

CONFIDENTIAL

ALLIANCE MANIFESTO 1983

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ALLIANCE MANIFESTO 83

CONTENTS

Introduction	
Selective Reflation.....	1
Taxation.....	2
Devaluation.....	3
Job Creation and Training.....	4
Incomes Policy.....	5
Employee Participation.....	6
Trade Union Law Reform.....	7
The Closed Shop.....	8
Industrial Credit Scheme.....	9
Innovation Policy.....	10
Monopolies and Mergers Commission.....	11
Nationalised Industries (i).....	12
Nationalised Industries (ii).....	13
Nationalised Industries (iii).....	14
Small Business.....	15
Agricultural Marketing and Credit.....	16
Energy Conservation.....	17
Coal.....	18
North Sea Oil and Gas.....	19
Nuclear Power.....	20
Immediate Help for those in Need.....	21
Families with Children.....	22
Pensioners.....	23
Unemployed and Sick.....	24
Disabled.....	25
Integration of Tax and Benefits.....	26
Children Under Five.....	27
Wider School Curriculum.....	28
New Ministry of Education and Training.....	29
Grants for Sixteen to Nineteen Year Olds.....	30
Access to Higher and Further Education.....	31
Drugs.....	32
National Health Service Pay.....	33
Private Medicine.....	34
Right to Buy.....	35
Home Loans Scheme.....	36
Mortgage Tax Relief.....	37
Railways.....	38
Animal Welfare.....	39
Proportional Representation.....	40
Devolution.....	41
Local Government Reform.....	42

Local Government Finance.....	43
Nationality and Immigration.....	44
State Funding of Political Parties.....	45
Data Protection.....	46
Police and Community.....	47
Police Accountability.....	48
The British Nuclear Deterrent.....	49
Cruise Missiles.....	50
A Nuclear Freeze.....	51
Britain and the European Community.....	52
Common Agricultural Policy.....	53
Official Government Aid.....	54

SUBJECT INDEX

Agriculture

Marketing and Credit.....16

Animal Welfare.....39

Constitution

Devolution.....41

Local Government, Finance.....43

Local Government, Reform.....42

Proportional Representation.....40

State Funding and Political Parties.....45

Defence

Cruise Missiles.....50

Nuclear, Deterrent.....49

Nuclear, Freeze.....51

Economy

Devaluation.....3

Employee Participation.....6

Incomes Policy.....5

Industrial Credit Scheme.....9

Innovation Policy.....10

Job Creation and Training.....4

Monopolies and Merger Commission.....11

Nationalised Industries (i).....12

Nationalised Industries (ii).....13

Nationalised Industries (iii).....14

Reflation, Selective.....1

Small Business.....15

Taxation.....2

Education

Higher and Further Education, Access to.....31

New Ministry of Education and Training.....29

Sixteen to Nineteen Year Olds, Grants for.....30

Wider School Curriculum.....28

EEC

Britain, and the.....52

Common Agricultural Policy.....53

Energy

Coal.....18

Conservation.....17

North Sea Oil and Gas.....19

Nuclear Power.....20

<u>Health</u>	
Drugs.....	32
National Health Service Pay.....	33
Private Medicine.....	34
<u>Home Affairs</u>	
Data Protection.....	46
Nationality and Immigration.....	44
Police, Accountability.....	48
Police, and the Community.....	47
<u>Housing</u>	
Home Loans Scheme.....	36
Mortgage Tax Relief.....	37
Right to Buy.....	35
<u>Overseas Aid</u>	54
<u>Railways</u>	38
<u>Social Services</u>	
Benefits, Integration of Tax and.....	26
Children Under Five.....	27
Disabled.....	25
Families with Children.....	22
Need, Immediate Help for those in.....	21
Pensioners.....	23
Unemployed and Sick.....	24
<u>Trade Unions</u>	
Closed Shop.....	8
Reform.....	7

THE NATURE OF THE ALLIANCE PROGRAMME

"Young people would do just as well staying at home on the 9th of June if they go by the Alliance manifesto. It offers very little hope for the future."
(Vice-Chairman of the Young Liberals, 16 May 1983)

The Alliance Manifesto is not a convincing programme for government. It arises as a compromise between the views of the Liberals and those of the SDP - two groups with quite different traditions and outlooks. It is in substance a pot pourri composed of some weak versions of Labour policy, together with other proposals already more firmly accepted (and in many cases implemented) by the Conservative Party.

This pattern is evident in the Alliance's economic programme. New spending is envisaged, though on a smaller scale than that proposed by the Labour Party. Monetary restrictions are favoured, though not quite of the same stringency as those implemented by Conservatives. An incomes policy that is not quite an incomes policy is recommended. And nationalised industries are to be retained, but with reduced government control over their financing.

The Alliance's social policy manifests the same contradictions. The pre-entry closed shop is to be abolished; but "legal provision for union membership agreements" is to be retained. Private health services are not to be banned; but they are not to be supported. The school curriculum is to be widened "right through to 18"; but 'A'-levels are not to be abolished outright. The right to buy council houses is to be retained; but local authorities are to be given the power to appeal against those individuals who wish to exercise their rights.

Alliance defence policy is equally 'betwixt and between'. Cancellation of Trident is to be matched by retention of Polaris; no firm decision is to be made about the deployment of Cruise; and "the opportunities" for a nuclear freeze are to be "explored".

The only radical suggestions put forward in the Alliance Manifesto are those concerning constitutional affairs. Widespread devolution of powers to newly created regional assemblies is proposed; and the introduction of proportional representation is demanded. It remains unclear what advantages these fundamental changes would confer upon the Nation - save, of course, that the power of minority Parties would be much increased.

SELECTIVE REFLATION

"Sustained policies for growth...will be based on carefully selected increases in public spending and reductions in taxation...we think it right to increase public borrowing to around £11 billion...[with] a selective programme of capital investment ..." (Page 7)

COMMENT

1. False assumptions. The Alliance assume a shortage of demand. Real demand has been growing by 2-3 per cent a year since the end of 1981.
2. Lack of practicality. The Alliance have not adequately demonstrated how they will simultaneously increase public spending and borrowing and still keep interest rates and inflation down.
3. Another way to vote Labour. Despite Alliance claims that 'selective' reflation avoids many of the risks associated with Labour's 'general' reflation, the policy is essentially the same as that of the Labour Party: to boost output and employment via increased public spending, tax cuts, lower interest rates and pay restraint. The verdict of the Financial Times was:

 'It is sad to see Mr Jenkins...lending his prestige to the idea that a new middle way can be found by combining Socialist objectives with Conservative costing' (1st March 1983)
4. Promising what we have already done. Significant sums are already being spent in the areas identified by the Alliance In 1983-84 central government will spend £659 million on new roads and £76 million on road maintenance. Local authorities will spend a further £619 million on roads and £831 million on road maintenance. Plans for local authority net capital spending in 1983-84 are a third up on the likely outturn in 1982-83, and new steps have been taken to reduce underspending.
5. Failure to recognise the real problem. Low inflation is the real basis for sustainable economic growth. It brings lower interest rates, more investment and more economic activity for the same amount of resources. It brings confidence to business and moderation to pay bargaining.

