment.

Background

Mr Kinnock has said that Labour's commitment is to 'clear it [Conservative trade union legislation] and to ensure that ... union members are democratically in control of their unions and you don't need the library of Tebbitry in order to ensure that that takes place' (Weekend World, 10th April 1988).

By removing Conservative trade union legislation, Labour would be reversing the great strides taken to boost union democracy. This would lead straight back to the era of the Winter of Discontent.

COUNCILS IN THE ECONOMY

The Document declares that 'Labour Councils have already demonstrated how local enterprise can bring employment opportunities to even the most depressed communities' (p.18).

Labour praises 'the advantages of devolving major responsibilities to local and regional authorities and enterprise boards' (p.6).

Comment

Labour wish to give local authorities significant new powers to intervene in the local economy. Given the prejudices, partisan obsessions and general incompetence of Labour local authorities, this could only lead to economic chaos - especially since Mr Hattersley says that Labour propose to give local authorities a power to levy a local income tax. Conservative successes in regenerating depressed areas have been based on removing local barriers to success - such as excessive local tax bills and regulations.

Background

Labour's 1987 Consultative Paper Local Government Reform in England and Wales told Labour councils to prepare for 'an interventionist role within the private sector' (p.129). Labour's 1987 Manifesto pledged to 'give local authorities in key areas the power to declare Public Action Zones' where they would 'have additional resources and powers to undertake programmes of investment' (p.12).

The Greater London Enterprise Board, set up the Labour controlled GLC, was not successful. In 1984, of the 18 companies in which GLEB held 10 per cent or more of the equity share capital, four were in liquidation, one in receivership and nine had failed to provide audited financial statements; of the remaining four only one had made an operating profit and two had negative share capital and reserves. The affairs of GLEB were investigated by the Fraud Squad (The London Standard, 18th October 1985).

POVERTY

'The 1980s have been a period of unprecedented prosperity for those at the top. By contrast, those at the bottom of the income league have fallen further behind' (p17).

Comment

Labour, whose own policies in Government so signally failed to improve living standards, fail to grasp that wealth creation has benefited those at all income levels in Conservative Britain. The latest low-income statistics show that living standards have been rising significantly and that those with the lowest incomes have shared in the improvements. Indeed, between 1981 and 1985 the average incomes of those in the bottom tenth rose by over 8 per cent - well ahead of the average increases for the population as a whole.

Background

The Real net income:-

- * of a married man, with two children, on half average earnings increased by just 4.2 per cent between 1973-4 and 1978-9 but by 21.5 per cent between 1978-9 and 1988-9.
- * of a married man, with two children, on average earnings increased by just 0.6 per cent, between 1973-4 and 1978-9 but by 27.5 per cent between 1978-9 and 1988-9.
- * of a single person on half average earnings fell by 1.0 per cent between 1973-4 and 1978-9 but increased by 25.8 per cent between 1978-9 to 1988-9.
- * of a single person on average earnings fell by 2.8 per cent between 1973-4 and 1978-9 but increased by 25.8 per cent between 1978-9 and 1988-9.
- * of pensioners increased by just 3 per cent between 1974 and 1979 but by 18 per cent between 1979 and 1985.

CHILD BENEFIT

'Improving Child Benefit ... will also have a direct effect on family incomes' (p18).

Comment

The document gives no indication of how much Labour would increase Child Benefit by. However, Child Benefit is a universal benefit paid to all regardless of need. Increasing universal benefits is expensive and indiscriminate. Effective use is not made of public resources as help is given to all. If the money is directed through the Income Support and Family Credit Rate, as this Government has done, more help can be given to those on the lowest incomes.

Background

Beneficiaries - 7 million families with 12 million children

Cost £4.5 billion

Rate per child £7.25

CONTRIBUTORY BENEFITS

'Where necessary, payment of basic benefits should not turn on contributions, but on qualification for the conditions it covers - old age, unemployment, maternity or disability' (p19).

Comment

The Government attaches great importance to the contributory principle. People would much prefer to receive a pension or unemployment benefit after making regular payments whilst in work than to have to rely on means tested benefits paid for by taxpayers. Entitlement to a contributory benefit should be dependent on a contributory record. It would clearly cease to be a system of national insurance if entitlement was based on qualification for the conditions it covers.

Background

Nearly £25,000 million is spent on contributory benefits including £18,500 million on the retirement pension which goes to more than 9½ million people - 1 million more than in 1979 - and which has been increased in line with the cost of living. The Government spends a further £20,400 million on non-contributory benefits which include disability benefits, Income Support, family benefits and Housing Benefit.

PENSIONS

The review intends to look at a restructuring of the State Earnings Related Pension Scheme 'to provide adequate pensions and honour the higher contributions paid on the promise of higher pensions' (p20).

In addition 'Labour will insist that all private [pension] schemes must match the commitment of our social insurance pension to provide an adequate earnings related pension protected against inflation' (p20).

Comment

A return to the old scheme would present taxpayers in 50 years time with a bill in excess of £25,000 million - far higher than the bill for paying pensions today - when the number of people paying national insurance contributions at the time may be far smaller in number than now. Their proposals for private pensions will limit choice and discourage the spread of occupational and personal pensions. Employers and personal pensions providers would not be able to set up pension schemes on a money purchases basis but would instead have to make the open-ended promise of a salary-related pension.

Background

The changes to SERPS: People retiring after 2009 will now receive a SERPS pension based on 20 per cent of average lifetime earnings instead of 25 per cent of the best 20 of those years. No one retiring up to the end of this century will be affected. There will be special arrangements to help those retiring between then and 2009.

People who are looking after children, or who are disabled or looking after someone who is disabled, will still be able to qualify for a full SERPS pension on the basis of as little as 20 years earnings.

Occupational Pensions Employers who set up 'money purchase' schemes will be able to contract-out of SERPS. Pensions will grow according to the performance of the investment made with the contributions whereas the existing salary-based schemes make open-ended commitments tied to salaries in the distant future.

For a five year period an extra 'rebate' - worth an additional 2 per cent of earnings - will be put into schemes by the Government.

Personal Pensions For a period of five years the Government will add the same 2 per cent special financial incentive which is to be given to new occupational schemes. There will also be tax relief and a rebate from National Insurance Contributions.

FAMILY BENEFITS

'Our view is that we should attempt to deliver a level of benefit that enables the family not merely to survive but to participate in Society' (p20).

Comment

The document gives no idea of how much benefit levels would need to increase but this could clearly have significant public expenditure implications. Furthermore, any increase in benefit levels would be likely to make people more dependent on benefits and trap more people in unemployment and poverty.

Background

Child Benefit - Cost £4.5 billion
- Rate £7.25 a child
- Beneficiaries 7 million families with 12 million children

One Parent Benefit - Cost £170 million
- Rate £4.90 a family
- Beneficiaries 610,000 families with 915,000 children
- Up 20 per cent in real terms since 1979

Family Credit - Cost £400 million
- Rates - Adult Credit £32.05
Child Credit
18 21.35
16-17 14.70
11- 15 11.40
Under 4 6.05
Threshold 51.45

- Beneficiaries - 470,000

- More than twice the cost of Family Income Supplement with more than twice as many families to benefit.

DHSS OFFICES

'Clients of the DHSS ought to feel at least as welcome when claiming benefit as when spending it at their local shop. This requires substantial numbers of extra staff reception areas that are more hospitable, and a commitment by the DHSS to publicise and market the take-up of benefits. The essence is a change in attitudes: a recognition that benefits are not 'state charity', but a fund to which we all contribute and from which we are all entitled to draw (p20).

Comment

According to a recent Gallup Poll for the National Audit Office (NAO DHSS: Quality of Service to the Public at Local Offices, Commons Paper 451, DHSS) some three-quarters of claimants are satisfied with the service. However, the Government is taking steps to improve the service which is provided. A significant new offices programme is under way to improve facilities for both staff and claimants. A major computerisation programme is also under way: over 3000 micro-computers have already been installed in local offices. Within the next 12 months the Government will start linking all local offices to main-frame computers, providing a full-computerised service for pensions and Income Support.

Labour's overall approach to benefits threatens to make more people dependent on the state rather than giving people a hand out of unemployment and poverty.

Background

Take-up of most benefits is already high. £9 out of every £10 of income related benefits which is potentially payable is claimed. The Government expect take-up of the new Family Credit to be higher than that for Family Income Supplement. It will be better and more widely known because it will go to twice as many people at twice the cost, and the higher amounts of benefit will be a greater incentive for people to claim. In addition there was extensive publicity to coincide with the start of the new scheme.

SOCIAL SECURITY REFORMS

'We will take immediate steps to remove the worst features of the Conservatives' new scheme, such as the Social Fund' (p20).

Comment

It is not clear what Labour means by removing 'the worst features' of the new systems. However, if the social security reforms were reversed nearly four out of ten people - 3,190,000 in total - on Income Support, Family Credit and/or Housing Benefit would be worse off. Some 1,270,000 would lose £3 a week or more including 240,000 pensioners, 630,000 families with children and 190,000 sick and disabled people. It would mean that benefit would be more difficult for the public to understand. In addition thousands of people would again find themselves caught in the unemployment and poverty traps - some facing combined tax and benefit withdrawal rates in excess of 100 per cent.

A return to the system of single payments would make those on Income Support more dependent on benefits and would discriminate against people in work whose incomes are only just above the Incomes Support level.

Background

- * The Social Fund will provide loans or grants to people on Income Support instead of single payments and will also provide maternity and funeral payments which are not discretionary, cash limited or loans. Community care grants will be available for particularly vulnerable groups which are not repayable.
- * It is fair to expect people on Income Support to budget for one-off items just like other people whose incomes may only be a little higher.
- * For exceptional needs a discretionary scheme will be more flexible than the regulated single payments scheme.
- * Single payments were unfairly distributed - in one year 80 per cent of the money went to less than one in ten of the claimants.
- * The Social Fund, which will cost £200 million in 1988-9, has to be put in the context of Income Support which will cost £8,000 million a year. The Social Fund Budget will be broadly equivalent to spending on single payments in 1987-8.
- * The cost of single payments increased fivefold even after inflation between 1979-80 and 1985-6. During that time the number on benefit increased by about three-fifths. It was therefore no longer just a system of exceptional payments. Indeed, one office received 4,000 applications for furniture payments in a few days.

HOUSING COSTS

Labour will remove 'the arbitrary exclusion of the first 20 per cent of the rates bill; the new capital rules that stop benefit going to pensioners with savings; and the ferocious taper of 85 per cent on Housing Benefit' (p21).

Comment

Labour's proposals would reduce the accountability of local councils and would give benefit to people with large amounts of savings when many of the taxpayers who are paying for the benefit have no savings and only modest incomes. They would also taraget benefits less effectively since a reduction in the tapers would mean that Housing Benefit would go to people on reasonable incomes.

Background

Housing Benefit already goes to nearly one in three of all households. It costs over £5 billion a year.

