

FORSYTH

Prime Minister

"NO TURNING BACK"

You might like to see the attached booklet - an Agenda for further action - produced by 13 newish MPs. Michael Forsyth tells me that in part this sprang out of a conversation with you when you said that if they were worried about the Government keeping up momentum, they should put forward their own ideas to keep the pressure on. So it is designed to be helpful.

Sr.

STEPHEN SHERBOURNE

1.11.183



# Conservative Political Centre

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## SUMMARY.

001 hrs Sunday 3rd November 1985 582/85

### EXTEND CHOICE IN EDUCATION, JOBS, HOUSING AND HEALTH, SAY MP'S

The Conservative Party is warned against complacency in a new agenda for further action published today by a group of Conservative Members of Parliament.

In a clarion call the 13 MP's cautioned "those souls who think that enough has been done, and that the Conservative Government should now sink back and rest for the remainder of its term". "This would be a disaster, for Britain as well as for the Conservative Party".

The booklet "No Turning Back" published by the Conservative Political Centre \* discusses the idea that "more measures to extend choice and freedom will somehow make the government less popular". "The British people forgive governments many things but they never re-elect one they perceive to be burned out of ideas. If a Government has the idea of sitting back and coasting home, the electorate will set new hands on the tiller" it says. The authors argue that "People will welcome not only the choices themselves in fields such as health, education and housing but also the improvement in quality and standards which they bring in their wake".

The MP's agenda highlights a range of policy options to extend choice, freedom and opportunity in four key areas - health, education, employment and housing. Among the policies advocated are:

\* In common with other CPC publications, this pamphlet is a contribution by the authors to discussion and not an official party document.



- Health - tax incentives to help ordinary people afford private medical insurance.
- selling off NHS hospitals marked for closure to the private sector.
  - greater partnership between the NHS and the private sector.

- Education - School head teachers to become chief executives answerable to school boards led by parents and with powers to hire and fire;
- ending funding of universities through the UGC and allocating funds on the basis of student choice;
  - giving groups of 30 or more parents the right to start their own schools and receive state funding.

- Employment - the introduction of voluntary self employment, enabling anyone to be self-employed;
- cuts in tax rates rather than thresholds and a widening of tax bands funded by asset sales;
- removing firms employing less than 20 people from the burden of unnecessary regulation.

- Housing - Allowing contractors to buy derelict and slum estates for renovation over the heads of reluctant local authorities;
- new measures to help council flat owners buy their own homes;
  - privatisation of council apartment blocks by transferring ownership to tenants cooperatives;
  - ending rent control and security of tenure on all new lettings.

The MP's suggest that "where people have been given market choices, they have enjoyed the benefits of competitive pricing and rising standards. It is time they were permitted to enjoy those same benefits throughout society and in every area of the economy. When they have enjoyed them no party or faction will ever be able to take them away again".



The MP's are:

Michael Brown	(Brigg and Cleethorpes)
<u>Christopher Chope</u>	(Southampton, Itchen)
Michael Fallon	(Darlington)
<u>Michael Forsyth</u>	(Stirling)
Neil Hamilton	(Tatton)
Gerald Howarth	(Cannock and Burntwood)
Robert Jones	(West Hertfordshire)
<u>Edward Leigh</u>	(Gainsborough and Horncastle)
<u>Peter Lilley</u>	(St Albans)
<u>Francis Maude</u>	(North Warwickshire)
<u>Michael Portillo</u>	(Southgate)
Angela Rumbold	(Mitcham and Morden)
Ian Twinn	(Edmonton)

Mrs Rumbold and Mr Maude were involved in the early preparation of the text before they became Members of the Government.

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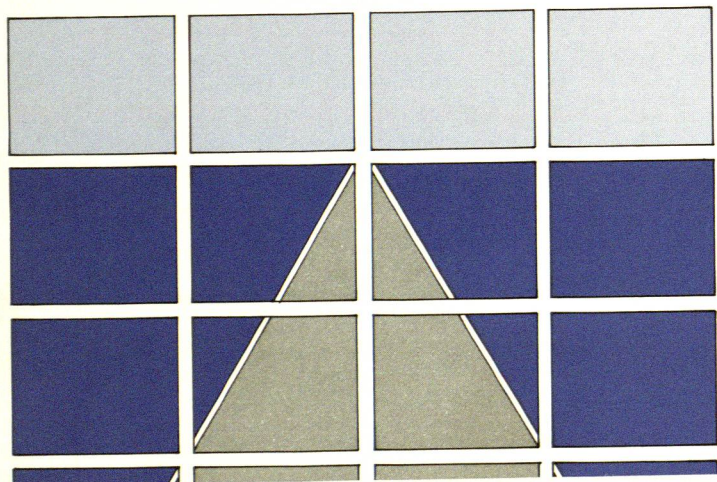
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On Friday afternoon and Saturday Michael Forsyth MP is available on 08777 265



# NO TURNING BACK

A NEW AGENDA FROM  
A GROUP OF CONSERVATIVE MPs



NOT FOR RELEASE UNTIL

0001. Hours <sup>Sunday.</sup> 3 - NOV 1985



# NO TURNING BACK

A NEW AGENDA FROM  
A GROUP OF CONSERVATIVE MPs

MICHAEL BROWN · CHRISTOPHER CHOPE

MICHAEL FALLON · MICHAEL FORSYTH

NEIL HAMILTON · GERALD HOWARTH

ROBERT JONES · EDWARD LEIGH

PETER LILLEY · FRANCIS MAUDE

MICHAEL PORTILLO · ANGELA RUMBOLD

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Conservative Political Centre



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This publication is an edited summary of work by several contributors and all the views expressed cannot necessarily be ascribed to every individual. In common with other CPC publications it is a contribution to discussion and not an official Party document.