TAXATION

"Sustained policies for growth...[include measures]... to concentrate funds available for tax reductions in areas where tax cuts have a direct impact on prices." (Page 7)

COMMENT

1. Aping the Conservative Government. The proposal is to make tax cuts that "have a direct impact on prices". Only one item is specifically mentioned - the abolition of National Insurance Surcharge (the tax on jobs). The Alliance leaders were supporters of a Government which imposed it. We have actually cut it from 3½ per cent to 1 per cent.
2. High costs. If the "direct impact on prices" means reducing VAT, it should be noted that one point off the VAT rate costs £760 million a year in lost revenue.
3. 'Volte face'. Mr Jenkins as Chancellor of the Exchequer increased "taxes on jobs" in his 1968 and 1969 budgets. In March 1968, there was a 50% increase in Selective Employment Tax and Corporate Tax was increased from 40% to 42%. In April 1969, there was a 28% increase in SET, and Corporation Tax increased from 42 to 45%.

DEVALUATION

"[We will take]... action to rekindle growth without inflation, buttressed by a less restrictive monetary policy and management of the exchange rate to keep our exports competitive." (Page 7)

COMMENT

1. Collapse of confidence. Devaluation brought about by monetary and fiscal laxity, as a deliberate act of policy, would signal to the world a willingness to accommodate inflation. Confidence would collapse and jobs be destroyed.
2. Retracting plans. The Alliance has dropped earlier references to membership of the European Monetary System and a 'tripod' currency system between EMS, the dollar and the yen. Perhaps the Alliance now accept that the best route to currency stability is via governments reducing their own inflation.
3. Impracticality. 'Management' of the exchange rate - even with exchange controls - has always proved impossible in the face of strong market pressures.
4. A better way available. Tight control of labour costs and good quality products are the real key to competitiveness; devaluation is no easy substitute. The Alliance forgets that exports can be kept competitive without management of the exchange rate: goods of high quality may well sell abroad despite high prices. West Germany's cost-competitiveness deteriorated by 20 per cent from 1970 to 1980, but the country nevertheless maintained a 20 per cent share of the main manufacturing nations' exports.

JOB CREATION AND TRAINING

"The immediate action we propose is targeted...to provide jobs for the long-term unemployed in a programme of housing and environmental improvement...to extend the Youth Training Scheme so that it is available to all 16 and 17 year olds...to create more jobs in labour-intensive social services...to give a financial incentive to private firms to take on those longest out of work." (Page 8)

COMMENT

1. Alliance promises: Government achievements. The Government is already running a substantial programme of Special Employment Measures costing £2 billion in 1983-4.
2. Distortions of the market. The hiring subsidy would result in substantial 'deadweight' (subsidisation of jobs that would have been created anyway) and 'displacement' (subsidisation of existing jobs elsewhere).
3. Alliance admissions. Mr Jenkins has said "...nor do I really believe that you will deal with unemployment just by creating jobs for the sake of creating jobs. I think how you have got to deal with unemployment is by getting the economy moving". (Weekend World 29th March 1981).
4. Alliance Costings. Union hostility to employment at sub market rates (seen in their response to this Government's Community Programme) makes a nonsense of Alliance costings. Extending the YTS to 17 year olds would cost £1½ billion in the first year, rising to £3½ billion in the second.

INCOMES POLICY

"...We shall legislate to introduce a counter-inflation tax, giving the Government the power to impose the tax if it becomes necessary. The tax will be levied by the Inland Revenue on companies paying above...[a certain] ...pay range. It will be open to successful companies, where productivity increases have been high, to pay above the agreed range if they do so through the distribution of shares which are not immediately marketable...[we are] prepared to introduce...a fair deal for pay in the public sector...[and] a fully statutory incomes policy to cover the interim period while these new arrangements were being introduced." (Page 9)

COMMENT

1. Another incomes policy. The proposed tax does not overcome the problems familiar to all incomes policies - administrative costs and interference with market forces.
2. Distribution of the market. The proposed tax would penalise successful firms which could afford to pay above average wage increases, and would prevent them from attracting exceptional staff.
3. The Clegg Commission would be resurrected as a "single, independent assessment board for public sector pay" and would doubtless - as in the past - have scant regard for what the economy can afford.

EMPLOYEE PARTICIPATION

"We favour...an Industrial Democracy Act to provide for the introduction of employee participation at all levels, incentives for employee share ownership, employee rights to information and an industrial democracy agency..." (Page 10)

COMMENT

1. Disruption and inefficiency. Employee involvement, (which Conservatives favour), is different from "industrial democracy"; attempts to give workers power by law would disrupt industry and in many cases decrease efficiency.
2. Conservatives are achieving the worker involvement that the Alliance are promising: The 1980 Companies Act obliges directors to take account of their employees' interests. Our (1982) amendments to the 1967 Companies Act require companies to report annually on steps taken to promote employee involvement; encouragement has been given to employee share ownership and profit sharing schemes; (the number of share ownership schemes in operation has grown from 30 in 1979 to 550 in 1983.
3. Inflexibility. Rigid legislative formulae of this kind take no account of a particular company's customs. In many cases they would simply undermine long-established arrangements.

TRADE UNION LAW REFORM

"We propose further democratisation of the unions themselves...We will legislate to provide...compulsory secret individual ballots, normally on a postal basis, for the election of the national executives of unions and where appropriate, union General Secretaries...the right for a certain proportion - 10 per cent - of the relevant bargaining unit to require a ballot before an official strike can be called." (Page 11)

COMMENT

Here, too, we are doing what the Alliance are saying: The Government's Green Paper, 'Democracy in Trade Unions' (Cmnd 8778) outlined possible further legislative reforms including secret ballots for union elections; secret ballots before strikes and reform of the political levy system.