HOUSING/MORTGAGE TAX RELIEF

The Document fails to produce any new policies on housing at all. Instead it merely declares that it will seek to 'question the imbalance between the subsidy given to the wealthier homeowners and the decline in support for the poorest tenants' (P 21).

Comment

This is Labour's latest way of saying that it would limit mortgage interest relief to the standard rate of tax.

The effect would be to exclude higher rate tax payers from the benefits of mortgage tax relief at their higher rates of tax. This would affect some 900,000 mortgage payers.

Background

Mr Kinnock has claimed in the past that Mortgage Interest Tax Relief is 'not defensible either in terms of the economic use of resources or in terms of social need' (Bournemouth, 28th October 1986). His statement helps to clarify Labour's real intention - however much the party may try to disguise it.

TAXATION OF MARRIAGE

Labour continues to oppose any recognition in our tax system of the special status of marriage in society 'Despite the recent Budget changes, women are little closer to financial independence ... Since [the new married couples' allowance] is still paid to the husband, administratively the financial affairs of couples remain enmeshed ... This is clearly inequitable' (p 22).

Comment

Labour's criticism of the retention of the married couple's allowance is an echo of the Party's election pledge to abolish the married man's allowance (Times, 9th June 1987) - a move which would make 11 million married people worse off by at least £7 a week.

Background

The Chancellor's reform of the taxation of women in his 1988 Budget will, for the first time, give women full independence in their tax affairs whilst continuing to recognise the importance of marriage through the introduction of a married couple's allowance. Labour complains that since the married couple's allowance goes, in the first instance, to the husband, the tax system will continue to discriminate against women. The only alternatives to the Chancellor's proposals would be to abolish the married couple's tax allowance - as Labour appears to want - or to have a complex rule for its transferral. However, having anything other than a very simple rule for the use of the new married couples' allowance would add significantly to the cost of the scheme and to the complexity of the tax system. It would also have delayed the implementation of independent taxation for women well into the 1990s.

INCOME TAX

'Social Justice' advocates the introduction of 'a relevant rate [of income tax] more closely related to ability to pay ... we believe that the starting rate should be lower than 25 per cent, and the highest rate should be higher than 40 per cent ... we would not propose to raise top tax rates to levels substantially higher than those generally applied in other European countries, which are now on average fifteen to twenty percentage points higher than in Britain' (p 22).

Comment

Labour is trying to jettison the image of being the Party of high taxation. The implication is that under a Labour Government only top earners would pay more income tax; those at the bottom of the income scale would actually enjoy tax cuts.

There is no possibility of Labour achieving its goals of 'full employment' (p 4) and banishing 'want and poverty' (p 17) without huge increases in public spending. To avoid the inflationary consequences of higher levels of Government borrowing Labour would have to increase the burden of taxation on standard rate taxpayers. Any extra revenue from increasing the top rate of income tax would be needed to fulfil Labour's pledge to introduce new, lower tax rates for those on lower pay.

Background

Having voted against all the reductions in the standard and higher rates since 1979 - including the latest cut to 25p - Labour's commitment to low taxation is simply incredible. Moreover, the Party's pledge to abolish the National Insurance Contribution upper earnings limit (Hansard, c 1315, 17th March 1988) would hit hundreds of thousands of standard rate taxpayers earning between £15,860 and about £22,000. Labour's opposition at the last election, to the retention of the married man's allowance and its continued opposition to the married couple's allowance ('Social Justice', page 22 - see above page), suggests that Labour plans to abolish this special allowance too - hitting 11 million taxpayers.

NATIONAL INSURANCE

'We intend also to examine the relationship of national insurance contributions to income tax. The present situation where the burden of national insurance contributions falls on those with low incomes, cannot be justified ...' (p 22).

Comment

Labour has to use one of three methods to solve what it sees as this anomaly. It could abolish NICs altogether or reduce by 9 per cent the tax rate paid by all those earning less than £15,860.

The alternative is to abolish the NICs upper earnings limit, a move which would put an extra 9p in the pound on the 5 million people who earn more than £15,860 a year.

It is clear that Labour proposes to use the latter option - a measure which would make a mockery of Mr Kinnock's pledge that those paying tax at the basic rate 'would be no worse off' (This Week, Next Week, 5th June 1988) under a Labour Government.

Background

During the General Election campaign Mr Kinnock said 'We're going and we've said clearly for a long time to abolish the ceiling on national insurance contributions' (This Week, Next Week, 28th May 1987). Labour's position has not changed despite the manifest unpopularity of its tax plans as they were revealed during the election campaign. Mr Chris Smith, a Shadow Treasury spokesman, reaffirmed the pledge during the 1988 Budget debate: 'We have made it very clear that the existence of a ceiling on national insurance contributions is profoundly regressive in the tax system, and we want a properly progressive tax system that does not leave that anomaly in place' (Hansard, c 1267, 17th March 1988).

TAX CONCESSIONS

'Social Justice' states: 'Our tax system has been eaten away by a wide range of tax breaks and dodges ... Any tax incentives should promote innovation and enterprise, and should help to enhance a productive economy' (p 23). The report suggests that Labour would abolish the Business Expansion Scheme but that a whole range of tax breaks might be introduced for, 'business formation in potentially productive areas ... [to] channel resources to the regions ... [for] the workplace provision of child care ... for the employment of women and other target groups' (ibid). The Government's reform of Corporation Tax, particularly the removal of tax incentives for investment have 'little merit' according to the report (ibid).

Comment

Labour wishes to use the tax system as an instrument of an interventionist economic policy. Instead of the Government's approach of 'fiscal neutrality' - minimising the distortions in decision making caused by the tax system - Labour would introduce a range of tax subsidies to encourage what it regards as desirable behaviour. To finance new tax breaks, notably the re-introduction of capital allowances, Labour would have little alternative but to push up tax rates. In effect Labour would take from everyone to subsidise the implementation of its wider economic and social policies.

The abolition of the Business Expansion Scheme would rob small and growing firms of a valuable source of investment finance which, since 1983, has helped over 2,000 firms raise £700 million of investment. Almost half the finance raised under the BES would not have been raised in any form without the scheme. Labour has not said how it would fill this investment gap created by its abolition of the BES.

According to Social Justice, 'Mortgage relief available to home owners through MIRAS would continue to be paid under Labour.' The wording appears to be deliberately clouding the issue of whether MIRAS would be restricted to the basic rate of income tax. In the 1987 Manifesto Labour undertook to 'maintain mortgage tax relief at the standard rate of income tax'. Were MIRAS to be restricted to the basic rate some 900,000 higher rate mortgaggers would lose tax relief.

HEALTH SERVICE CHARGES

'Charges have no place in health care' (p30).

Comment

The abolition of charges would cost the NHS over £½ billion a year - money which would no longer be available for patient care. It would also do nothing to help those in greatest need. For example, three-quarters of prescriptions are dispensed free to people such as pensioners, children under 16 and those on low-incomes.

Background

The Labour Party has made commitments to abolish charges at previous General Elections. However, it was Labour which introduced the power to levy charges in 1949 and which introduced the first charges for dentures and spectacles in 1951. They did abolish prescription charges before the 1966 General Election only to reintroduce them at a 25 per cent higher rate after it. The 1974-9 Labour Government failed to make good a pledge to abolish prescription charges.

In 1976 Labour abolished the system of proportional dental charges introduced in 1971, by the Conservative Government and raised charges all round. In 1977 they increased the maximum charge for routine dental treatment by more than 40 per cent, for a course of treatment by 150 per cent, and for a set of dentures by over 67 per cent (plastic) and 150 per cent (metal). In 1976 the cost for the cheapest spectacle frames went up by over 60 per cent. Labour raised the cost again twice - in 1977 and again in February 1979.

LOCAL GOVERNMENT SERVICES

Labour want a Quality Commission to 'stress the "effectiveness" side of service delivery as a complement to the "efficiency" scrutineering role of the Audit Commission' (p.30). This commitment also appeared in Labour's 1987 Manifesto.

'New management styles' pioneered by Labour Councils are to be adopted everywhere and experiments by Labour councils are to be publicised as 'flagship' services (p.30).

Comment

These proposals have a simple motive - the justification of greatly increased expenditure by Labour councils. The Quality Commission would doubtless identify new areas where more money could be spent. Far from being the 'flagships' for quality, many Labour councils have a record which is widely recognised as abysmal.

Background

Labour's irritation with the Audit Commission doubtless stems from the Commission's January 1987 report on 'The Management of London's Authorities: Preventing the Breakdown of Services'. This showed that in 8 Labour-run inner London boroughs expenditure was 'double that in similar deprived areas after allowing for the extra costs associated with employing people in London' (Summary) to 'provide a range of services that appears no better and in some cases worse' (para 31).

Mr Tony Dykes, Labour Leader of Camden Council, undermined the idea of Labour councils pioneering successful 'new management styles' when he admitted that in his council : 'Since 1982 our staffing has grown by 2,000 people and we have regraded thousands of staff upwards since 1985. Yet no member of the Labour Group maintains that services are 2,000 staff better or x per cent growth better' (Quoted in New Statesman, 18th September 1987).

CHOICE AND STANDARDS IN THE NHS

The second phase of the Review will consider whether 'entitlements to choice, standards and speed of treatment enable individual users of the National Health Service to obtain better service' (p31).

Comment

It seems surprising that Labour should even need to ask this question. The White Paper on Primary Health Care (November 1987) places great emphasis on increasing choice and standards. For example, it proposes that people should be given more information on the services provided by family doctors and that it should be easier for people to change their doctor. More choice and higher standards of health care are also important themes in the Government's Review of the nations health services.

Background

Labour have clearly been reluctant to look at any new ideas for reform of the Health Service. They prefer instead to believe that more money is the solution to the problems faced by the NHS. Mr Frank Field, the Labour Chairman of the Social Services Select Committee, has criticised his own party for having almost no new proposals (The Independent, 12th February 1988).

FREEDOM OF INFORMATION/OFFICIAL SECRETS ACT

Labour proposes a 'Freedom of Information Act':

'the presumption of the legislation must be that all information is freely available. Exemptions to protect both national security and individual rights of privacy must be specific and carefully defined, and there must be a right of appeal' (p.34).

Labour also proposes to reform the Official Secrets Act by limiting:

'the Act to national security issues. In this respect we are particularly concerned that the Government's plans to reform Section 2 will make matters worse' (p.34).

Comment

The 'Freedom of Information' proposal is dangerous. The second proposal has now been made redundant by the Government's White Paper - but is itself irresponsibly narrow in its remit.

A statutory right of access to Government information would involve the courts in highly controversial cases, with the potential for serious constitutional problems. By giving the media the right to see most Government plans, it would expose these to delay and serious interference, damaging the principle of ministerial accountability to Parliament.

As to the Official Secrets Act, it would be very irresponsible to leave 'national security' as the only area protected. Information useful to criminals, received in confidence from other governments or which might endanger the lives of British subjects if disclosed, should be restricted, with the deterrent of the criminal law. Labour refuse to face up to the fact that open, free societies like ours are highly vulnerable and our security depends on effective arrangements for protecting ourselves.