Angela Rumbold and Francis Maude were concerned in the early preparation of the text before joining the Government.

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# INTRODUCTION

THE GOVERNMENT ELECTED in 1979 and re-elected in 1983 is rightly reckoned to be a radical government. Bluntly, it needed to be so. Britain had not only undergone a major economic decline and had slid down the league of wealth and economic power. Perhaps more fundamentally, the area in which individual initiatives and choices could hold sway had seriously diminished. The life of the citizen was constrained by the giant institutions of state. The basic facts of everyday life were dictated by the monotony of a standardized public sector supply.

It was not only a standardized supply; it was sub-standard. In the absence of consumer choice, and with a hold on taxpayer finance, the big state monopolies had become increasingly less responsive to consumer needs. The conditions of their service were dictated by what the producers felt it was possible and convenient to supply, rather than by what the public wanted to obtain. Indeed, in many cases the public had no conception of what alternatives were possible.

The work of the Conservative government since then has been to arrest that decline, and to seek new ways of bringing choices to people. With choice comes the power to shape events, to make meaningful decisions about life and the conditions in which it is lived. For many people, the cruel legacy of those years of decline has been unemployment. Britain progressively placed its goods outside the world markets, firstly by making them too expensive, and secondly by making them in out-of-date ways. We had not invested and recapitalized, and we paid the price.

Many successes have been gained since the Conservatives were placed in power. Unemployment has been the slowest to respond, although with productivity and economic growth increasing, the opportunities to create new jobs are gradually building up.

The biggest victory has been the discovery that the placing of public operations into the private sector can make them more efficient, more responsive, and more able to compete in world markets. Privatization has succeeded in shaking many of our public sector activities out of the mould of stagnation and decline. It has given extra choices in everything from bus travel to telephone equipment. It offers a successful formula for the modernization of the worn out state sector.



Of equal significance has been the breath of fresh air blown into some of our tired institutions. The cosy and comfortable ways in which we kept out competition and change have been placed one by one under the microscope. So it is, that in fields as far apart as house purchase, shopping hours, licensing laws and the stock exchange, the old rules and restrictions are being broken down to give people the advantages which competition and choice bring them.

In the area of labour relations, a great deal has been done to give choices to the ordinary member which had been usurped by extremist leaders. The fact that secret ballots are now the norm for leadership elections, that many strike actions require a ballot of members, and the weakening of the compulsory closed shop, have all given choices to members.

In most areas of British life the changes are beginning to make themselves felt. In place of the general gloom and despondency which characterized the late 1970s, there is an air of optimism and opportunity abroad again. Of course, the unemployment levels have still to fall significantly, but there is growing confidence here that they will. People are beginning to feel that Britain is a place where we can make it into the future.

This is making possible that tremendous transformation of this country from one dependent on the heavy industries of yesteryear, to one at home with the high technology and service industries of tomorrow. It is a change taking place on a huge scale, and one which requires us to be adaptable with our economy and our institutions. The new world is coming upon us, and Britain finds itself able to meet its challenge.

A good start has been made, but it is important to recognize that it is only a start. There are those cautious souls who think that enough has been done, and that the Conservative government should now sink back and rest for the remainder of its term. This would be a disaster, and a disaster for Britain as well as for the Conservative party itself.

So much more has to be done. The choices and opportunities which have been tentatively opened up have to be widened so that everyone can enjoy their benefits. The opportunities for variety which have been introduced have to be extended throughout the economy, so that people everywhere have the chance to influence the quality of the services they receive by making free choices.

The British people forgive governments many things, but they never re-elect one they perceive to be burned out of ideas. If a government has the idea of sitting back and coasting home,

the electorate will set new hands on the tiller. There may be periods in history when retrenchment may be needed. This is not one of them. Britain has begun to make its way into the coming century, but the task is scarcely begun. Great changes are needed to shake off the shackles of the cumbersome institutions designed for a different economy and a different society.

In the new world Britain will need institutions which are flexible and adaptable. We will need systems of health and education which can rapidly adjust to changing needs and preferences. We need policies on employment which recognize the changing pattern of production. We need housing policies which meet with new aspirations to home ownership, and which break away from the old traditions of dependency on state provision.

What we need is a 'revolution'. A revolution of choice, a revolution of opportunity. We need the conditions under which vast changes to British society are not imposed from the top by all-knowing governments, but brought about by the accumulation of the free choices of individuals. The most secure revolutions are those which people gradually make for themselves, by using the freedom to change traditional manners of behaviour, by taking on board new chances for improvement.