THE CLOSED SHOP

"We favour a careful balance of collective and individual rights on existing closed shops, with action against the pre-entry closed shop matched by retention of legal provision for union membership agreements on condition the latter rests on substantial work-force support and that exemption from union membership is available on grounds of conscience." (Page 12)

COMMENT

1. A retrograde step. The Alliance's reference to 'careful balance' presumably means that the Alliance would dilute Conservative legislation on the closed shop by reducing both the majorities required to approve new and existing closed shops and the compensation available to victims of the closed shop.
2. Alliance self-contradiction. Toleration of the closed shop contradicts the Alliance's claims elsewhere to favour "a nation of free people working together in harmony, respecting each other's rights and freedom..."
3. Liberal inconsistency. The Liberals have previously been unequivocal on the closed shop - Cyril Smith has said:

"I hate the closed shop. I consider it to be a gross infringement of individual liberty." (Hansard 8th February 1982, Col 789)

4. SDP inconsistency. The SDP leadership were all members of the Labour Government which enshrined union powers by passing the 1976 Trade Union and Labour Relations Act.
5. Shirley Williams is on record as a supporter of the closed shop:

"You've got the difficulty that the union fights for changes and conditions and improvements in wages and so forth, and the union can't do that if there are a lot of people who simply aren't paying their subscriptions and are simply riding on the backs of those who are members of the union." (BBC Election Call, 18 April 1979)

INDUSTRIAL CREDIT SCHEME

[We will establish] "an industrial credit scheme, to provide low-interest, long-term finance for projects directed at modernising industry". (Page 12)

COMMENT

1. SDP origins. The SDP White Paper on industrial strategy proposed to provide £100 million per annum for five years to subsidise £2 billion of cheap credit to industry at 5 per cent below current interest rates.
2. Supporting lame ducks. Investment will increase when company profits recover and viable opportunities occur. The most effective way to achieve this is to continue to control costs and increase productivity. Cheap credit schemes would only benefit projects that are not properly viable and that cannot attract funds in the normal way. Such projects are unlikely to provide stable long-term employment.
3. Creating inflation. Cheap credit schemes will increase public expenditure and its attendant inflationary pressures.

INNOVATION POLICY

[We will provide] "a national innovation policy to provide selective assistance for high risk projects, particularly involving the development of new technologies and for research and development in potential growth industries." (Page 12)

COMMENT

Alliance commitments: Conservative achievements. This Government is already pursuing a successful version of this policy. We have:

- spent £750 million since May 1979 in support of new technologies in industry, notably information technology and robotics;
- launched the "Micros in Schools" scheme which has put a microcomputer into every secondary school and is now being extended to primary schools;
- made launch aid available to new projects by aerospace companies.
- successfully attracted many US and Japanese high-tech firms to the UK;
- approved the £350 million Alvey plan for co-operation between Government and industry in the development of 'fifth-generation' computers;
- increased annual Government support for the new technologies; it will be over £350 million in 1983-4, compared to £100 million in 1978-9.

MONOPOLIES AND MERGERS COMMISSION

"The Alliance will strengthen the Monopolies and Mergers Commission to ensure its ability to prevent monopoly and unhealthy concentrations of industrial and commercial power. The aim is to guarantee fair competition and to protect the interests of employees, consumers and shareholders." (Page 12)

COMMENT

1. Alliance Promising what we have done. Our Competition Act, 1980, strengthened MMC powers to investigate practices limiting competition in public and private sectors. The MMC now has powers to investigate anti-competitive practices of single firms and to investigate nationalised industries. The Government intends to refer each nationalised industry to the Commission every 4 years.
2. Alliance inconsistency. If the Alliance is against unhealthy concentrations of industrial and commercial power, why is it not actively in favour of privatisation?

NATIONALISED INDUSTRIES I

"We must get away from the incessant and damaging warfare over the ownership of industry and switch the emphasis to how well it performs". (Page 12)

COMMENT

1. This is begging the question. The question of ownership is central to the problems of the nationalised industries. As Mr Jenkin, Secretary of State for Industry has said:

"Anyone who argues in the light of nearly 40 years' experience that there must be a way of managing State monopolies that will increase their efficiency, satisfy their customers and yield a return on the taxpayer's investment instead of being a burden on the taxpayer, must believe in fairies. Successive Governments have tried. Some of the ablest businessmen in the country have been put in charge of nationalised industries and they have tried. There have been any number of White Papers, cash limits, financial targets, required rates of return and cost objectives. Every device has been tried and none has solved the fundamental problem of State industries. Nor can they, because the fundamental problem remains - State monopoly, financed by the taxpayer and nominally accountable to Parliament through Ministers. The system has failed. Are we to sit back and do nothing about it?"

2. In their own words. Mr Grimond has remarked: "We have to reduce the public sector, the State run sector and hand it over to other bodies. The economy is probably unmanageable so long as the state attempts to do so much".
(Alliance Magazine, Dec/Jan 82-83)

NATIONALISED INDUSTRIES II

"Where nationalised industries are operating viably in competitive conditions, Government regulations and control should largely be removed. Their borrowing on the market should not be subject to external financing limits, and they should effectively be run as independent enterprises." (Page 12)

COMMENT

1. Why not privatise? The best way to remove "Government regulation and control" and to ensure that nationalised industries are "run as independent enterprises" is to make them into independent enterprises by returning them to the private sector. Forty years of experience and £40,000 million of taxpayers' money in the form of grants and capital write-offs have shown that the disciplines of the market can be applied only in the market.
2. Accountability to the taxpayer. If External Financing Limits are removed, the Government will lose effective control over the management and finances of the nationalised industries for which it is responsible to Parliament and the taxpayer.

NATIONALISED INDUSTRIES III

"Where public industries are not subject to market forces...or where they are dependent on public finance...alternative means of exerting pressure to ensure operational efficiency are required and we will set up an efficiency audit commission ..." (Page 13)

COMMENT

1. The Conservative Government has already set realistic financial targets and performance aims for all nationalised industries and has introduced a rolling programme of Monopoly Commission investigations into the efficiency of the nationalised industries. The introduction of market forces wherever possible, and particularly in the public utilities such as British Telecom, will provide the greatest incentive to efficiency.
2. Mr St John Stevas' Private Members Bill is now law. It aims to improve the nationalised industries' accountability to Parliament.

SMALL BUSINESS

"To encourage the growth of new and small businesses, we will attack red tape and provide further financial and management assistance by: extending the Loan Guarantee Scheme...to £150,000...raising the upper limit (of the Business Start-Up Scheme) to £75,000 and introducing small firm investment companies...zero rat[ing] building repairs and maintenance for VAT purposes and reducing commercial rates by 10 per cent." (Page 13)

1. Once again the Alliance are advocating what the Conservatives are already doing. We have introduced over 100 measures to help small business; no government has done more.
2. Our financial limits are adequate, indeed generous. The Business Start-Up Scheme was widened into the Business Expansion Scheme at the last budget in order to extend its help to existing companies, and the limit doubled to £40,000. The Loan Guarantee Scheme is one of our most successful measures: so far, around 10,000 companies have used it and over £300 million has been lent under it.
3. Lack of specification. The Alliance do not specify what they mean by small firm investment companies. Several funds have been set up to allow investors to take advantage of the Business Start-Up Scheme, and have been approved for this purpose by the Inland Revenue. The British Technology Group invests in small high-tech companies.
4. Cost to the taxpayer. A ten per cent reduction in non-domestic rates would cost £730 million - equivalent to a one point increase in Value Added Tax.