Background

Labour's record in office was lamentable and was characterised by prevarication, and a highly restrictive interpretation of the Act. In 1974, they were elected with a pledge to replace the Official Secrets Act; no proposals appeared until 1976, and no White Paper until 1978. In the end, no legislation was brought forward. Their 1978 proposals were in important respects more restrictive than the present White Paper (for instance, in retaining ministerial certificates).

The Government seeks to limit the areas covered by the Act to those which really merit the protection of the criminal law, to provide well-defined harm tests, and to grant jurisdiction in these matters to juries, where it belongs.

Since 1979, Labour have abandoned the traditional consensus for leaving the Security Services out of politics. They have made frequent attempts to make political capital from breaches of national security (eg. over the Ponting and Wright cases, and the Zircon affair). During the hearing of the Wright case, in November 1986, Mr Kinnock sought briefing from Mr Wright's counsel, Mr Turnbull, rather than from the Government's law officers.

THE POLICE

Labour say:

"To create the necessary degree of trust between community and police, we also need a more effective complaints procedure, and directly accountable police authorities, including an elected police authority in London."

The Document also calls for:

"political initiatives to create closer working relations with the police" (p.35).

Comment

This is a simplified version of a well-established theme: the political control of the police. It is most undesirable that the police should be subject to local control, particularly of left-wing councils which are noted for their hostility and obstructiveness to the police. In a wider sense, it would be disastrous if the police were associated with whichever party happened to be in power. The effect of political control would be to drag the police into the sectarian and divisive causes espoused by many Labour councils. Apart from this, Labour's record, at the national level, of denying the police resources they need, undermines one's confidence in their pious protestations regarding law and order.

Background

All this is unchanged from the 1987 manifesto. In 1986 Mr Kaufman said that Labour intended:

"to create a genuine tripartite structure of local police authorities, chief constables and Parliament..., to bring the police within democratic accountability. Locally elected representatives should with their chief constables, determine the nature of policing in their area.

Labour would give locally elected police authorities:

"a voice in determining the policies, priorities and methods of their force" (University of Hull, 2nd June 1986)

IMMIGRATION

"We will....introduce a new British Citizenship Act. This would establish immigration laws and procedures that respect the family life of all those living here and do not discriminate on grounds of race or sex." (p.36).

Comment

No such Act is necessary. Our first Immigration Rule specifically provides that Immigration Officers should carry out their duties 'without regard to the race, colour or religion' of would-be immigrants. Three times our Immigration Rules have been cleared by the European Court of Human Rights of accusations of racial bias.

In practice, Labour want to undermine immigration controls - the very controls which are essential to good race relations. But Labour dare not admit how many more immigrants would come to Britain as a result of their policies.

Background

Under the last Labour Government, the number of people accepted for settlement rose by almost a half, from 55,000 in 1973 to 80,000 in 1976. Labour then had to increase controls in 1977, bringing the total down to 72,000 in 1978.

Labour has consistently advocated relaxation of immigration controls but equally consistently refused to acknowledge the implications - directly for immigration and indirectly for community relations. In 1986, Mr Kinnock visited India and pledged that a Labour Government would repeal both the 1971 Immigration Act and the 1981 British Nationality Act, without saying what would replace them (The Times, 5th June 1986). Mr Kaufman, then Shadow Home Secretary, claimed that the net result would be no more than 1,000 extra immigrants a year (The Guardian, 9th June 1986). In fact, the Home Office estimated that the likely increase under Labour's proposals would be 10,000 a year. Specifically, Mr Kinnock has promised that Labour would give an automatic right of Citizenship to anyone born here, including, for example, the children of students or of illegal immigrants. They have also promised to remove the rule which bans the use of marriage as a device for gaining settlement (Daily Mirror, 9th June 1986).

The Conservative Government has consistently defended the right of members of the ethnic minorities in Britain to live peacefully in equality under the law. The 1986 Public Order Act widened the definition of incitement to racial hatred, to cover film and other media, and to consider 'intention' as well as 'effect'. Government efforts to ensure equality of opportunity regardless of race have been building better race relations, which would be threatened by the sort of levels of immigration seen under Labour.

THE LAWS ON DISCRIMINATION

Labour intend to change the laws on sex discrimination and racial discrimination by:

"shifting the burden of proof so (those) charged with discrimination must prove that there are grounds for the decision other than sex, race or victimisation" (p.36).

Comment

The traditional formula of "presumed innocent until proven guilty" would be reversed. How could an employer, who genuinely judged a white applicant to be superior to a black, hope for a 'fair trial', when the law is no longer equal in its application? Labour's proposal is a recipe for confusion and would serve only to distract employers from their proper business; it would also endanger good race relations.

A MINISTRY FOR WOMEN

Labour propose a Cabinet Minister for women, at the head of a full Ministry:

'This Ministry would be close to the centre of power in Whitehall, yet accessible to women through their active involvement at regional and local levels. It would ensure that government is informed of women's real needs and that these are placed high on the political agenda' (p.36).

Comment

Labour say their new Ministry would cost £10 million, and employ 300 civil servants - but increasing bureaucracy is no guarantee of action. The new Ministry would only impede the work of other government departments which are working for women.

Background

This policy was introduced by the 1986 Labour conference in defiance of the party leadership. However, it was then included in the 1987 manifesto (p.5), where it earned a place in the "Priority Programme" for the first two years of a Labour government.

The idea is unnecessary and obstructive. Britain has the second highest female employment rate in the EC (after Denmark), and is the first UN member to appoint a Minister with responsibility for women's health. 46 per cent of students in higher education last year were women.

The Government is working for women's safety by introducing tougher sentences for violent and sexual offences. For example, the sentence for attempted rape is being increased to life imprisonment.

LOCAL GOVERNMENT FINANCE

The document significantly fails to mention the future of local government finance at all. All that is promised is that 'the next stage of the review will also look in detail at local and regional democracy' (p.37). Labour also want 'an extension of democracy along the lines of the consultation paper on local government reform (sic) which we published in 1987' (ibid). (This document supported capital value rates).

Comment

Labour have a long record of confusion and evasion on this topic. They are unable to produce a coherent policy on local government finance two and a half years after the publication of the Government's original Green Paper which proposed the Community Charge.

The policy which Labour is likely to adopt will combine a failure to extend accountability - since millions of people would still pay nothing in local bills for local services - with unfairness towards those who would pay.

Background

Labour's 1987 Consultative Paper Local Government Reform in England and Wales proposed 'the retention of rates based on capital values with regular revaluations'. Labour's Campaign Packs for the May 1987 and 1988 Local Elections supported this idea, but during the General Election Labour spokesmen such as Messrs Kinnock and Gould denied that this was Labour's policy. The Manifesto failed to mention any alternative to the Community Charge.

Mr Hattersley has recently backed 'a mixture of property tax based on capital values - and local income tax' (Sedgefield, 8th April 1988). But Labour's Local Government Spokesman in the House of Lords, Lord McIntosh, has since said 'it is not the policy of the Labour Party to replace the Community Charge with capital value rating' (House of Lords Hansard, 23rd May 1988, Col 1652) and concluded that 'there is no formal Labour Party policy for local government finance' (ibid, Col 698).

Latest Government figures, published at the end of June, show that if the Hattersley policy of a mixture of capital value rates and Local Income Tax had been in force in 1988/9, people on average earnings living in homes of quite modest value (three quarters of regional average property prices) would have faced local bills averaging well over £1000 in inner London and around £500 elsewhere. This compares with an average Community Charge of £238 in 1988/9.

THE STRUCTURE OF LOCAL GOVERNMENT

Major responsibilities in 'regional and inner city development' are to be 'devolved ... to local and regional authorities' (p.6).

Labour 'seek to rehabilitate the central arguments for planning ... to place our planners at the forefront of development' (p.41).

There will be 'an extension of democracy along the lines of the consultation paper on local government reform which we published in 1987' (p.37) because 'Labour wishes to move to a greater devolution of power' (ibid).

Comment

Labour wish to greatly strengthen the role of local authorities in planning, directing and dictating local life. Power is once again to be concentrated in organs of the state, albeit at the local level, rather than dispersed to ordinary people.

Background

Miss Margaret Hodge, Labour leader of Islington Council, has admitted that the Labour councils to whom Labour wish to devolve more power 'are seen as bureaucratic, inefficient, unresponsive and paternalistic by many of those people who are most dependent on what we provide' (New Statesman, 18th September 1987).

Labour's 1987 Consultative Paper Local Government Reform in England and Wales proposed inter alia a revamped GLC, abolition of most of the shire counties, a new bureaucratic tier of regional authorities, a loosening of spending controls on councils, an expansion of council intervention in the local economy. It also said Labour planned to 'give local authorities a general power of competence to do whatever is not expressly forbidden or contrary to law' (p.22) - giving Labour's local militants virtual carte blanche.

A NEW GLC

Labour's commitment to 'move to a greater devolution of power more generally, and the extension of democracy along the lines of the consultation paper on local government reform which we published in 1987' does not specifically mention the recreation of the GLC. However, the document referred to and the 1987 Labour Manifesto committed the Party to the re-establishment of 'a democratically elected strategic authority for London' (Britain Will Win, May 1987).

Comment

Labour's attachment to the concept of the GLC is unlikely, in practice, to have waned. This is despite the major savings which have been achieved by the abolition of the GLC and metropolitan county councils. As a result of the abolition of these unnecessary and wasteful authorities, some £240 million in revenue balances and £305 million in capital receipts are being passed on to the successor boroughs and districts. In addition, an estimated £100 million a year will be saved in the long term as a result of staff reductions. Labour's commitment to reverse abolition would result in the recreation of the unnecessary levels of bureaucracy which existed in these areas up to 1985.

Background

It is unclear how large a GLC recreated by Labour would be. According to the report of a working group established by the Greater London Labour Party and published in April 1987 'Some people argue for a wider, South East Region and some argue for the setting of London's boundaries at the M25 ... In the short term ... the most straight forward solution is to retain the existing boundaries'. The Labour consultative paper Local Government Reform In England and Wales published in February of that year suggested 'there could be a case for establishing two further regional authorities (North Thames and South Thames) flanking the metropolitan area'. Such a proposal would obviously render the Home Counties redundant.

The London Working Group advocated sweeping new powers for the new authority, the abolition of the City of London and the removal of the Board Members of the London Residuary Body, the South Bank Board, London Regional Transport and the London Docklands Development Corporation. All these bodies would therefore find themselves subjected to Labour political appointees.

AGRICULTURE

The Policy Review does not have a section on agriculture, nor is it mentioned directly. However, Labour's proposals on local government reform have serious implications for farmers. Labour says that it is in favour of:

'the extension of democracy along the lines of the consultation paper on local government reform which we published in 1987. That is the direction in which our deliberations will move' (p.37).

Comment

Labour's 1987 document committed the party to the rating of agricultural land. Labour pointedly avoids any reference to an unpopular policy which would either devastate farm incomes or result in massive food price increases. Moreover, the lack of any section on agriculture highlights the low priority the Party affords Britain's farmers.