The opposition parties have nothing to offer, except, in varied forms of dilution, that ideology of state provision which has proved so signal a failure in the past. That ideology stands like some gaunt and derelict mill on a landscape of industrial change, no longer relevant to its times. That socialist dogma, no matter in which party it finds its adherents, is the ideology of the production line economy, with standardized institutions turning out standardized services for standardized people. Times have changed.

The Conservative vision which we have opened up is one in which people are encouraged to express their preferences by their actions. By giving room for variation, we permit people to decide more of their own lives through their choices. It is a system which gives sovereignty to the consumer, a system based on the notion that a free market allows free choice.

### *Compassion*

We are told by the enemies of freedom that a society which allows people those market choices is somehow a harder and less compassionate society. The notion seems to have got about



that it is somehow compassionate to take away as much of people's money as you can, and spend it on giving them the shoddy and outdated services which you think they need.

It is far more compassionate to let people determine their own priorities if they can, and concentrate the collective resources on helping those who cannot. It is far more compassionate to give people the chance of better housing, better health, better education and better jobs, than it is to use their own resources to force them to accept the inferior products which happen to fit in with a narrow and bigoted view of society.

It is more compassionate to allow people space to increase the wealth of society by seeking to better themselves, than it is to fit them into the straightjacket of a supposed equality in which the real power resides with a political elite.

The market way is the better way because it does not impose an alien vision. It provides the opportunity for people to create the future between them, a future whose outcome is the sum total of their individual preferences and decisions, a spontaneous order which they produce themselves, instead of a preconceived order imposed upon them.

### *More needed*

We do not need to stop the process of bringing choices and opportunities by the spread of market mechanisms. On the contrary, we need to extend it as rapidly as possible. There are still many institutions and restrictions which prevent people from allocating their resources as they see fit, and from giving expression to their own priorities.

Competition and choice have made inroads into the big state industries, and are just beginning to do so in the utilities. Now we have to open up the big state services, and give people the chance to seek and obtain different forms of provision. We have to weed out the restrictive rules which prevent markets from operating, and which stop people stepping in to supply different needs.

### *Popularity*

There is a supposition in some quarters that more measures to extend choice and freedom will somehow make the Government less popular. This is complete nonsense. People have never reacted against choice. They can be made afraid of it by scare campaigns, perhaps, but once they have enjoyed it they have never willingly relinquished it again.

A sustained and continued programme to bring people market choices in all areas of life will not lead to unpopularity. People will welcome not only the choices themselves in fields such as health, education and housing, but also the improvement in quality and standards which they bring in their wake. Just as the deregulation of inter-city bus transport brought about both lower fares and new levels of quality, so will the opening up of other areas to competition and choice bring similar improvements.

A Conservative government which does this need not fear unpopularity. On the contrary, it will gain enduring support if it extends to the people as a whole those choices and opportunities which in previous generations have been only the prerogative of the rich. It must not be open to charges that it brings an acceptable quality of service for some, but does not care about the others.

We must show them that we do care, that Conservatism can bring the benefit of market choices and variety to everyone. We must show them that the free economy is not something cooked up by a few monetarists working for finance houses. It means people spending their own resources to get what they want. It means people being able to step in and offer novel forms of service to attract custom. It means people being able to switch between competing suppliers until they find one that satisfies. It means producers having to keep on their toes and offer newer and up-to-date services to avoid losing out. It means competitive prices with firms trying to undercut each other. It means, above all, people deciding how they want to live, and giving effect to those decisions.

This kind of society, with the simultaneous satisfaction of so many different tastes and preferences, might not suit the sour mind of the ideologue who wants everyone to live according to his values, but it certainly suits the public. There is no question of its generating unpopularity, except in the minds of those who prefer the demented vision of some long dead economist. And those who have grown fat over the years by their command of the public trough.

We can put our notion fairly before the electorate, as we have done before, and test its popularity against the alternative. But we must be seen to believe in it ourselves, and to be ready to put through the measures to achieve it. We must embark now upon a programme to bring about market choices and market opportunities.

This presentation shows how a commitment to market



principles, to extending choices and allowing variety to spring up, can provide solutions to four of the largest problem areas: education, housing, health and employment. These have been chosen precisely because there are too few opportunities for market choices, and because there is so much room for improvement.

We believe that such opportunities should be introduced now. We are convinced that only a continuing commitment to furthering the areas open to choice can make British society what it could be, and what it ought to be. We believe when these policies are followed that it will be.

## EDUCATION

THE MOST SURPRISING feature of our educational system is the lack of any real measurement of its performance. The schools in Britain, for example, take charge of our children for something like seven hours a day for most of the year from the age of five to the age of at least sixteen. Despite this huge control over their time, and the great commitment of resources which it involves, there are pathetically few measures of what they achieve with it.

Not all children take external examinations, and exams do not by any means measure all that should be taught. We know for certain that some children manage to undergo this lengthy experience without acquiring even the rudiments of a basic education. Some leave school as functionally illiterate as when they entered it, and some are incapable of even simple numerical operations.