AGRICULTURAL MARKETING AND CREDIT

"We will...increase Government support for effective agricultural marketing at home and abroad and continue support for 'Food from Britain'." (Page 13)

COMMENT

No news. The Conservative Government's Agricultural Marketing Act 1983 established 'Food from Britain' on the existing structure of the 'Central Council for Agricultural and Horticultural Co-operation'; the new body took over the CCAHC's responsibilities in February 1983 and is to be funded with approximately £20 million over the next five years.

ENERGY CONSERVATION

"The first priority of the Alliance Energy Policy is the conservation and efficient use of energy. A programme of house insulation is part of our jobs plan and a programme to encourage increased energy efficiency in industry will lead to a substantial increase in employment and savings to the economy."
(Page 14)

COMMENT

1. Present Expenditure. Apart from ensuring realistic pricing (the most effective way of ensuring conservation) the Government is already spending about £100 million a year on energy conservation in addition to considerable sums being spent by local authorities and health authorities and by the public sector. Expenditure on advice and information has increased in real terms.
2. Conservative record on home insulation. Of the 1.6 million homes insulated under the Homes Insulation Scheme, 1.4 million were insulated under this Government. Maximum grant rates have increased. 1.3 million council homes have been insulated under local authority programmes since 1979.
3. The Alliance omits to mention pricing but in a recent discussion document 'Towards an SDP Energy Policy' argued for economic pricing principles. They argued that for gas, this would mean "significantly higher prices than at present."
4. Our achievement. Between 1973 and 1980 energy consumption per unit of GDP fell by 16½ per cent. It has fallen by another 4 per cent since 1980. The International Energy Agency in its latest report said:

"The United Kingdom's record of achievement in reducing energy and oil consumption in recent years reflects a high level of success in policy measures adopted so far."

COAL

"We will make substantial investment in the modernisation of techniques and capacity. This does not mean a dramatic schedule of pit closures." (Page 14)

COMMENT

1. Conservative investment. Under this Government substantial investment is being made in the coal industry. The NCB's capital investment has been £4,500 million since 1974, two thirds of which was invested under this Government. Investment is now running at over £800 million a year. This is more per capita than in any other European coal producing country.
2. False implication. The Alliance's statement implies that there is at present a dramatic schedule of pit closures. This is not the case. 'Plan for Coal' (1974), supported by all Parties, envisaged a rate of closures of about 3- 4 million tonnes of capacity per year. Under Labour, the rate of closures was 1-2 million tonnes per year; under this Government, the rate has been between 2 and 3 million tonnes p.a.

NORTH SEA OIL AND GAS

"We will encourage the exploration for and development of, new reserves. We want to link Britain by pipeline with the rest of the North Sea gas fields." (Page 14)

COMMENT

1. Conservative encouragement of development. The Conservative Government is already encouraging exploration and development in the North Sea. In 1982, 111 exploration and appraisal wells were started on the UK continental shelf, the second best year ever for exploration. There were only 48 well starts in 1979.
2. Conservative incentives for exploration. The 1983 Budget gave oil companies fiscal incentives for the development of marginal fields. Advance Petroleum Revenue Tax is to be phased out by 1987. The Oil and Gas Enterprise Act 1982 broke the British Gas Corporation's monopoly of supply. This has encouraged interest in gas exploration.
3. Gas gathering pipeline: We proposed an integrated gas pipeline system involving both the BGC and the private sector in 1979. This failed to materialise because the private sector was not willing to invest to an adequate level in partnership with BGC. The same problem would affect the Alliance, unless they were prepared to give expensive guarantees to private entrepreneurs. Private companies are now building their own pipelines to transport gas from North Sea fields. Better prices for gas and the Oil and Gas Enterprise Act have made this investment worthwhile.

NUCLEAR POWER

"We see no evidence, including anything yet submitted to the enquiry to justify the building of Sizewell or other PWR generating stations..."
(Page 14)

COMMENT

1. The SDP is backtracking from its initial enthusiasm for nuclear power. Dr Owen said in 1981:
"A proportion of nuclear generated electricity is necessary objectively under any criteria, even taking account of different forecasts about renewable energy and likely electricity generation demand figures for the future...The Social Democratic Party in Parliament has already made it clear that it supports an on-going nuclear power programme as being necessary for the future of this country."
(Warrington, 1st July 1981)
2. The Liberal 1980 Party Conference called for a halt to the building of new nuclear power stations and for a decommissioning of those already in existence or under construction.
3. Concocted 'harmony'. Until recently, the Alliance was prepared to admit that there was a difference of opinion between the two parties on the issue - now an agreement has been fudged.
4. Case for PWR. It is clean and safe. The CEGB estimates that a new PWR is expected to produce electricity at 2.61 pence per kilowatt hour over its lifetime, compared with 3.88 pence per kilowatt hour for new coal fired power stations.

IMMEDIATE HELP FOR THOSE IN NEED

"We propose to take the following measures straight away: help for families with children...help for the unemployed and sick...help for the disabled."
(Pages 15-6)

COMMENT

1. See pages 22-25, below, for a detailed analysis of Alliance proposals for children, the unemployed, the sick and the disabled.
2. The total cost of the measures proposed for all these categories is estimated at £1.75 billion. The Alliance say that this could be financed by:
 - * raising the upper limit at which National Insurance contributions are paid to £315;
 - * reversing the recent decreases in the high rate tax bands;
 - * beginning to phase out the married man's tax allowance.

FAMILIES WITH CHILDREN

"We propose...to help...families with children...by increasing child benefit by £1.50 per week; increasing the child allowance in supplementary benefit by £1.50 a week; increasing the extra child allowance of one-parent families." (Page 15)

COMMENT

1. Child benefit has already been increased under this Government from £4 in April 1979 to a proposed £6.50 in November 1983 - its highest-ever level in real terms.
2. The cost to the taxpayer of the Alliance's proposal to increase child benefit by £1.50 per week, (assuming this is in addition to the November 1983 level) - would be about £800 million per annum.
3. One-parent benefit has already been increased under this Government from £2.00 (1979) to a planned £4.50 (November 1983).