Background

Labour's lack of understanding of agricultural issues has been admitted by Dr David Clark, Shadow Agricultural Spokesman, when he said that:

'over the past few years the Labour Party's attitude has been dominated by the inner cities at considerable electoral cost in small towns and rural areas' (York, 13th February 1988).

To acquaint themselves with agriculture he merely suggested that the Labour leadership 'start listening to The Archers' - the everyday story of countryfolk (ibid.)

ENVIRONMENT

The Document says that Labour remains committed to its 1986 Environment Statement, and claims that the Policy Review, 'with its wider remit, builds on much in that Statement' (p.43).

Comment

The Policy Review lists some of the issues addressed in the 1986 document, such as the 'better monitoring, inspection and enforcement of pollution control' yet avoids references to the concrete proposals for more intervention which it contained. These included: a Ministry of Environmental Protection; an Environmental Protection Service and a Wildlife and Countryside Service; public ownership and 'democratic control' of the water industry. The 1986 Statement was also much franker about the Party's objectives as regards land:

'Labour's aim is to expand the common ownership of land. We intend to establish a land bank to control land already held in public and semi-public ownership' (page 17).

WORKING WITH EUROPEAN SOCIALISTS

Labour pledges to work 'with other democratic socialists to transform the Community' (p.46).

Comment

Labour's continued hostility, albeit below the surface, to the EC puts it totally out of step with even its 'democratic socialist partners' in Europe. It is therefore far from clear with whom Labour could co-operate.

The Labour Common Market Safeguards Committee makes the point quite boldly - 'Co-operation with other left governments in the EEC is unlikely to be effective... because most EEC left parties accept the reactionary provisions of the Treaty of Rome' (Tribune, 8th July 1988).

Background

Labour has a disastrous record of 'cooperation' with other EC governments, of whatever political colour, when in office.

Its 1975 'Renegotiation' thoroughly soured relations with our key trading partners, in exchange for only cosmetic reforms.

OVERSEAS AID

Labour states that 'Britain can and should meet the United Nations target for aid spending and we reaffirm our commitment to do so' (p.46).

The Document also promises - in phase II of the Policy Review - to 'develop [a] policy on international debt in the light of the changing international situation' (p.47).

Comment

This pledge is little more than a repeat of Labour's hollow 1974 Manifesto commitment to reach the UN target 'as fast as possible'. Far from achieving that, the last Labour Government was forced to cut the overseas aid budget by £50 million in two successive years.

Yet despite this record of failure - Labour seems determined to make such a commitment again. On his recent African tour, Mr Kinnock clarified the position further, saying that it was 'essential' to 'achieve within the lifetime of a parliament the UN target of allocating at least 0.7 per cent of our national income to overseas aid' (Guardian, 14th July 1988).

This commitment to raise British aid by 2½ times in the life of a Parliament would involve additional public expenditure of £1.7 billion - the equivalent of nearly 2p in the £ on income tax.

Background

Whereas Labour cut overseas aid, this Government has maintained a substantial and effective programme. The British Aid Budget - £1,300 million in 1987/8 - remains one of the largest in the world:

- * Nearly 130 developing countries have received long-term help.
- * The Government responded swiftly and generously to appeals for emergency aid: £253 million was provided between 1983-7.
- * Some £11 billion has been spent on overseas aid between 1979 and 1987.

SANCTIONS AGAINST SOUTH AFRICA

The Document states that Labour 'supports comprehensive mandatory sanctions against South Africa' (p.47). This pledge is consistent with Labour's previous commitments to introduce sanctions.

Comment

Labour's commitment to sanctions takes no account of the undesirable consequences and the suffering - principally to the black population - such a course of action would precipitate. There is NO evidence whatever that sanctions would be effective in bringing about peaceful political change: on the contrary there is a substantial body of evidence that they would, in fact, be counter-productive. Sanctions would simply:

- * Undermine the South African economy: black employment and welfare would be badly affected in a country where there is no social security;
- * Stiffen the resistance of the white population to change;
- * Worsen the cycle of frustration, violence and repression by raising false expectations of easy change;
- * Undermine the stability of the region;
- * Damage UK interests in South Africa and increase unemployment in the UK.

Background

Labour's latest rigid approach is quite different from the pragmatic stance of the last Labour Government. For instance, Mr Ted Rowlands, Minister of State at the Foreign Office in that Government, declared that: 'Economic sanctions would have grave consequences for ordinary people here and throughout South Africa. We want to use our influence with the Republic to promote peaceful change' (Hansard, 7th December 1977, col.770). Mr Roy Hattersley agreed - 'I do not believe that a policy of general economic sanctions would be in the interests either of the British people or of South Africa' (Hansard, 7th July 1976, col.1354).

Those comments of Messrs Hattersley and Rowlands were echoed many years later by Chief Buthelezi, Chief Minister of the KwaZulu homeland in South Africa: he has confirmed that sanctions would destroy the South African economy for both black and white. In a memorandum presented to the Foreign Secretary during his tour of Southern Africa in 1986 he said that it was 'mad to propose to kill the snake in the house' by burning down the whole house (Times, 29th July 1986).

EC WITHDRAWAL

Labour concedes that:

'Britain could not withdraw from the Community without huge damage to our economy and ruined relations with our key trading partners' (p.47).

Comment

Labour's new-found commitment to EC membership is illusory. In this document the contradictory approach is quite clear - the veiled threat to withdraw is made right at the beginning:

'We must be clear that the Community cannot be allowed to deter Britain from doing what is required to regenerate our economy' (p.6). And yet later the document proclaims that 'our membership of the EC puts us at the heart of the world's largest trading block' (p.45).

It continues to oscillate between its basic hostility to the Community and its fear of saying so too loudly. Withdrawal is still official party policy.

Background

Labour's has changed its mind five times on the issue of withdrawal. Since its 1983 Manifesto pledge to withdraw, the Labour leadership has tried to back off from what it knows is a vote-losing policy, whilst continuing to attempt to appease its left-wing. The threats to withdraw are ever more veiled (eg. 'We... shall reject EEC interference with our policy for national recovery and renewal' (Britain Will Win, Mg 1987, p.15). But the issue will not go away: the Labour Common Market Safeguards Committee has declared that 'the next Labour Government will not be able to implement its programmes within the framework of the EEC' (Tribune, 8th July 1988, p.6).

A 'NEW DEAL' FOR EUROPE

Labour pledges a "New Deal for Europe". It continues:

'What is now essential is a fundamental change in the political and economic direction of the Community to overcome any obstacles to progress represented by the Treaty of Rome' (p.47).

Comment

Labour talks of a 'New Deal' but its policy document is void of any specific plans. It offers lofty rhetoric such as "Labour will work to achieve the mutual dissolution of NATO and the Warsaw Pact", but fails to get to grips with the complex detail of EC affairs. One can only guess at exactly what the so-called a 'New Deal' might comprise: but pledges 'to ensure that companies and governments abide by minimum employment standards and conditions' (p.47) thinly mask Labour's plans to reimpose restriction and regulation, which will blunt industry's hard-won competitive edge.

Background

Labour's 'New Deal' is not new. For all the fanfare, the policy review has not progressed from Labour's 1984 manifesto which also promised us a 'New Deal for Europe'. Labour's record of achieving a 'New Deal' when in office is disastrous. In 1975 Labour embarked on its celebrated 'Renegotiation': this drew much trumpeting, but not a single penny for Britain.

Many of the likely components of Labour's 'New Deal' - for instance import planning, exchange control and selective public subsidy of industry and services could be declared illegal under the Treaty of Rome. A Labour Government would therefore have a stark choice: the abandonment of its policies, or withdrawal from the Community.

DEFENCE

The Policy Review Document dodges the issue of defence almost entirely. It states blandly that 'the fast moving developments in world events ... will have their effect on our review of how Labour's non-nuclear defence policy can best meet the challenge of the 1990s' and promises a fuller report 'next year' (p.48).

Comment

In order to avoid a devastating split within the Party the Document, as in so many other areas, attempts an elaborate balancing act:

- * It pretends that Labour's unilateralist policy is really a multilateralist one - by suggesting that multilateral disarmament between the United States and the Soviet Union 'emphasises the relevance' of Labour's non-nuclear defence policy.
- * Yet at the same time it makes clear that Labour believes that Britain can be best defended without nuclear weapons - whether or not potential aggressors still possess them. Labour says that 'reliance on such weapons of mass destruction cannot contribute to the effective defence of our country' (ibid).

Background

The efforts of the Policy Review Group to dodge the issue and so avoid a split in the party proved futile. For even before the Review Document was published Mr Kinnock pre-empted it. In a recent interview he suggested that 'there is no need now for a something for nothing unilateralism' (This Week, Next Week, BBC TV, 5th June 1988) - keen, as ever, to pretend that he was no longer a unilateralist. But his spurious attempt ended in disaster - and amid signs of incipient civil war in the Labour Party.

In fact, Mr Kinnock's comments were not greatly different from those eventually published in the Policy Review - for he implied during the interview that Labour would unilaterally disarm come what may. But even a slight change in his rhetoric was enough to unleash civil war in his Party.

Following the resignation of his defence spokesman - Mr Denzil Davies - and demands from Mr Ron Todd that he reaffirm his commitment to one-sided disarmament, Mr Kinnock withdrew his remarks and confirmed that Labour's unilateralist policy stands (Independent, 21st June 1988).

But as he made clear during the General Election - that policy simply means 'using all the resources you have to make any occupation untenable' (Daily Express, 25th May 1987) - in other words a policy, not for defence, but for surrender.

Appendix

Labour's Omissions

A number of subjects are notably omitted from Labour's Policy Review Document:

* Public Spending

No mention is made of Labour's public spending plans and there is no attempt to cost the various commitments made in the document.

* Ulster

Although there is a lengthy section on South Africa, Namibia and the problems of other African countries, Labour fails to mention its policy on Northern Ireland completely.

* Prisons

The Policy Review Group set up to look at 'policies to combat crime', chaired by Mr Hattersley, neglects to mention Labour's view on prisons.

* Right to Buy

The Document makes no mention of Labour's current position on the sale of council homes. That position was confused at the last election and the Review Group has not confirmed whether Labour remains opposed to the Right to Buy or not.

* Opting Out

The Policy Review Groups have made no effort to formulate a response to the Government's radical proposals on education and housing.



ps

FROM: A C S ALLAN

DATE: 25 July 1988

MR CROPPER

cc PS/Chief Secretary
Mr Tyrie
Mr Call

LABOUR'S POLICY REVIEW

You have received direct a copy of Robin Harris' minute of 21 July to the Prime Minister attaching the analysis prepared by the Conservative Research Department of the outcome of the first stage of the Labour Party's Policy Review.

2. The Chancellor would be grateful if you and the other Advisers would check this, in particular to see if the comments need amending in any way.