Even where children are taught to read and write, as of course the majority are, we are still left very much in the dark as to the level of ability and knowledge they attain. As concerned parents we might notice with surprise their apparent ignorance of some of the things we knew at their age. But our concern usually remains as a vague disquiet which we are unable to put into concrete and measurable terms.

### *Measurement by input*

There are measures of educational performance, and we are told by the profession and the administrators that these have been subject to broad historical improvement, except during periods of government economies. The significant fact is that they are all measures of inputs into education, rather than of the results which come out in consequence. Thus we are told how much is being spent on schools, how much on teachers, how much on textbooks and accessories.

We are told how much more time the children now spend at school, and by how much average class sizes have gone down. Sometimes we are even told that the average level of qualification of teachers has gone up, without being told whether or not it is now easier to get those qualifications. The upshot of all this is that we are told eagerly about how much goes into education, but precious little about what comes out.



Any business which ran its operations by assuming that all it needed to do was to measure its inputs would soon face bankruptcy. The big question is not how much is put in, or how much it all costs, but what it is that comes out. We want to know, quite bluntly, if all these resources are achieving anything. And to do that we must be able to monitor the performance of the children, rather than the pay and conditions of the teachers.

Why is it that education is so dominated by talk of inputs, and parents are given little opportunity to assess what comes out? It is because state education has become captured by the producers. It is a familiar enough effect that monopolies end up meeting the needs of those who work in them. After all, if the consumers are captively dependent, it might as well be the producers who call the tune. The customers cannot go elsewhere, no matter what happens.

### *Choice for the few*

This is the state we have reached in education. Private education is beyond the means of most parents because they have to pay in full for the state system, even if their child is to go to a private school. Most parents have no choice. They can perhaps, at best, move house into the catchment area of a better school. For most of them not even this is possible.

This means that state education need not treat parents as customers to be satisfied. It can concentrate on providing what the producers, the teachers and officials, want to put forward, and know that the parents have no choice but to take it. This is one reason why standards of tough and rigorous subjects decline, and more nebulous and fashionable notions replace them. This is why children are now 'taught' such things as social awareness where they were once taught to read and write.

It is a reason why such bogus subjects as 'peace studies' and 'anti-racism' take time away from the teaching of history, geography, languages and mathematics. Some teachers find it easier to spout their political prejudices to their charges than to make the intellectual effort to master a real subject, let alone to teach it.

### *Some improvement*

Since 1979 the Conservative government has made efforts to introduce both measurement of performance and parental

choice, and there has been a limited degree of success in both areas. At least schools now have to provide information on the performance which their pupils achieve in examination, and at least some parents can now apply to place their child in a chosen school.

The achievements have been very limited, however. The schools do not have to publish the information in a meaningful and easily accessible way, so many parents are still effectively barred from knowing just how bad some schools have become. In the second place, good schools are soon oversubscribed, leaving the hapless parents without viable alternatives.

The Government should now take steps to bring real choice within the range of most parents. The best way of doing this is to allow schools much greater control over their staff and curricula. In practice this will mean that some schools will rapidly improve under good management, while others will continue in their bad ways.

Control of the schools should be centred much more in school boards in which parents play a significant role. Even more important, the headteacher should be the school's chief executive, answerable to the board, but with power to decide school policy and to hire and fire staff. This is especially important in tough areas, where the head needs the authority to take control and impose discipline upon the school and its staff. Very often it is the quality and personality of the headteacher which can determine the quality of the school. He should be given the authority, and backed by independent school boards.

### *Variation and choice*

What this will produce is variety. Very soon the good schools will surge forward in quality. A requirement for the annual publication of objective measures, with the details spelled out to prevent the kind of fudging which takes place at present, will provide evidence of which schools are following academic policies with good discipline, and which have teachers who are filling in time.

Parents will probably know the outlines before publication, because nothing spreads as fast as the reputation of a very good school, or a very bad one. What they need to know, however, and are at present denied, is knowledge of the details of a school's performance, subject by subject.

An important corollary to giving schools their independence is to put their finance on a secure capitation basis. Schools



should receive their funding on the broad basis of the number of children they teach. Of course there may need to be some special categories to allow for small village schools, or ones with high immigrant populations. But the basis should be on the number of children taught.

The third step is to extend to parents the right to send their child to any school which will accept them. In practice this will mean the good schools receiving the heaviest pressure of demand, and trying to expand to cope with more applications. It would equally mean the dead-end schools finding it increasingly hard to fill their places. This is as it should be. Nothing would improve the overall quality as fast as this constant pressure towards the better schools.

### *Charter for independence*

What these three policy proposals amount to is a charter for the independence of our schools. Each of the proposals will find ready support from parents, and from large numbers in the profession. Together they constitute a new approach to schooling, and a determination to allow parental pressure and teacher merit to secure continuous improvement. The actual steps to be taken are:

- (1) Real powers for school boards with major parental input and executive headteachers answerable to them.
- (2) School finance based, except for special cases, on the numbers of children attending.
- (3) Parents given the right to send their children to any school with places available.