PENSIONERS

"We will up-rate the pension twice a year...We will make sure pensioners can earn money without losing pension; we will increase the death grant to £250 for those of lesser means; standing charges on gas, electricity and basic telephone services will be abolished." (Page 15)

COMMENT

1. Impracticality. It would be absurd at this stage, to update pensions twice yearly because of the difficulties of administration, and the extra costs involved. For each 1 per cent of uprating brought forward by six months, the cost would be £150 million.
2. Cost to the taxpayer. The Alliance are presumably suggesting the abolition of the earnings rule, (i.e. the limit a pensioners can earn without having his pension reduced). With tax effects, the net cost to public funds would be about £55 million.
3. Another way to vote Labour. The Alliance promise to raise the death grant to £250, adds £50 to Labour's promise.
4. The cost of abolishing standing charges on gas and electricity for pensioners would be about £300 million per annum.

UNEMPLOYED AND SICK

"We propose...help for the unemployed and sick...by increasing unemployment benefit, sickness benefit and sick pay by 5 per cent, giving long term supplementary benefit to the long term unemployed; changing the rules so people are not forced to spend their redundancy money before they can get supplementary benefit." (Page 16)

COMMENT

Increasing benefits by 5 per cent. One must assume that the promise to increase unemployment benefit and sickness benefit by 5 per cent refers to the 5 per cent 'abatement' that we announced in 1980. However, it should be noted that:

- * the Chancellor announced in his Budget that the 5 per cent abatement in unemployment benefit would be restored in November 1983, the Alliance are therefore promising nothing new;
- * the Government has announced that the 5 per cent abatement in invalidity pension will be restored when brought into tax; at present invalidity pensions (unlike unemployment benefit and retirement pensions) are non-taxable;
- * NI sickness benefit has now been almost entirely discontinued, (as employers are now viable for the first eight weeks of income during sickness) so this Alliance commitment is relatively unimportant.

DISABLED

"We propose ... spending an extra £200 million a year to make a start on many reforms which will help disabled people. These will include the extension of the invalid care allowance and full rights under the non-contributory invalidity pension to married women and the abolition of the age limit on the mobility allowance." (Page 16)

COMMENT

1. The cost of extending Invalid Care Allowance to married women would be £60 million net a year. Abolishing the household duties requirement (which at present disqualifies those women able to be housework) would cost an extra £275 million. It is hard to see how an "extra £200 million a year" could meet both these commitments.
2. It is unnecessary to alter the age limits on mobility allowance: at present the allowance has to be claimed before the 66th birthday and continues up to the age of 75. No mobility allowance recipient reaches 75 until 1989.

INTEGRATION OF TAX AND BENEFITS

"We aim in the next Parliament to bring together all the major benefits...In the long-term we plan a complete integration of the tax and benefit system." (Page 16)

COMMENT

1. The immediate proposal is to amalgamate all existing means-tested benefits (eg. rent and rate rebates/allowances, family income supplement and free schools meals) into a single new benefit.
2. The total cost of this proposal would be at least £4 billion a year and probably nearer £6 billion.
3. The Alliance proposes to finance this programme:
 - i. by gradually reducing the married tax allowances to the same level as the single tax allowance (raising over £3 billion);
 - ii. by "not fully indexing personal tax allowances";
 - iii. by extra public borrowing of £600m-£700 million.
4. The disadvantages of these proposals are:
 - i. Large numbers of people would be significantly worse off, including single people and married couples without children.
 - ii. The poverty-trap would be made worse. Under the proposed scheme, a married man with two children, earning £200 per week or less, could lose 84 pence in extra tax and diminished benefits for every additional £1.00 earned; (i.e. his marginal tax-rate would be 84 per cent). This would reduce his incentive to earn, even more than the present poverty-trap. As Miss Ruth Lister, Chairman of the Child Poverty Action Group, has said, the Alliance proposal would "make current poverty-trap problems pale into insignificance." (The Democrat, 25th February 1983).
5. In the longer term the Alliance plan to complete the amalgamation of the tax and credit systems, but they have not thought this through and it would be an administrative nightmare.

CHILDREN UNDER FIVE

"We will ensure that at least one year of pre-school educational experience is available for all children under five." (Page 17)

COMMENT

1. The cost to the taxpayer of ensuring that every child can have at least one year of nursery schooling would be about £100 million per annum.
2. The independence of Local Authorities would be compromised since, in order to guarantee the availability of nursery provision, the Alliance would either have to compel LEAs to divert funds, or else set up special nursery schools directly funded by central government.

WIDER SCHOOL CURRICULUM

"We will act to raise standards...by ensuring that children study a broader range of subjects than they do now, right through to 18 putting more stress on maths, science and technical subjects as well as practical skills."
(Page 17)

COMMENT

1. There is much to be said for "putting more stress" on maths, science, technical subjects and practical skills; that is why the present Government has already done so. (We have allocated £7 million to set up 14 projects providing technical and vocational training for 14-18 year olds).
2. Attack on 'A'- Levels. The proposal to make pupils study a "broader range of subjects...right through to 18" is presumably a disguised attack on 'A'-Levels, which form one of the bastions of standards in British education.

NEW MINISTRY OF EDUCATION AND TRAINING

"We propose...a single ministry of education and training, combining the youth-training functions of the MSC and the responsibilities of the education departments." (Page 18)

COMMENT

1. An unnecessary change. The MSC is at present under the umbrella of the Department of Employment; it is not clear what would be gained by transferring its training functions to a new Department of Education and Training. The successful inauguration of the new Technical and Vocational Initiative, jointly managed (this year) by the MSC and the DES, shows that the two bodies can work in close co-operation, without the need for dislocating (and doubtless expensive) institutional change.
2. Sacrificing present advantages.
 - i) The MSC, being a relatively new creation, unhindered by bureaucratic inertia, is often capable of introducing beneficial changes more rapidly than Departments of State. This advantage would be lost if a merger of the sort proposed by the Alliance were carried through.
 - ii) Because of their close links with business, the managers of the MSC have a refreshingly common-sensical attitude to standards and to practical training. This attitude might be compromised by a merger with the education departments.

GRANTS FOR 16 to 19 YEAR OLDS

"We propose a new system of educational maintenance allowances to ensure that help is available to those who stay on at school, those who opt for further education and those who opt for further training." (Page 18)

COMMENT

1. Another way of voting Labour. This proposal is not a new idea produced by the Alliance: the Labour Party has been suggesting "educational maintenance allowances" for some time.
2. The cost to the taxpayer of providing such an allowance would, of course, vary with the level of grant made; but, assuming that the Alliance, like Labour, have in mind a grant of £25 per week, the extra public expenditure would be more than £500 million, even after account is taken of savings on child benefit.
3. There is no need for the taxpayer to spend money on allowances for those remaining in schools or further education. More and more young people are ready to remain in full-time education without being given a grant. Over the past two years, 10% more pupils have remained in school past the age of 16, and over 20% more have attended full-time further education.