ACSA

A C S ALLAN

BF 10/5

RESTRICTED

FROM: P J CROPPER
DATE: 5 August 1988

CHANCELLOR

cc Chief Secretary
Mr Tyrie
Mr Call

LABOUR'S POLICY REVIEW

I have gone through the CRD analysis for the Prime Minister. It is not too bad, given that the average author has probably been in the Department 7.2 months. But it could be better.

2. I am sending a copy to Robin, in the spirit of helpful criticism.

P J CROPPER

*Thanks for letter
Mr and Mrs
Moth & criticism*

H W M...

CONFIDENTIAL

LABOUR'S POLICY REVIEWComments on the economic pages in the Conservative Research Department's analysis of Labour's 1988 documents

P1. Interest Rates and Exchange Rates. I would be inclined to omit the sentence "The immediate consequences would be a strengthening of sterling". This is technically true, but I cannot help thinking that the forces pushing sterling up would be swamped by those pushing it down. Higher inflation must mean lower exchange rates, and everything in Labour's past and present suggests higher inflation.

P2. Solving Unemployment. Para 2. I do not think we should subscribe to the view that new technology is bound "to result in more redundancies as capital is substituted for labour". If adoption of new technology boosts the UK's competitive position, the opposite would be the case.

Para 3. Furthermore the minimum wage becomes meaningless in an economy where an increasing proportion of the work-force is employed part-time or in multiple employments.

P3. Renationalisation. Might the point not also be made that multiple yardsticks - "consumer service, investment, pricing policy, and other measures of economic performance" - so confuse the issue for the managers that the job becomes impossible to do well. The smooth transition to private ownership of many of the former nationalised industries, and their subsequent success, indicate that - in a modern competitive world - straightforward private enterprise (subject to regulation of monopoly and other blocks on competition) gives the best results for all concerned.

- P5. The Treaty of Rome. In short, Labour's brand of economic policy would be incompatible with membership of the European Community. The stark choice would have to be made.
- P6. Closed Shop. The first paragraph of the Background is not a very convincing point to kick off with.
- P18. Councils in the Economy. In the Comment I would speak of moving excessive local rate bills, not local tax bills. Can we be told what the Fraud Squad found when it investigated GLEB?
- P19. Poverty. In the Comment I would not use a comparison of 1981-85, when we are in a position to say "real take home pay of those on $\frac{1}{2}$ average earnings is up by over 21 per cent since 1978-79".
- P20. Child Benefit. In the Background, does it need to be made clearer that this is the present rate and cost.
- P22. Pensions. The Comment is too imprecise. Twenty-five billion pounds looks a lot of money. But it is only one-sixteenth of today's GDP. If the GDP grew at three per cent compound, the proportion would be lower still. Also, it will not do to say in fifty years time, "when the number of people paying national insurance contributions may be far smaller in number than now". Have we any reason to believe it will?
- P23. Family Benefits. In Comment, would it perhaps be helpful to say something about the way in which accepted subsistence levels have risen over the years already. And might it be helpful, say, to equate the cost of a 20 per cent increase in benefits with Xpence on the Income Tax basic rate.

P28. Taxation of Marriage. The new system does a great deal to make women independent in their tax affairs. The tax return will go the woman, she will have her own personal allowances and she will, for the first time, be able to set her own allowances off against modest income from savings.

P29. Income Tax. Mention the Chancellor's commitment to a 20 per cent basic rate of Income Tax.

P31. Tax Concessions. In his recent CPC booklet on "Tax Reform" the Chancellor made a number of points relevant to this section. The present government has removed a number of special tax reliefs and reduced the value of others - e.g. car benefits. Reduction in tax rates also reduces the effective value of tax reliefs. With Labour's top tax rates, mortgage relief would now be worth about £3,000 a year to the top rate payer: in fact it is worth a maximum of about £1,200 a year now. It should be made clear (line 6 of Comment) that Labour would reintroduce first year allowances. Capital Allowances themselves have never been abolished.

P46. Overseas Aid. £1.7 billion is not, now, the equivalent of nearly 2p in the £ on income tax. The full year cost of 1p is already £1.6 billion (Autumn Statement 1987). The point needs making, that Britain contributes enormously to the private sector capital investment that is channelled through the City of London.

P J C

5/8/88



M P

FROM: MISS M P WALLACE

DATE: 18 August 1988

MR CROPPER

cc Chief Secretary
Mr Tyrie
Mr Call

LABOUR'S POLICY REVIEW

The Chancellor has seen your minute of 5 August, and was most grateful to you for letting him see this modest criticism. He agrees that the CRD analysis could indeed be better.

M P Wallace

MOIRA WALLACE

FROM: N I MACPHERSON
DATE: 1 September 1988

1. MR GILHOOLY *24/9*
2. PS/CHANCELLOR

cc: PS/Chief Secretary
PS/Financial Secretary
PS/Economic Secretary
Sir Peter Middleton
Mr Scholar
Mr Culpin
Mr Gieve
Miss Simpson
Mr Ford
Mr Cropper
Mr Tyrrie

Am:

GORDON BROWN MP: REGIONAL ANALYSIS OF TAX CUTS

Gordon Brown published "File on Fairness No 1. Regional Imbalance: The Impact of Top Rate Tax Cuts" at the beginning of August.

2. In it, he asserts that:

- (a) "Almost 60 per cent of the Budget's top rate tax cuts have gone to the South East" (see table attached);
- (b) "the vast majority of South East tax cuts will be spent rather than invested, predominantly on foreign luxury goods, worsening the balance of payments and adding pressure to interest rates" and
- (c) 'the Chancellor's answer to the growing regional divide has been to widen it.'

3. Mr Brown has emphasised the use of an independent computer model and the assistance of LSE economists, but he hardly needed these to deduce that people in the South East received the majority of top rate tax cuts. As the FST's reply to

Mr Nicholas Brown of 18 July indicated, around 60 per cent of top rate tax payers in 1985-86 lived in the South East. It is inevitable that a Budget which sharply reduces higher rates of tax will lead to the largest tax reductions occurring in the regions which have the most higher rate tax payers.

4. The argument that much of the high rate tax cuts will be spent on imported goods is based on a Morgan Grenfell Study. Though it is based on a somewhat dodgy sample, there is probably little point in trying to discredit it, since the better off clearly do have different spending patterns from the poor, or indeed the average. Mr Brown is scandalised that "83 per cent of the top rate tax cuts will be spent". This implies that 17 per cent will be saved, a considerably higher savings ratio than the average, and this is probably the appropriate line of counter attack.

5. Mr Brown's assertion of a growing regional divide is supported by a series of tables recording regional disparities in income, unemployment and investment. None of the information is new, and the standard line that what is good for the national economy is good for the regions should probably be maintained.

Line to take

- Inevitable that regions which pay most tax will benefit most from tax cuts. In 1988-89, South East will continue to pay very much greater share of tax than any other region.
- Top rate tax cuts will encourage enterprise and initiative: this will ensure continued success of British economy and improve economic performance in all regions of the country.
- No surprise better off have different spending patterns from the average. Only have to look round to see that. According to Morgan Grenfell (whose analysis Gordon Brown quotes), the better off will save 17 per cent of their tax cuts. This can only be good for investment and the economy.

- Fall in unemployment shows success of Government regional policy. Unemployment rate fallen faster than average over last 12 months in West Midlands, North West, North and Wales, but there have been significant falls in all regions, including Northern Ireland and Scotland.

N.I. Macpherson

N I MACPHERSON

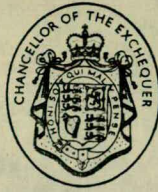
THE 1988 BUDGET TOP RATE TAX CUT HANDOUTS

<u>REGION</u>	<u>TOTAL GAIN</u>	<u>% GAIN</u>	<u>POPULATION SHARE</u>
SOUTH EAST	£1190m	57%	30%
NORTHERN IRELAND	£ 30m	1%	3%
WALES	£ 60m	3%	5%
NORTH	£ 60m	3%	5%
EAST ANGLIA	£ 80m	4%	4%
NORTH WEST	£ 100m	5%	11%
YORKSHIRE & HUMBERSIDE	£ 110m	5%	9%
EAST MIDLANDS	£ 110m	5%	7%
WEST MIDLANDS	£ 110m	5%	9%
SOUTH WEST	£ 120m	6%	8%
SCOTLAND	£ 130m	6%	9%

chex.ps/mw/6

UNCLASSIFIED

MP



FROM: MISS M P WALLACE

DATE: 5 September 1988

MR MACPHERSON

cc Mr Gilhooly

GORDON BROWN MP: REGIONAL ANALYSIS OF TAX CUTS

The Chancellor has seen and was grateful for your minute of 1 September.

A handwritten signature in black ink, appearing to read "Moira Wallace".

MOIRA WALLACE

~~Lab Gen~~
PWP

RESTRICTED

CHANCELLOR

Th...
APIT
per Jim.

FROM: A G TYRIE
DATE: 8 September 1988
cc: Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Mr Hudson
Mr Cropper
Mr Call

RON TODD ON MILITANT

Ron Todd's blindness to the dangers Militant poses for his union might be useful in the House, extract attached.

Not just dinosaurs, blind dinosaurs at that.

AGT

A G TYRIE

file: - Militant
- Lab. Extremis

FROM: MICHAEL GUNTON
DATE: 7 SEPTEMBER 1988

MR GIEVE

Mr Tjane

cc McCall
Mr Cooper

RON TODD ON TODAY PROGRAMME

J.C.
7th Sept. '88.

Asked whether Militant played a major role in his union's activities. Ron Todd, general secretary of TGWU, said "I would be a fool to say that we have not got active members who support Militant. But provided they abide by the rules and the constitution of the union that is ok. You cannot stop people talking and as long as they understand that we have the constitutional machinery and that their talks and meetings do not contravene the consitution it is alright. I see no significance in the development of Militant in the union."

9/52

MR HUDSON

FROM: A G TYRIE
DATE: 22 September 1988
cc: PS/Chancellor
PS/Chief Secretary
PS/Financial Secretary
PS/Paymaster General
PS/Economic Secretary
Mr Cropper
Mr Call

INDEPENDENT FORECASTS OF THE ECONOMY UNDER LABOUR AT ELECTION TIME

Ian Stewart thought it might be useful to have a look at what forecasters were saying in June last year. Predictably they forecast a significant rise in inflation under Labour, also a sharp deterioration in the current account. The problem with this stuff is that for 1988 our growth and inflation performance is quite similar to the predictions for Labour by both the LBS and the CBI, and the outturn of the current account is going to be worse than the predictions. So I don't think there's much in it for us.