With school finance on a capitation basis, the schools which attracted extra children would automatically qualify for extra funding. Similarly, the schools which could not fill their places would get less. In other words, a situation would exist in which children and resources were constantly pushed towards the better schools and away from the dud ones.

### *Consumer power*

Thus there would be the equivalent of a consumer market in education. Parents would, by their choices, allocate the resources to the schools they preferred, much as happens with consumer goods. Meanwhile, the hopeless schools, no matter how much they might be praised by the profession, would be starved of both children and funds until they either closed down, or started to provide the sort of education that parents wanted.

### *Popular moves*

All of these measures would meet with popular approval by the electorate. Parents would like to see schools given more independence. They would like their decision over choice of school to be effective. And they would like to see the good schools prosper and the bad ones made to improve or perish. What they would like is to be able to secure a good education for their children, and to see that it is good. What they do not want is a situation in which those who can afford to pay have the choice, while the others play the roulette wheel of chance, and perhaps have their children end up in an inner city dustbin.

Consumer choice and market power take the freedom already enjoyed by a minority, and extend it to the rest of the population. The Conservative party has nothing to fear by offering everyone the benefits they can bring across the board in education. What they do have to fear is association with the situation in which a few can escape, but the rest are locked into a system which uses their children as pawns for the benefit of the producers of state education.

People do not have to be taught the benefits of consumer choice. They know them already. All three measures would receive wide support, and the result of their application would be to transform a producer-dominated state monopoly into a system of variety, choice, and continuous pressure for improvement. It is time for the Conservatives to state boldly their commitment to the development of market choice and variety in education, and to implement the three steps which would achieve it.

### *Dangerous myth*

There is a widespread and pernicious myth in the education profession that it is somehow important to make children more equal. This is not what parents want and it is not what children need. It is the kind of idea which seeks to ration bright children between schools, as if they were some scarce commodity, in order that their beneficial influence might be spread equally.

It is not equality which is needed, but quality. We need a system which will not make children equal, but will make them better educated. If our school system can bring out and develop the best in each child, then we have achieved the best result for both individuals and society, regardless of any differences between children.



## *Universities and colleges*

The same problem which afflicts our schooling, that of producer capture, is to be found in our tertiary education. Students have a nominal choice between universities and colleges, if they can secure acceptance. But the method of funding denies them any kind of input as consumers, and prevents their choices from having any serious impact on the system.

Because universities and colleges are centrally financed through such bodies as the University Grants Committee, the priorities are decided by committee members sitting round a table, rather than by the wishes of those providing the education, or those who ultimately pay for it.

Considering the diverse wishes and career needs of young people about to embark on university or college education, one of the astonishing features of our system is its uniformity. It is quite possible here, as with the schools, that an arrangement which met the requirements of its customers might well offer a much greater range and variety of services.

Central funding is always open to the ups and downs of economic fortune, with funding determined by what a government feels it can afford, rather than by what individuals are prepared to allocate. In times of stringency, when there is pressure on funds, cutbacks might have to be made. The decision as to where these are made is influenced by bureaucratic convenience and by the interests of the producers, more than by the needs of parents and students.

Pressure from staff unions, for example, could lead to a university leaving vacant its top chairs in order to avoid the painful decision to part with junior staff. While this might be the easiest course for the producers, it is obviously damaging to the students.

## *Innovations*

There is much good in the proposals put forward by the Government, were they to be implemented. Of particular merit is the suggestion that universities and colleges should be encouraged to obtain a much greater proportion of their funding through self-financing activities. Courses which are related more to commercial needs can obviously attract funds which increase the discretionary area open to the institution. To this end we need to see much closer contact with business and industry.

The added advantage of this is that not only are extra funds

brought in, but the contact with commercial reality is a good in itself. Universities and colleges can not only be reminded of their need to equip their students for life, but can also provide them with the contacts and associations to assist in career choices, if they do maintain such a network with the private sector.

## *Re-routing the funds*

There is an excellent case for applying similar principles to those examined for the schools, and to re-routing the funding of universities and colleges in such a way as to make choices by their consumers effective. Instead of the disbursement taking place in the horse-trading sessions of the University Grants Committee, it could be allocated on the basis of student choice. That is, those institutions and courses which are able to attract the students would get the resources.

Students could either take a fee certificate with them, to the university or college they chose, and were accepted for, or the disbursement could be made centrally on the basis of numbers. Either way, more resources would be allocated to the courses and institutions which attracted the students, and less to those which did not.

The expansion of some colleges and courses and the contraction of others would then take place according to the actual wishes of students and parents, rather than by decisions taken by highly placed individuals. In other words, there would be a consumer market operating again in higher education. The experience of other countries suggests that such choices are made responsibly, with both aptitudes and career prospects in mind.

## *Grants and loans*

In the payment of maintenance to students in higher education, Britain continues to operate a system looked on with amazement by the rest of the world. They regard it as incredible that we should make people who are not lucky enough to qualify for higher education pay higher taxes so that we can give even more to those who do. This tends in many cases to be a subsidy from the working classes to the middle classes.