ACCESS TO HIGHER AND FURTHER EDUCATION

"We will increase access to higher and further education". (Page 18)

COMMENT

1. Alliance repetition of Labour policy. The commitment to increase access to higher education, like so many other ideas put forward by the Alliance, is merely a Labour proposal re-phrased. (In their manifesto, Labour promise to "restore the right for all qualified young people seeking higher education to secure places".)
2. Perpetuating a myth. Both Labour and the Alliance imply that a high proportion of qualified young people are being turned away from higher education. The reality is different: in 1981/2 (the last year for which figures are available), 86.1% of those who had the minimum qualifications of 2 "A" levels were admitted to higher education.

DRUGS

"Action will be taken to make better use of the health budget by...reducing the drugs bill by extending the practice of generic prescribing, saving over £100 million." (Page 19)

COMMENT

The report of the informal working group (The Greenfield Report, "Effective Prescribing") was published in February 1983. Amongst other proposals it recommended that pharmacists should wherever possible, and unless expressly told otherwise by GPs, substitute generic equivalents for branded drugs. Generic substitution is already practised in hospitals but a wider use might be expected to reduce NHS expenditure on drugs. However, there are other considerations, not least the effects on the whole of the pharmaceutical industry. Moreover, representatives of Britain's 26,000 family doctors have expressed concern over the variations in content standards and sometimes the form of generic drugs. These weighty considerations do not seem to have deterred the Alliance.

NHS PAY

"We gave our commitment to...a fair arbitration procedure which will also apply to NHS staff." (Page 19)

COMMENT

1. The Conservative Government is already working towards a proper procedure for NHS pay. At the end of the NHS pay dispute in 1982, the Government undertook to establish a review body to report on pay of nurses and professions allied to medicine by 1st April 1984. A consultative document was issued, and consultation is continuing. The Government is also committed to entering discussions on better permanent pay arrangements for other groups of workers not covered by the review body proposal.
2. Nurses' pay. Between 1979 and 1982 nurses' pay rose ahead of inflation. Between March 1979 and March 1982 it rose on average by 61% at a time when prices rose by 49%. At the end of the pay dispute, the nurses accepted an offer of a further 12.3 per cent from August 1982 to 31 March 1984.

PRIVATE MEDICINE

"As with private schools, we have no wish to ban private health services, but nor will we subsidise them." (Page 19)

COMMENT

1. The Alliance's attitude is ambivalent. It appears that they would reverse all Conservative measures taken to encourage the private sector, such as our relief on employee-employer medical insurance schemes for employees with earnings of up to £8,500 per annum (estimated revenue saving would be £4 million a year).
2. Pay beds. It is not clear what the Alliance propose to do about pay-beds in NHS hospitals. The SDP White Paper on Health talks of reviving the Health Services Board which Dr Owen, as Labour's Minister of Health, established specifically to phase out pay beds from NHS hospitals.

RIGHT TO BUY

"The right to buy should be retained...However, there should be a right of appeal in which councils would justify to the Local Government Ombudsman any proposed restriction on the individual's right to buy, such as in areas of housing need or in certain rural areas." (Page 21)

COMMENT

1. Double standards. The Alliance say they would retain the Right to Buy, but their concessions would destroy the policy and deny the right to buy to those unfortunate enough to live in areas controlled by Labour councils.
2. Council Housing monopolies. The SDP policy paper 'A Strategy for Housing' indicates that the denial to tenants of the right to buy 'would apply to housing stress areas - mainly in parts of Inner London'. This primarily refers to Labour controlled boroughs like Islington, Hackney, Tower Hamlets, where the bulk of all housing is owned by the council. These councils have created housing stress conditions themselves by holding down rents and by resisting the building of houses for sale. The Alliance would therefore become accomplices to Labour councils which seek to deny home ownership to local people.

HOME LOAN SCHEME

"We will extend the scheme so that anyone saving £1,000 over two years will receive an extra £1,000 at the end of that period. Rents paid over more than five years by council tenants will count as equivalent to £1,000 savings and will also qualify for the additional £1,000." (Page 21)

COMMENT

1. Home Loan Scheme. The present Home Loan Scheme gives first time buyers who have saved for two years an interest free loan for up to five years and a tax-free bonus of up to £110. To increase the cash bonus to £1,000 would cost at least £4.5 million a year.
2. Council Tenant Grants Scheme. The Alliance proposes that council tenants should be able to convert rent paid to money saved towards a deposit. It is not clear whether or not this is a substitute for the discount system, but if it is, it is less generous than the present system. At present, tenants get 33 per cent discount off the valuation after three years' tenancy rising to a maximum at present of 50 per cent after twenty years' tenancy. The Government proposes to extend the discount scheme to a maximum of 60 per cent after 30 years tenancy.

MORTGAGE TAX RELIEF

"[Mortgage] tax relief will be limited to the standard rate of income tax."
(Page 21)

COMMENT

This is only a foretaste of the complete upheaval of mortgage tax relief to which the Alliance is committed. The SDP Green Paper No. 12 'A Strategy for Housing' discusses a range of options for reforming mortgage tax relief so as to reduce the tax relief available to house purchasers earning £14,000 a year or more.

RAILWAYS

"We believe that new investment should be linked with modernised operating practices to ensure a future for our railways, and we therefore reject the negative philosophy of the Serpell Report." (Page 22)

COMMENT

1. Government's record on investment. The Government believes that more investment is needed on the railways and has maintained BR's investment ceiling at the same level in real terms as under Labour. Due to losses from strikes and inefficiency, BR has not spent up to this ceiling. Nevertheless £1,600 million has been invested in the railways since 1979 compared with £1,100 million under Labour between 1974 and 1979.
2. Serpell. The philosophy of the Serpell Report is not negative. It identifies scope for savings of £220 million annually by 1986, within broadly the same network. The network 'options' were not recommendations, merely illustrations. The Government has made it clear that it does not intend to embark on a major programme of route closures.

ANIMAL WELFARE

"The Alliance would, as a matter of priority, establish an advisory standing commission on animal welfare. This would keep under constant and rigorous examination all issues of animal welfare - including the experimentation on live animals, the treatment of farm animals, the transportation of animals and the regulations covering the use of animals for entertainment." (Page 22)

COMMENT

1. Our existing and planned bodies are quite adequate:

- i. Animal Procedures Committee. The Government's White Paper (Cmnd 8883) of 13th May 1983 suggests the establishment of a new statutory committee, the Animal Procedures Committee, to replace the existing non-statutory Advisory Committee on Animal Experiments.
- ii. Farm Animal Welfare Council. Mr Peter Walker announced, on the 25th July 1979, the setting up of a new body to oversee all matters relating to farm animals called the 'Farm Animal Welfare Council'. It reports to the Minister of Agriculture and the Secretaries of State for Scotland and Wales on matters relating to the welfare of farm animals on agricultural land, at markets, in transit and produces 'Codes of Practice' for farmers on these matters.