2. On the other hand the LBS's inflation predictions for Labour in the early 1990s looks pretty horrific. I don't think this is the stuff of Ministerial speeches but it might come in handy for interventions by backbenchers during a debate in the House: 'Wouldn't your policies have turned a problem into a crisis?', using these forecasts as a back-up. *Even so I'm dubious.*

3. What do you think?

AGT

A G TYRIE

CBI

BUSINESS

MANIFESTO

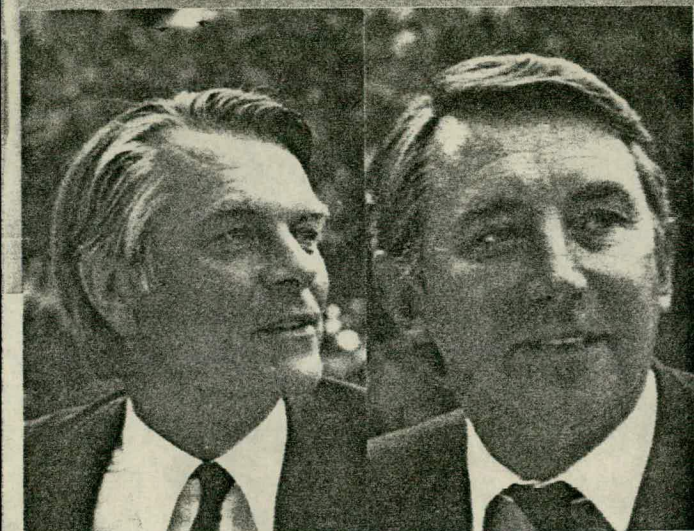


GUIDELINES FOR GOVERNMENT

If Britain is to prosper, British business needs:

- 1** Greater international co-operation to bring about a healthier world economy and resist protectionism. This is vital to the provision of more jobs.
- 2** An integrated European Common Market.
- 3** Freedom from controls such as exchange control or restrictions on inward or outward investment.
- 4** A competition policy which allows British companies to attain the scale and the effectiveness needed to compete with success internationally.
- 5** Government support for exporters matching that provided by foreign governments until genuine multilateral reductions in state aids can be negotiated.
- 6** Growth in real public expenditure held to below 1% per annum and the tax burden reduced.
- 7** A stable framework for decisions and closer consultations on major policy issues, including the Budget.
- 8** A stable fiscal and monetary framework and UK entry into the Exchange Rate Mechanism of the European Monetary System.
- 9** No extension of public ownership and control and a climate which encourages the start-up and expansion of small businesses and self-employment.
- 10** A system of business law and regulation which weighs benefits against the costs of compliance.
- 11** Relief from excessive outside costs, especially rates.
- 12** Fewer cost burdens imposed on business through European Community 'social engineering'.
- 13** A higher priority to helping the unemployed without prejudicing economic recovery.
- 14** More effective government measures to tackle the underlying causes of regional problems.
- 15** A climate encouraging free pay determination and freedom from interference by national statutory minimum wage laws or by controls over increase in wages.
- 16** No retreat from the 'step-by-step' reforms made in industrial relations law, with more time to absorb them.
- 17** An education and research support system encouraging international competitiveness, particularly in science and technology.
- 18** More consistency in vocational and educational training and better use of resources, particularly in schools.
- 19** Methods of judging infrastructure projects that take full account of all their benefits, and more-effective spending on the urban environment.
- 20** A system of health, safety and environmental legislation based on sound knowledge and what is practicable for business.
- 21** Consistent long-term energy planning, with an increased use of nuclear energy for safe, lower-cost electricity generation.

ELECTION



1987

CONSERVATIVE: SUBDUED INFLATION/STABLE GROWTH

	GDP %	Consumers Expenditure %	Unemployment (^{'000s})	Earnings %	RPI %	Current Balance (£m)
1986	2.6	4.7	3184	7.9	3.4	-1100
1987	3.0	3.8	3012	7.1	3.8	-1170
1988	2.6	3.6	2938	6.4	3.5	-2283
1989	2.3	3.3	2749	6.2	4.1	-3860
1990	2.7	3.5	2609	5.7	3.5	-2261
1991	2.5	3.0	2507	5.2	3.2	-2862

	PSBR ⁺ (£m)	Tax ⁺⁺ Cuts (£m)	Short Term Interest Rate (%)	Effective Exchange Rate	Dollar/Pound Exchange Rate
1986	3300		10.9	72.8	1.47
1987	3421		9.8	72.0	1.66
1988	4361	3000	8.8	71.6	1.68
1989	4655	6000	7.8	68.0	1.60
1990	4943	10000	7.0	68.0	1.60
1991			7.0	68.0	1.60

⁺ Financial Year totals. * Cumulative Impact = 7p off Basic Rate of Income Tax.

LABOUR: FASTER GROWTH, HIGHER INFLATION AND TAXES

	GDP %	Consumers Expenditure	Unemployment (^{'000s})	Earnings %	RPI %	Current Balance (£m)
1986	2.6	4.7	3184	7.9	3.4	-1100
1987	3.3	3.4	2984	7.4	4.1	-1591
1988	4.2	1.9	2632	8.8	6.2	-2373
1989	3.6	3.9	2305	9.2	6.7	-3952
1990	3.2	3.7	2002	9.8	6.6	-3489
1991	2.6	2.6	1739	9.5	5.7	-4378

	PSBR ⁺ (£m)	Tax ⁺⁺ Increase (£m)	Short-Term Interest Rate (%)	Effective Exchange Rate	Dollar/Pound Exchange Rate
1986	3300		10.9	72.8	1.47
1987	7094		9.7	67.6	1.57
1988	7706	9000	10.0	64.0	1.49
1989	6025	12400	11.0	62.5	1.44
1990	6266	17150	10.5	58.5	1.40
1991			10.0	56.0	1.40

⁺ Financial year totals. * Relative to Conservative Victory Case. 2p on basic rate plus increase in higher rates.

ALLIANCE: FASTER GROWTH, LOW INFLATION - ONLY IF INCOMES POLICY SUCCEEDS

	GDP %	Consumers Expenditure	Unemployment (^{'000s})	Earnings %	RPI %	Current Balance (£m)
1986	2.6	4.7	3184	7.9	3.4	-1100
1987	3.1	3.9	3018	7.1	3.8	-1784
1988	4.4	4.2	2770	6.4	3.1	-2082
1989	3.3	3.1	2492	6.2	4.7	-4950
1990	3.7	3.2	2076	5.7	4.3	-2335
1991	3.1	2.9	1791	5.2	3.4	-1458

	PSBR ⁺ (£m)	Tax ⁺⁺ Increase (£m)	Short Term Interest Rate (%)	Effective Exchange Rate	Dollar/Pound Exchange Rate
1986	3300	-	10.9	72.8	1.47
1987	4927	-	9.8	72.1	1.66
1988	4607	3000	8.8	22.0	1.68
1989	7198	6300	7.8	65.0	1.50
1990	4078	10100	7.0	65.0	1.50
1991			7.0	65.0	1.50

⁺ Financial year totals. * Relative to Conservative Victory Case.

Summary

CONSERVATIVE

Under continued Conservative rule we are forecasting further steady progress, albeit unspectacular. GDP is forecast to continue growing at 2½% a year, with inflation remaining low, at 3-4%. Unemployment should fall steadily, by about 500,000 over the next 4 years. The current account deficit stays at manageable levels, peaking in 1989 at just under £4bn. With the PSBR held at 1% of GDP, there is considerable scope for tax cuts, worth £10bn in total by 1990-91, allowing the standard rate of tax to be cut to 20p by the end of the period. In our projections, public expenditure is assumed to grow broadly in line with the plans set out in the 1987 Public Expenditure White Paper though with much of the contingency reserve used to cover extra public service pay and additional expenditure on health, education and defence. The scope for tax cuts may, however, lead to pressure for larger increases in public spending, so in reality tax cuts may be lower and public expenditure higher than in our projections.

LABOUR

Labour are proposing substantial increases in public expenditure, building up to some £26½bn by 1990/91. The bulk of the extra spending is to be targeted at two areas: job creation and welfare benefits. Their central aim is to reduce unemployment by a million in two years. However, they are proposing to reduce the impact of the expenditure increases on public borrowing by increasing taxation. In particular, they say they will reverse the 2p cut in the standard rate of income tax announced in the 1987 Budget and 'the extra tax cuts which the richest 5% have received from the Tory Government'. These measures would raise some £6bn in revenue. The Labour Manifesto places little emphasis on inflation control.

Under these policies GDP growth averages about 3½% with inflation peaking at around 6½% in 1989 and 1990. Unemployment is reduced by a million in three years rather than their target two. The current account deficit rises to £4bn by 1989 with no improvement thereafter. The PSBR peaks at approaching £8bn in 1988, but subsequently eases back to £6-6½bn. Personal taxation is around £17bn higher than in the Tory victory case, given the projected Tory tax cuts and assumed Labour tax increases.

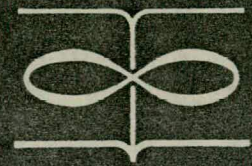
ALLIANCE

The Alliance are also proposing substantial increases in public spending of around £19bn by 1990-91, much of it again going on job creation and welfare benefits. Their aim is to reduce unemployment by 1m in three years. Their revenue proposals are broadly neutral overall: increases in income tax as a result of restricting mortgage tax relief to the standard rate and non-indexation of the married man's allowance are offset by reductions in employers' national insurance contributions and various fiscal incentives. The main distinguishing feature of the Alliance programme is the emphasis placed on incomes policy for inflation control. If such a policy is assumed successful then economic prospects are extremely favourable. The economy grows at 3½% a year with unemployment falling by a million in three years. Inflation keeps low, in the 3-4½% range. The current account deficit peaks at £5bn in 1989 before falling to £1½bn by the end of the forecast period. The PSBR averages about £5bn. However, we regard the chances of such a policy succeeding as very low given the potential loopholes (for example earnings increases paid under profit-sharing schemes are excluded and only large companies are covered). Under the more realistic scenario of the policy failing, prospects are much the same as in the Labour victory case (the current account is in fact worse given the lower personal taxation under the Alliance).

In the Conservative and Alliance cases we have assumed entry to the exchange rate mechanism of the EMS though this has not, in itself, greatly affected our judgements on exchange rates/interest rates.

CENTRE FOR ECONOMIC FORECASTING

FORECAST RELEASE



Volume 11 number 8

May 1987

THE PARTY MANIFESTOS: AN EVALUATION OF LABOUR AND ALLIANCE ECONOMIC POLICIES

Francis Breedon, Paul Levine and Peter Smith

The Labour and Alliance parties have now published the details of their economic policies. We examine them in this *Forecast Release* and compare their outcomes with the forecast published in February which assumed a Conservative victory and a continuation of current policies. The Opposition policies are evaluated using the LBS model. All such exercises must be interpreted with caution. Policies have been proposed which have not been tried in the past and whose consequences are therefore difficult to evaluate. To reflect this uncertainty, we have provided "optimistic" and "pessimistic" cases as well as the central cases. But those cases refer to specific questions concerning, for example, the success or failure of incomes policies. An important omission, which reflects a limitation of the LBS model, is that we cannot capture favourable or unfavourable "supply side" effects (for example, raising the basic rate and higher rates of income tax on the negative side and productivity gains from investment in education and the infrastructure on the positive side). Also, although we have used the results of our model of the financial sector, we may not have correctly measured the effects on financial markets, including the foreign exchange market, of the announcement of the policy changes.