In countries as diverse as socialist Sweden and the free enterprise United States, loan systems are running well without encountering in practice the alleged objections which are hurled at them in theory. The fact is that they are not only fairer, they also offer more chances to people who would not otherwise



have them. In some cases loans are negotiated on the basis of a fixed rate of interest, to protect the borrower from the uncertainties of future rate fluctuations. In others there is opportunity for accelerated repayment if the student does well in employment. This is no longer theory; the problems have been encountered in other countries and solved there.

Opponents of loans are not noted for their sympathy with the interests of parents or students. Government should show that sympathy, however. Of course it should not go back on promises already made to those in higher education. Those who started under one basis should be allowed to complete under the same rules. But this is no reason to deny forever the prospects of reform.

### *Working system*

Most students use small informal loans already to supplement their grants. Leading banks routinely assume that students might want overdrafts of up to £200. This is working with the present grant system. It would not take very much, except government decision, to extend that until the loan element became the chief method of financing maintenance during higher education.

Government should consult with the banks and introduce a scheme under which, for students not already in higher education, the grant element is systematically phased down, and the loans which are made available by the banks are systematically stepped up. This is not a complex proposal, and it is not one which need prove unpopular with parents. The idea that their children should pay in later life, instead of themselves paying now, is not an unattractive one.

In the first place it encourages responsible decisions. It lowers the dependence of students on their parents, and treats them more as mature adults entering into a long-term contract. It elevates the importance of higher education, and introduces economic and commercial calculation into decisions made about it. This is as it should be, and how it has been in many overseas countries for many years. Some students, including the Federation of Conservative Students, already recognize the justice of these arguments and campaign for them.

### *The forgotten closed shop*

It is also time that government afforded to students in universities and colleges some protection from the closed shops whose power has been curbed elsewhere. Millions of pounds of public money is expended on paying the compulsory student union fees of those accepted at universities and colleges.

In some cases these funds are used to support highly dubious and anti-democratic causes. In others they pay for large numbers of 'sabbatical officers', which means students taking a year off studies, allegedly to work as full time officers for student unions, although the differences between this role and that of full time political agitator is not always apparent.

Students are allowed no choice either in the profligate use made of their membership fees, or in the political claims made in their name. It is fatuous to suggest that students bear the responsibility for not organizing to take over control from the extremists. If the system can only be justified by forcing students to participate in lengthy political meetings in the late hours, and to sacrifice more healthy academic, social and sporting pursuits in order to avoid being victimized and misrepresented, then the system itself needs to be changed.

Students should be free to pursue their normal activities without having their funds and their representation hijacked by leftist extremists. What is needed is a separation between the service function of a union, like cafeteria services and student bars, and the political function which claims to speak in their name.

Responsibility for the services could be taken over by the college or university itself, and membership of the political body, including payment to it, made purely voluntary. Doubtless, any students who wished to join would do so. Equally, those who took no interest in having such views foisted on them need no longer pay for the privilege.

These changes to our university and college system are all in accord with a Conservatism which shies away from universal state provision of a standardized service, and which seeks instead to allow a variety to grow up which allows different needs and aspirations to be satisfied, and which turns what are now the decisions of the bureaucrat into opportunities for choice by the consumer.



## *Allowing exit*

The changes proposed will undoubtedly effect major improvements to state education at both school and college level. But there will still be those who seek alternatives not available within the state sector; and these should be able to make the choice to opt out. There will be those, for example, whose children may show special talent or ability at such things as music and mathematics, and whose parents feel that the local state schools lack the specialist expertise in those fields to develop that talent.

There may be parents of a particular religion who would like a school for their child which emphasized its teachings. Whatever the reason, there will be those who opt out, yet who presently have to pay the full cost of state education. Assisted place schemes can only ever help a tiny minority, much as the idea has to commend it, and much as moves in that direction have to be applauded.

What is needed is a scheme of general benefit which allows those same choices to ordinary parents who feel their child has special needs. One possible course is to give tax rebates to those who opt for private education, giving them back some of the saving which the state makes by not having to educate their children.

This would, indeed, extend choice considerably, but could be seen as giving tax rebates to those who are comparatively well off. A better scheme would be to allow parents and teachers to start their own schools, and to receive state monies for doing so. A proposal should be enacted which allows any group of parents (perhaps 30) to start their own school, receiving the funds which the state would have spent on their children.

This proposal dovetails neatly with the proposals already made for improvement. The new small schools would be effectively state schools, being financed and inspected by the state. But they would allow space for specialization and variety, and give parents real choices. The better ones would prosper, and might expand. Less successful ones might find their demand slipping. Either way it would bring extra choices into areas which were badly served by the existing schools.

The proliferation of new and specialist schools would add an important dimension to schooling. It would permit the special abilities and talents of children to be catered for, and might take an important stride towards the goal of bringing out the full potential of each child.

No Conservative government will ever lose popularity by making such choices possible. A few disgruntled ideologues who have the education profession in their grip would be upset to see people exercising their own preference instead of being forced to do as their betters dictated. For most of the population it would provide a welcome relief and escape from that grip, and establish the basis of an educational system built on the cornerstone of consumer choice.