PROPORTIONAL REPRESENTATION

"The introduction of proportional representation is the linchpin of our entire programme of radical reform." (Page 23)

COMMENT

1. Public Opinion. Despite all the attention given to this issue by the Alliance, there is no evidence of any wide-spread popular support for so fundamental a transformation of our traditional electoral system.
2. The Proposed PR System. The Alliance makes no attempt to discuss the merits and demerits of all the various types of PR. It wishes to concentrate attention entirely on one particular PR system, the Single Transferable Vote (STV) - which is the most complex form of PR - because its own narrow interests would be best served by such a system.
3. The Proposed Constituencies. The Alliance asserts that the multi-member constituencies which it advocates will comprise 'natural communities'. But all the examples they have given so far of these communities turn out to be existing cities and existing counties, many of which have not had historically a single unifying character.
4. Tactics. Various, conflicting ideas have been put forward, chiefly by Dr Owen. In October 1981 he said that if the SDP held the balance of power, the Queen should be asked to promise not to grant a dissolution 'until the Electoral Reform Bill had been passed' (Sunday Telegraph, 4th October 1981). But in May 1983 he said that the Alliance should demand a referendum.
5. The Implications. STV would inter alia make political instability a permanent feature of our life, and destroy the highly prized relationship between the individual elector and the constituency MP.

DEVOLUTION

"We propose to transfer substantial powers and responsibilities, currently exercised by the centre, to the nations and regions of Britain." (Page 24)

COMMENT

1. Lowering the Sights. Last year the SDP published proposals for the full scale devolution of substantial executive and legislative power to assemblies in Scotland, Wales and 13 or 14 English regions (they excluded Northern Ireland from their plans). The Liberals have long been in favour of devolution. Now they propose a parliament for Scotland only in the first instance: Wales and the English regions would have to be content with 'the framework for decentralisation' (about which no details are provided). Their only concrete proposal is that 'economic development agencies with substantial powers' should be set up in the English regions.
2. Scotland. The Scottish people rejected devolution in the referendum in 1979. Nevertheless the Alliance now proposes to inflict on them an additional tier of government which they do not want.
3. Increased Bureaucracy. Even some members of the Alliance have admitted that devolution could easily lead to over-government and large additional public expenditure.
4. Federalism. There is a sharp divergence of view between the Liberals and SDP as to whether a federal structure should be the ultimate objective of constitutional reform. Many Liberals look forward to a federal constitution for this country; but the SDP have said: "The 'federal method' is unlikely to be acceptable to public opinion in this country and is in any event inappropriate to British conditions".
5. House of Lords. As part of their devolution package, the Alliance proposes to reform the House of Lords in order to include 'a significant elected element'. Long debate about the future of the Lords has entirely failed to produce a general consensus in the country in favour of an elected second chamber.

LOCAL GOVERNMENT REFORM

"We propose...abolishing one of the existing tiers of local government." (Pages 24-5)

COMMENT

1. The authorities to be abolished will be the County Councils. The Alliance also proposes the abolition of the GLC and Metropolitan counties and 'the restoration of powers to some of the former county boroughs' (presumably in the shire counties).
2. The abolition of the shire counties will necessitate creating unitary districts with large territories in order to achieve a population of the size necessary to sustain services like education.

LOCAL GOVERNMENT FINANCE

"We propose...to revitalise local government...by...paving the way to the abolition of domestic rates and reducing local government's dependence on central grants, by introducing a local income tax." (Page 25)

COMMENT

Local income tax could not be introduced before the 1990s. There would be problems of tax evasion. The various methods of administration would be costly. The Inland Revenue estimated for the Layfield Committee that local income tax might involve up to 13,000 additional civil servants and cost £110 million p.a. (at 1981-2 prices) to administer. To replace the domestic rates entirely by a local income tax would mean an increase in the basic rate of about 6p in the £.

NATIONALITY AND IMMIGRATION

"We believe the British Nationality Act 1981 to be offensive and discriminatory. We will revert to the simple concept that all those born in Britain are entitled to British citizenship." (Page 23)

COMMENT

1. British Nationality Act. The British Nationality Act gives men and women equal rights to pass citizenship on to their children; both sexes also share the same means of obtaining citizenship.
2. No racial discrimination. No part of the Act draws any distinction on grounds of colour, race or religion. Immigration officers are adjured to use discretionary powers under the Act without regard to these matters.
3. Alliance proposals. Reverting to the 'Ius soli' - the idea that all those born in Britain should be entitled to British citizenship - would result in citizenship being given to a substantial number of people whose parents have no connection whatever with this country.

STATE FUNDING OF POLITICAL PARTIES

"We support state financing of political parties. Trade union members must have the right to 'contract-in' on the political levy and to determine their union's party political affiliation by postal ballot. There should be equivalent action to regulate company donations to political parties." (Page 26)

COMMENT

1. Conservative view. The Conservative view is that political parties must raise their funds through free and voluntary donations. No Party can claim the right to govern a democracy if it cannot finance itself by such means.
2. Recent proposals. The Government's recent consultative Green Paper, 'Democracy in Trade Unions', has already examined the problem of the compulsory union political levy.

DATA PROTECTION

"We shall legislate for public access to official information including the right of individuals to have access to information on themselves, subject to a code of practice defining exceptions and limitations." (Page 26)

COMMENT

The Government have already brought forward the Data Protection Bill to cover public access to information held on computers.

POLICE AND THE COMMUNITY

"We propose...support for local liaison committees which will involve local people in helping the police to do their job...To enhance confidence in the police by introducing a conciliation service and an independent system for the investigation of serious complaints." (Page 26)

COMMENT

1. Liaison committees. A number of local liaison committees in London have already been set up by the Conservative Government.
2. Police consultation. The Government's own Police and Criminal Evidence Bill proposed a statutory framework within which all police authorities would be required to set up consultation arrangements between the police and the communities they serve.
3. Complaints procedure. The Police and Criminal Evidence Bill brought forward by the Conservative Government proposed changes to the police complaints procedure which included conciliation for the most minor complaints and independent supervision of the more serious complaints.

POLICE ACCOUNTABILITY

"We propose...to improve police accountability outside London by strengthening the community element on Police Authorities and encouraging community representation at the level of police divisions. For the Metropolitan Police, we shall as an interim measure establish a Select Committee drawn from London MPs. (Page 26)

COMMENT

1. The Council for Social Democracy publication "Citizens Rights" proposes that Police Authorities should comprise one third elected councillors, one third magistrates and one third 'other community representatives'.
2. The Alliance are not proposing anything new. Local liaison committees between communities and the police have already been established widely in the wake of the Scarman Report, with success in most cases; though in some areas, especially London, the refusal of Labour-controlled authorities to co-operate with the committees has caused problems. And our Police and Criminal Evidence Bill proposes a statutory framework for consultation between police and the communities they serve.
3. Duties of Home Secretary. The current Home Secretary has already established an advisory committee comprising himself, the Commissioner of the Metropolitan Police, representatives of the Inner and Outer London Boroughs, and London MPs.