Given those important caveats our main conclusions are as follows

- the policies proposed by the Labour Party and the Alliance will cut unemployment compared with current policies, but at the expense of higher inflation and a worse balance of payments.
- the Labour Party proposals are estimated to produce the largest fall in unemployment over the three year period combined with the largest increase in inflation.
- the Alliance policies produce the greater risk of a serious deterioration in the balance of payments at the end of the five year period.

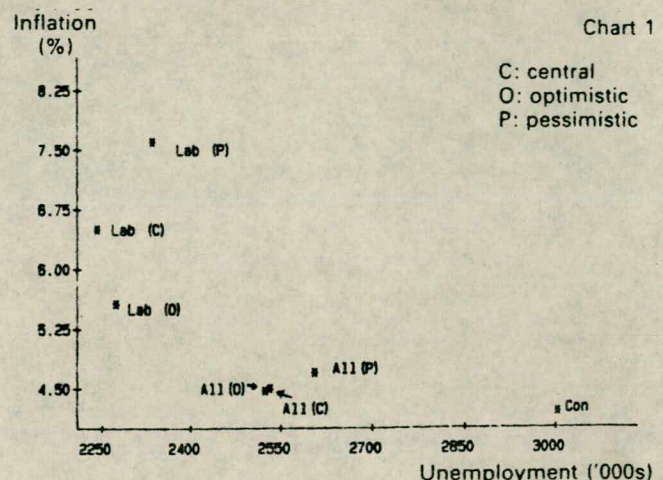
Chart 1 summarises the implied trade-off between inflation and unemployment after three years. According to the base forecast on Conservative policies, unemployment and inflation will be around their present levels in 1990, that is 3 million unemployed and 4 per cent inflation. Under Labour party policies

unemployment will be ^{about} up to three quarters of a million lower while inflation will be higher - 6½ per cent on our central estimate, 1 per cent higher or lower on the pessimistic and optimistic scenarios. The Alliance policies fall somewhere in between. Unemployment is ^{about} up to ½ million below the base forecast and inflation is only a little higher. This is due to the assumed successful workings of Alliance incomes policy. Beyond 1990, if the policy breaks down, inflation rises sharply.

The Three Sets of Policies

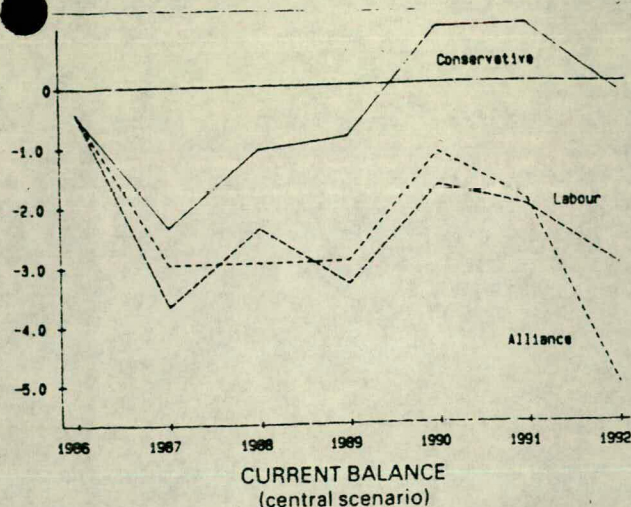
(i) Conservative Policy

Our assessment of the effects of Conservative Party policy is taken from the forecast contained in the February *Economic Outlook* which assumed a Conservative victory in an Autumn election and a continuation of policies aimed at a gradual reduction of inflation. These policies are based on the government's medium-term spending plans as set out in the January White Paper. In the forecast we assumed that the government would hold the growth of spending to 1 per cent a year in real terms but that public sector wages would be above target, leading to an overshoot of the planning total. Within the 1 per cent increase in total spending, procurement expenditure on privately-produced goods and services (including defence equipment from overseas) rises by 2 per cent a year. Public employment is assumed to remain around its present level.



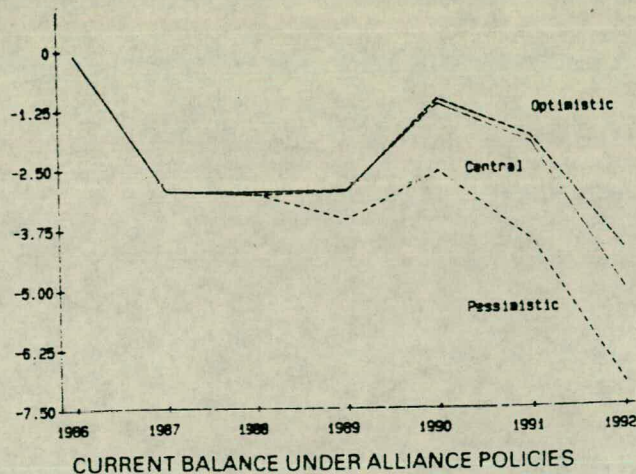
1989: THE INFLATION-UNEMPLOYMENT TRADE-OFF

Chart 4a



£bn

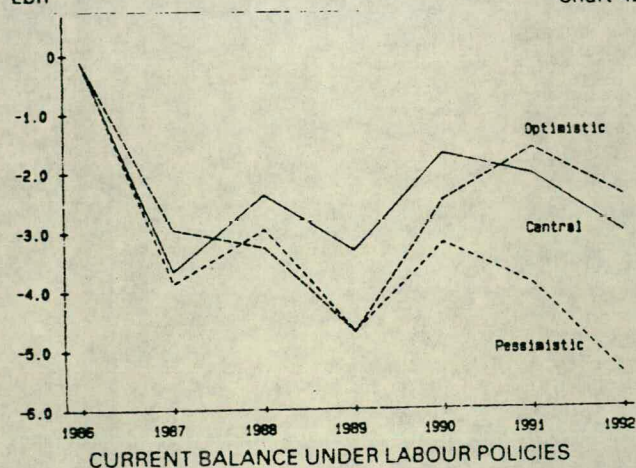
Chart 4c



CURRENT BALANCE UNDER ALLIANCE POLICIES

£bn

Chart 4b



CURRENT BALANCE UNDER LABOUR POLICIES

inflation as well as the current account deficit higher. The main reason for this is that over five years the Alliance proposes a larger fiscal expansion net of tax

increases – Labour proposes a larger increase in public expenditure. As a result aggregate demand rises faster under Alliance policies towards the end of the period, and this is aggravated (in the central scenario) by the breakdown of the incomes policy. These changes in demand then feed into imports with the current account consequences noted.

(iv) Assessment

The simulations we have reported need to be treated with caution. The model (in common with other macroeconomic models) lacks sufficient detail to assess every feature of the proposals of the political parties. Estimates in particular equations reflect past behaviour and can be particularly problematic in dealing with innovations in policy. We have tried to deal with this problem by drawing up different scenarios. Since the greatest area of uncertainty arises from a change of macroeconomic policies (especially regarding the

Table 3
Central Scenarios

Variable	Labour			Alliance			Conservative		
	1988	1990	1992	1988	1990	1992	1988	1990	1992
GDP (% increased compared with 1987)	4.2	9.7	13.7	3.8	10.0	14.6	3.0	7.9	12.2
Unemployment (millions)	2.5	2.2	2.0	2.8	2.2	2.0	3.0	2.9	2.8
Price Level (% increase compared with 1987)	6.5	20.7	31.4	4.5	14.2	25.1	4.2	13.2	19.7
Exchange Rate ($\pounds=100$)	61	60	63	63	63	65	66	68	72
Private Investment (% increase compared with 1987)	6.7	20.0	29.0	7.7	22.3	28.5	5.9	17.1	24.0
Real Disposable Income (% increase compared with 1987)	2.8	8.7	15.9	2.8	8.5	17.8	3.4	9.2	16.9
Balance of Payments (£bn)	-2.4	-1.7	-3.0	-3.0	-1.2	-5.0	-1.0	0.9	-0.1
PSFD (£bn)	11.8	11.1	13.2	12.3	10.4	11.6	10.6	10.4	12.4

1. f. J. J. J.

MONETARY BULLETIN

**Greenwell
Montagu
Research**

No. 185

June 1986

Labour's Economic Strategy

Political developments suggest that there might be a Labour government within eighteen months. The policy and market implications of this would obviously be substantial. In this Bulletin we describe the new medium term policy framework which a Labour government would use and report the results of a simulation exercise which models two possible scenarios.

The exercise suggests that fiscal expansion could raise growth and employment. As might be expected, inflation would also be increased, but not so quickly and nor by so much as to abort the experiment in the near term. The real Achilles Heel of the strategy lies in its impact on the exchange rate and the current account. At a time when the current account is already fragile because of the fall in oil prices, the Labour strategy looks likely to produce both a series of large current account deficits and significant falls in the exchange rate. To a degree, these would be mitigated by the inflow from the more or less forced repatriation of overseas assets of U.K. financial institutions. But the vulnerability of the external payments position, together with the prospect of an outflow of foreigners' holdings of sterling, implies that fiscal expansion would need to be accompanied by either sharply higher interest rates or import controls and most probably by both.

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AIMS OF INDUSTRY

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→ p. 1.

FOR PUBLICATION: morning papers, Thursday, March 5, 1987

LEADING FORECASTER STATES -
LABOUR WOULD RAISE INFLATION SHARPLY
AND CAUSE STERLING CRISIS

A future Labour government would raise inflation sharply, would cause interest rates to rise and cause a Sterling crisis. These are the conclusions of Professor Patrick Minford, one of Britain's leading economic forecasters, in his study, "The Effects of Labour's Economic Policies" for Aims of Industry*. He also forecasts developments for a Hung Parliament and for a Conservative victory.

Patrick Minford is Edward Gonner Professor of Applied Economics at the University of Liverpool; he has been editor of the Review of the National Institute for Economics and Social Research, and has held economic advisory positions with Government. The Liverpool Research Group in macroeconomics has had the most satisfactory record for forecasting in the 1980s on longer term trends in inflation and output.

"The Labour case rests on two propositions," states Patrick Minford. "First, that output will be raised, and second, that unemployment will fall as a result." Professor Midford does not expect this to happen. "In today's sophisticated financial markets it is likely that interest rates will rise rapidly in response to inflation, and it is

m. f.

*"The Effects of Labour's Economic Policies" by Patrick Minford; Aims of Industry, 40 Doughty Street, London WC1N 2LF; £1.50

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implausible to believe that this would not severely dent private spending. Secondly, wages have shown very little sign of stickiness when prices accelerated in the past; think of the 1974 and 1980 wage explosions. Finally of course the supply-side factors come in here as a brake on output.

"Whatever one's detailed judgement, it can only be right to be highly sceptical about Labour's chances both of getting output to respond to blatantly inflationary reflation and of avoiding a negative employment response to supply-side factors. To sacrifice the control of inflation for such an uncertain prospect seems an indefensible policy."