# EMPLOYMENT

IT IS RIGHTLY regarded as a responsibility of government to create the conditions for employment, even though it is also now recognized quite widely that government cannot actually create the jobs. It is a major intellectual achievement to the credit of this Government that there is now quite a general understanding of this fact.

It used to be widely supposed, and still is in socialist circles, that government could increase its spending and create jobs by commissioning public works such as roads, or by supplying the funds to put factories in depressed areas. Of course, the element of the equation never looked at was the source of the funds used to achieve this effect.

The crucial point was that the taxation taken for government to spend on public works or subsidized factories is money no longer available for either investment in private industry, or for the purchase of its products. In whatever form the funds are taken from the private sector, they pre-empt the ability of private individuals and firms to spend them, and thus sustain jobs.

This means that the policy of 'creating jobs by public spending' in fact destroys jobs in the private sector. Moreover, public spending is less efficient than private spending at commanding goods and services. It tends to be deployed in areas which require lots of capital equipment, such as heavy engineering. It also tends to usurp funds which would otherwise be available for the employment-intensive service sector.

The overall effect is to destroy more jobs than are created. Some economists put the figure at 140 long-term jobs quietly destroyed by public spending for every 100 temporary jobs which are publicly created. The Government has performed a major service by recognizing this fact and by trying not to destroy the viability of the private sector.

## *The job creation process*

Jobs are not created by government in response to public agitation. They are created as a result of a process in which real demand is satisfied. We know that most new jobs start from

small firms, while the big companies are relatively stable. Of the ten million new jobs created in the United States in just a few years, almost all were in small businesses.

Any government trying to generate the right climate for job creation has to look very carefully at the ease with which new firms can be started. The Conservative government has taken huge strides towards getting conditions right for the start-up firms. Well over 100 measures have been introduced to help new business to get going, including, most successfully, the grant of £40 a week to assist people to start their own business.

This has led many thousands who would never have thought of self-employment to consider it as a viable option.

More can be done, however, and should be done now. While the Government's record is good on things which push small businesses along, such as the provision of grants and allowances, its record is not yet as good on removing the obstacles to success. Lord Young's proposals for lifting the burdens on business would go some of the way, if implemented, but this is too important a subject for the country to be fobbed off with excuses about a crowded parliamentary timetable.

## *The most important task*

It could well be argued that a reduction in unemployment is the single most important task to be achieved by this Government. With an economic recovery under way, with productivity greatly enhanced, and with this country again competitive in world markets after decades of complacent stagnation, the people badly want to see that success translated into jobs. A jobless boom is too cold a thing to excite popular support. They want the growth in prosperity to provide work opportunities as well.

Certainly, if this Government is seen to have cracked the unemployment problem, when it goes into the next election it need have nothing to fear from the electorate. The message is clear: that measures to create a climate for jobs must go to the top of the parliamentary agenda, instead of being made to wait for a few years until it is too late for them to do any good.

## *Making work worthwhile*

There are twin elements to the task. Not only must we create the conditions under which new jobs can be generated, but we must devote attention to making sure that it is worth people's while taking on those new jobs.



Inevitably, this means an overhaul of the whole tax and benefit system to take out the poverty traps which make it more attractive to stay home drawing dole than to go out to take up a job. The rule to guide us is that it should always benefit a person to work. In other words, benefits should be so graduated and initial taxes so low, that a person never ends up paying an effective rate of more than 100 per cent on the additional income when they replace welfare with wages.

### *Attack on two fronts*

Both taxes and regulation provide areas in which purposive action could bring rapid results. The entrepreneurs whose predecessors created this country's wealth and jobs in the past, could find themselves in a new golden age if attention were given to securing the conditions appropriate to their success.

The most helpful tax measure would be a technical change to allow anyone who wished to register as self-employed to do so. It is entirely in line with Conservative philosophy that people should be permitted and encouraged to take that step of self-reliance, and that route to independence.

Its immediate effect is to enable them to work without employers having to calculate PAYE, or have the hassle of National Insurance contributions and the like. It means that employers can take them on under contract when they are needed, without fearing they will become locked in by protection of employment laws, and be a liability in the future.

That one single act, which officials in the Inland Revenue appear for their own convenience to have been determined to prevent, will enable hundreds of thousands of people to be taken on by small firms. It will so dramatically lower the costs of employing them that it will make them attractive employment prospects without any lowering of the actual wage they can command. The Treasury will still get its money, but it will be by way of payments from self-employed people, rather less convenient for the bureaucrats, but of tremendous value to society.

### *Capital taxation*

There are other important tax changes which could bring dramatic results. A major reduction is required in the rate of capital taxes. When taxes on capital are high, people leave it locked into investments in order to avoid realising a capital gain or sustaining liability for capital transfer taxes. This makes capital hard to come by for new ventures.

When taxes on capital are low, however, people are prepared to move capital around to more profitable areas, not minding the low tax liabilities which they incur, because the rewards to be gained are greater. This means capital becomes more mobile, and there is more of it to help new businesses to start and to expand when they need to.