THE BRITISH NUCLEAR DETERRENT

"Trident should be cancelled to avoid a new and provocative contribution to the nuclear arms race...Polaris should be included in the merged START and INF talks." (Page 29)

COMMENT

1. Trident. If Trident is cancelled, Britain will effectively be disarming unilaterally in the mid 1990s, when Polaris becomes obsolete.
2. Polaris. To include Polaris in the Geneva disarmament negotiations would be to ignore the fact that our nuclear deterrent is intended as an independent, national force of last resort.
3. START and INF. It does not seem likely that the START and INF talks could be merged, although there must obviously be close co-ordination between the negotiating teams at both conferences.
4. Disunity in the Alliance. The Social Democrats have always wanted to keep Polaris for as long as it is effective, whereas the Liberals, who have traditionally opposed an independent deterrent, have wanted to phase it out as soon as possible.

CRUISE MISSILES

"Before deciding whether or not to oppose the deployment of cruise missiles in Britain, an Alliance Government will take account, in particular, of the negotiating position of the Soviet Union and the United States; the attitude of our NATO partners in Europe; and whether arrangements for a double safety-catch system have been agreed." (Page 29)

COMMENT

1. Disunity in the Alliance. Liberals and Social Democrats have been divided on the issue of Cruise missiles. Since the Liberal Assembly of September 1981, the Liberal Party has opposed their deployment, whereas the Social Democrats have more or less supported the Conservative Government's line, except on the dual key question.
2. Dual Key. On the dual key question, the Prime Minister stated in the House of Commons that:

"the existing understandings between the United Kingdom and the United States governing the use by the United States of nuclear weapons and bases in this country have been jointly reviewed in the light of the planned deployment of cruise missiles. We are satisfied that they are effective. The arrangements will apply to United States Cruise missiles based in the United Kingdom whether on or off bases. The effect of the understandings and the arrangements for implementing them is that no nuclear weapon would be fired or launched from British territory without the agreement of the British Prime Minister" (Hansard, 12th May, 1983, Written Answer, Col. 435).

All previous British governments have regarded these arrangements as satisfactory, including those Labour Governments of which Mr Jenkins, Dr Owen, Mrs Williams and Mr Rodgers were members.

A NUCLEAR FREEZE

If successful progress in nuclear weapons reductions has not been achieved in the negotiations at Geneva, an Alliance Government will explore the opportunities for a verifiable, mutual freeze on the production and deployment of all nuclear weapons. (Page 29)

COMMENT

1. Arms Imbalance. The Alliance speaks of a freeze "if successful progress... has not been achieved...at Geneva". But lack of progress in the negotiations at Geneva, would presumably imply the continuance of the present imbalance in nuclear weapons in favour of the Soviet Union, particularly in intermediate nuclear forces. In short, the Alliance is proposing to enshrine Soviet superiority. As the Prime Minister has said:

"To support a nuclear freeze would freeze the superiority of the Soviet Union...Those who want genuine disarmament want reduction in nuclear weapons on both sides, and a freeze would hinder that objective" (Hansard, 5th May, 1983, Col. 398).

3. Soviet arms superiority. The Soviet Union has a superiority of 3,940 European land-based intermediate nuclear systems to NATO's 980.

BRITAIN AND THE EUROPEAN COMMUNITY

"The Alliance is wholly committed to continuing UK membership of the European Community." (Page 29)

COMMENT

1. Split within the Alliance. On most matters of substance, the Alliance support Conservative European policy. But their manifesto is silent on the differences between the Liberals, who are federalists and the SDP, who are not.
2. Despite their claim to support the EEC, both Alliance Parties have flirted with undermining the whole basis of the Treaty - the common market. For example Dr Owen in Face the Future has written:

"Britain may need to take...restrictions against other Member States' imports covering some sensitive products...probably in the industrial sector...Britain has a strong interest in developing the concept of what the French Government call 'orderly marketing arrangements'." (p. 517)

3. Divergences exist between Conservatives and the Alliance on the following matters:
 - a) Common Electoral System for the European Parliament: the Alliance pledge themselves to implement a common system despite the lack of agreement in the Council of Ministers. The Government accept the desirability of moving towards such a common system for elections to the European Parliament, but the present proposals from the European Parliament are deeply flawed. The system proposed by the Parliament relies on Party lists and would end the link between a single Member and his constituency.
 - b) Community Revenues: The Alliance commit themselves to an increase in the Community's revenues without first ensuring that an adequate restructuring of expenditure has taken place within the Budget. Removing the financial discipline of the 1 per cent VAT ceiling without achieving the implementation of savings in the CAP and a reordering of expenditure priorities would be a recipe for disaster.
 - c) The European Monetary System: In committing themselves to membership of the Exchange Rate Mechanism of the EMS - a commitment shared in principle by the Conservatives - the Alliance enter no caveats about requiring the right conditions to join.

COMMON AGRICULTURAL POLICY

"We will work for some reduction in the agriculture budget first by holding back intervention prices for agricultural products in surplus and if need be by setting a limit on the quantities of production eligible for intervention support." (Page 30)

COMMENT

Alliance promises: Conservative achievements. Under this Conservative Government, the proportion of the European Budget going to agriculture through the Common Agricultural Policy has been reduced from nearly 80 per cent under Labour to less than 65 per cent.

OFFICIAL GOVERNMENT AID

"An Alliance Government would...increase the proportion of GNP spent on aid over five years to 0.7 per cent." (Page 31)

COMMENT

1. Cost. The Alliance commitment to meet the UN-designated target for official aid of 0.7 per cent of GNP within five years would cost, in the fifth year, approximately £650 million. As in the case of the Labour Party, which does not give an exact time scale, no mention is made either of the type of aid or of its quality.
2. Conservative achievements. The overriding concern of the Conservative Government has been to concentrate aid on project and programme development. Combined with private aid flows this had led to a dramatic improvement in the technical and scientific capabilities of countries in the Third World. The Government has also, through the lifting of exchange controls and support for Aid and Trade Provision, enabled the private sector to place much needed investment in the poorer countries.
3. Future Conservative policy. The Conservative Government intends moving towards the 0.7 per cent of GNP figure when economic conditions permit; the combined Government and private flow figure suggested by the UN, of 1 per cent, is already exceeded by over 100 per cent.