He adds: "At best the prospects for output and employment under Labour offer a temporary boost, at worst they offer a permanent decline."

The Liverpool Model shows a sharp increase in inflation if Labour wins and assumes that growth in money supply rises in parallel with borrowing. But this produces only a small reduction in unemployment - from 3.2 million in 1986 to 2.9 million in 1991 - while the rate of growth of GDP rises from 2.6% to 2.9% in the same period.

This is because "the Liverpool model gives great weight to 'financial confidence', specifically as measured by the market value of public debt . . . The Model also emphasises the supply-side effects of higher unemployment benefits: Labour plans to raise benefits of the long term unemployment by 25% and this acts as a depressing influence on employment and output."

Liverpool's conclusions on Labour's inflationary policies are, he states, supported by two other major groups. Liverpool's predictions are that a Labour victory would lead to an inflation rate of 10% by 1991.

The City University Business School shows that under Labour inflation would be in double figures by 1990.

"CUBS also expects output expansion, but only 2%, and after an initial rise, a very modest fall in unemployment." Like Liverpool, they do take accounts of supply-side factors in increasing unemployment benefits.

Patrick Minford points out that the third major group, the National Institute for Economic and Social Research, thinks that "inflation would only rise by 2.5% (but this implies on their forecast that Labour would only just avoid double digit inflation). The NIESR has not done too well in forecasting inflation in the face of large variations in policy over the last fifteen years; it was generally over-optimistic in the 1980s when borrowing was high and it has been over-pessimistic in the 1980s when borrowing has been reduced. So it is reasonable to expect some downward bias in its assessment of what high borrowing would do."

In the case of a Conservative victory, Patrick Minford forecasts inflation dropping to 2.1% by 1989 and 1.2% by 1991; unemployment dropping to 2.5 million by 1991.

In the case of a Hung Parliament, the model estimates inflation rising to 4% per annum by 1991 and unemployment dropping to 2.6 million.

End

Enclosed: "The Effects of Labour's Economic Policies"

Further information: Robin Jenks 01-405 5195 (office)
01-673 8707 (evening)

Patrick Minford 051 709 6022

CHECKLIST

PROBLEMS FOR BUSINESS IN PROSPECTIVE LABOUR POLICIES

1. Renationalisation.
2. Exchange Controls.
3. National Investment Bank and compulsory investment in NIB loan stock.
4. Department of Economic and Industrial Planning, National Planning Council, Sector Planning Councils to plan the economy.
5. British Enterprise Board, Sectoral and Regional Enterprise Boards to extend state ownership of companies.
6. 50% trade union membership of company policy boards.
7. Wage earner funds to extend state ownership based on taxes as 'excess profits'.
8. Repeal of trade union reform legislation in whole or in part.
9. Major increases in public spending.
10. Unspecified tax increases.
11. Statutory national minimum wage and strengthened wages inspectorate.
12. Withdrawal of tax benefits from pooled investment schemes.

13. Trade union recognition obligations for public sector contracts.
14. Re-enactment of measures to compel trade union recognition against wishes of company and workforce.
15. No financial assistance to inward investing companies unless planning agreement signed.
16. Protectionist policies. Minimum UK content requirements.

PUP



FROM: A P HUDSON

DATE: 23 September 1988

MR TYRIE

cc PS/Chief Secretary
PS/Financial Secretary
PS/Paymaster General
PS/Economic Secretary
Mr Cropper
Mr Call

INDEPENDENT FORECASTS OF THE ECONOMY UNDER LABOUR AT ELECTION TIME

Thank you for your 22 September minute.

2. I agree with you. There is no mileage in this for Ministers, and probably not for backbenchers.

3. What I suspect Labour will argue in the House in the Autumn is that higher inflation and the so-called balance of payments crisis are the result of Budget tax cuts that were economically irresponsible and socially wrong. What we need, for Ministers and backbenchers, are snappy answers to this, including that the tax burden was unchanged, cuts in tax rates were a supply side measure, private investment is forging ahead, etc. Another line for backbenchers would be to ask Labour what they think. Is the PSDR too high or too low? Would they reverse the tax cuts? And so on. But the Chancellor will no doubt want to discuss tactics nearer the time.

A P HUDSON

RESTRICTED

CHANCELLOR

*1 Agree
Wk
Home*

FROM: A G TYRIE
DATE: 10 October 1988
cc: Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Mr Hudson
Mr Cropper
Mr Call

LABOUR PLEDGES: MINIMUM WAGE

Labour's conference pledged the introduction of a minimum wage of £135 a week. We costed this before the election at £1,500 million, on the basis of a two-thirds average wages - £131.

2. They also appear to have committed themselves to a 35 hour week. We costed this at £3,660 million last time.

3. This would only be the public sector service cost of these items.

4. In the end we didn't include either of these items in the costings we published even though the Conference had passed them, because Labour spokesmen, particularly Prescott, had sought to resile from them. No doubt they would do so again.

5. As things stand, without the assistance of Conference, it will be difficult to get into double billion figures on post-election pledges. The only large watertight one has been Kinnock's restatement of their pledge to increase overseas aid to 0.7 per cent of GDP which, at a guess, would now be worth around £1,700 million.

6. I think we want to give Labour time to forget the grief they suffered over the costings. At the moment they are too frightened into responsibility for comfort!

AGT

A G TYRIE

Executive defied in minimum wage call

IGNORING the view of the party's national executive, delegates carried a composite resolution calling on the next Labour Government to introduce emergency legislation establishing a national minimum wage equivalent to two-thirds of the national average.

Ms Diana Jeuda, speaking in her capacity as a member of the women's section of the national executive, rather than as a member of the shopworkers' union, Usdaw, warned that the implementation of such a proposal, unless phased over a period, would result in job losses and higher prices.

At current levels, she said, the appropriate national minimum wage linked to a 35-hour week would have to be set at £135, and for some low-paid workers this would involve increases of £40.

Ms Jeuda stressed that profits of £40 per head were not being made to be "squeezed."

Mr Garfield Davies, speaking for Usdaw from the floor, urged that the composite resolution should be approved, claiming that it reflected already agreed party policy.

He emphasised the high profits being earned by leading companies in the retail sector, and the disparity between the income of executives, such as Mr Ralph Halpern of Burton and their employees.

Ms Ina Love of Nupe underlined her union's commitment to the establishment of a national minimum wage.

But she warned that approval of a composite resolution without any reference to a phasing-in period would be a "gift" to Labour's opponents and undermine the party's credibility.

She said the inclusion in the resolution of a threat to nationalise businesses which did not pay the statutory minimum wage would affect thousands of sweet shops and cafés throughout the country.

Although Ms Jeuda stressed that the national executive's reservations did not amount to "backtracking" on the party's commitment to a statutory minimum wage, the resolution was carried, with Mr Dennis Skinner, the conference chairman, telling its supporters: "Yes - you've made it."

Earlier, Mr John Smith, the shadow Chancellor, described low pay as a scandal, spreading like a disease throughout society with more than 9m people in Britain earning less than the Council of Europe's decency threshold.

He said the minimum wage issue was being considered by the appropriate policy review group, together with social security and taxation.

Mr Smith reaffirmed that Labour proposed to redesign the income tax system by introducing a range of levels, starting with a lower rate than the present basic rate, and moving upwards as income increased to a higher rate than the present upper limit.

He said it was intended to "put right" the imbalance between taxation on capital and on income.

Modernisers target the anxiously affluent

Peter Riddell traces the emergence of a sharper Labour policy profile

FT. 15/10/88

IS THE choice for Labour simply between Mr Bryan Gould's Filofax and Mr Ron Todd's dinosaur - between yuppieland and "our class?"

The sloganising exchanges of the past 36 hours have obscured the emergence of a much sharper profile of Labour's likely future policies.

The reports on the first stage of the policy review may have been vague, and, in the case of "Democratic Socialist Aims and Values" completely vacuous, as most of the leadership privately concedes. But the direction is now clear for the more detailed second stage of the reviews in the coming year.

However, while Labour may have embraced the market economy and competitiveness, there are limits to revisionism well short of Mr Paddy Ashdown, let alone Dr David Owen.

For instance, the emphasis of Labour's economic approach remains redistributive. The income tax system would be made more progressive, without returning to the rates of 1979.

A starting rate of less than the present 25 per cent has been suggested, with a top rate of more than 40 per

cent, though "not up to levels substantially higher than those generally applied in other European countries."

The national insurance system would also be made less regressive. Indeed, the insurance system will be retained as a means of strengthening public support for social provision, rather than the option of integrating tax and social benefits.

To avoid giving ammunition to the Tories, Labour will not spell out precise figures of starting levels for particular tax rates. That is also why the leadership opposed the left-wing motion proposing a statutory minimum wage of £135 for a 35-hour week indexed to the cost of living.

After this was passed, Mr John Smith, the shadow Chancellor, said it would merely be taken into consideration in the next stage of the review.

A future Labour government would also be interventionist, to constrain and guide markets. However, the post-war Morrisonian structure of public corporations has been rejected, and the watchword is flexibility.

A variety of interventionist methods

would be applied, depending on particular cases, ranging from co-operatives, via regional development agencies, and special "golden" shares, to outright public ownership for some utilities.

However, Labour's new approach will avoid a clear distinction between the public and private sectors. There will be a greater emphasis on regulation, via public interest companies which have a statutory responsibility to consumers.

These companies will have to fulfil specific targets of consumer service, investment and pricing policy.

Indeed, Mr Gordon Brown, the shadow Chief Secretary and one of the participants in the policy reviews exercise, sees one of the tasks of the second stage as setting out a practical agenda in these areas.

He argues that particular consumer rights need to be established in both the public and private sectors, such as right of repair and automatic rebates and refunds if standards provided by leading companies fall below specific levels.

The next stage of the reviews should, he suggests, also look at specific policies in areas of increasing concern to

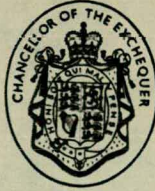
voters such as child care and first-time house buying.

Mr Brown ties in the modernisation of policy with this week's moves to build a mass party, in which he has been closely involved. The theme is "join us and participate in policy-making for the post-Thatcher era." There has been a growing pressure evident in Blackpool for an extension of individual member voting for the party leadership to wider consultation on other issues.

The underlying aim is to broaden the party's appeal. Mr Kinnock talked, revealingly, on Tuesday of three groups in the community - "a small opulent superclass at the top, a larger class of people living in reasonable but often anxious affluence, and a third class, an underclass of people in dire need."

While the third group remains the party's priority in social provision, the policy reviews are aimed as much at the second group.

These are the voters which Labour has lost since 1979, who use public services, but who remain anxious about losing what they have gained from Thatcherism and seek reassurance.



MP
FROM: MISS M P WALLACE
DATE: 11 October 1988

MR TYRIE

cc Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Mr Hudson
Mr Cropper
Mr Call

LABOUR PLEDGES: MINIMUM WAGE

The Chancellor has seen your minute of 10 October. He agrees that we should bide our time.

mpw.

MOIRA WALLACE