Paradoxically, lower taxes on capital can often yield a higher return to the Treasury, by broadening the number of taxable transactions, even while reducing the rate on each. This happened with the Kennedy tax cuts, and with the other US tax cuts of 1978 and 1981. Revenue increased when taxes were cut. In any case, taxes on capital in Britain raise comparatively little revenue. Some economists have suggested that these taxes are there for political reasons, rather than to raise money. They should be cut substantially, and now.

### *A low tax economy*

As well as lowering taxes on capital, we need to move Britain towards becoming a low tax economy. It is not a shift in the tax burden we need, from direct to indirect or vice versa but a reduction in tax. There must be lower taxes so that incentives are restored, so that it is more profitable to be at work than to be idle, and so that the risks of undertaking new ventures are justified by the rewards achieved by success.

This means we must lower taxes on corporate and individual incomes. It is not a case of another hundred or two on the threshold level; we are talking of a reduction of several per cent on the basic rate. Raising the threshold is hardly noticed and quickly forgotten. What is needed is a dramatic reduction in the rates of tax which are levied. A large cut in the basic rate is the best option because it is more widely perceived and understood, thus maximizing the incentive effect. It would give a psychological kick-start to the economy.

It should be accompanied by a widening of tax bands so that the higher rates are not reached as quickly. Government must pay more attention to the way in which tax rates interact with welfare benefits to create a disincentive to employment. Lower tax rates make work itself more attractive as an alternative to dependence on welfare. If government spending keeps up levels of taxation, then it is government spending which is keeping up unemployment.

There is a cruel spiral from which we must break out. It is that which argues for high spending because 'people need public services in times of high unemployment.' Yet it is the high level



of spending and the tax take to support it which prevent that unemployment from falling.

The solution which commends itself is the use of asset sales to finance tax cuts in the short term, which increased economic activity will sustain in the longer term. There are assets which could be privatized at a steady rate, giving a yield of more than £5 billion for over a decade. This is enough to finance a tax cut of 6 pence from the basic rate, over and above any cuts paid for by reductions in public spending.

The assets themselves are in three main areas. These are shares still held by the Government in companies which have already been privatized. There are, in addition, many candidates suitable for privatization, including some household names which would be popular share issues. Finally, there are the considerable assets of land and buildings held by the Property Services Agency.

The solution is to use asset sales to provide an immediate reduction in the basic rate of income tax, and savings in public expenditure to justify steep cuts in taxes on capital. This combination will add strength to the current modest boom, and add jobs to its effect. More than that, it will generate wealth and increased economic activity which will make savings in public spending easier to achieve. It will start in Britain the 'virtuous spiral' in which increases in national wealth enable further reductions in tax rates. It will set Britain on course to the rapid transition into a low tax economy.

### *Deregulation*

If tax cuts are half of the answer, deregulation is the other half. The ability of people to start up new ventures, and to succeed in them, is severely impaired by the rules imposed upon them and the form-filling they are required to undertake. Many of the regulations which govern health and safety, for example, were intended to apply to factories, and undoubtedly have a place there.

They are more often than not totally inappropriate for the small business started up in a shed or garage, or perhaps run from the home. The costs of compliance which can be absorbed by a larger firm become crippling to the one man outfit. The rules designed to protect large numbers of employees in industrial premises serve only to protect people from jobs in the smaller firm.

Planning requirements for premises form a major stumbling block for new businesses. In many cases the regulations are

arbitrary, the procedures cumbersome and inflexible, and the process time-consuming and expensive.

### *The small firm as job-creator*

What is needed is a system which recognizes the value of the small firm in the vanguard of job creation, and which recognizes its particular problems. The entrepreneur wants to be out winning orders and building up the business, not burning the late night oil filling out Departmental questionnaires, wrestling with VAT tables and PAYE calculations. He or she needs to be able to take on extra labour as and when the growth of business justifies it, not to see that stage as a major hurdle to be postponed as long as possible in order to escape its burdens.

New businesses, and those employing less than 20 persons, should be treated as a special category enjoying protection from the more onerous burdens of regulation, and immunity from some of the penalties which attach to commercial activity. The entire gamut of regulations on business should be combed through to see where opportunities exist for relieving the new and small firms from their burden.

This would certainly include giving smaller firms the choice of whether or not they registered for VAT. For some it would be an advantage, but for many it provides only an additional burden to distract them from the activity of the business. It is not as if VAT on small firms was an economic tax. On the contrary, even the public costs of collection consume a high proportion of its yield, quite apart from those paid for by the business itself.

The success in Italy achieved by the creation of the largely exempt 'artisan' sector of the economy shows what can be done. By taking firms employing less than 20 out of the net of regulation and rule, the Italian government succeeded in generating major growth and expansion in that area, and substantially increased its role as a creator of both national wealth and employment.

There is no doubt at all that the measures delineated here would achieve an even more dramatic impact in Britain. They would take an immediate bite out of the unemployment total and, even more importantly, they would set it on a downward course. They would create a society in which it paid to work, in which risk and effort were rewarded, in which those who felt motivated to add to the nation's stock of economic enterprise would find the barriers against them lifted, and help and encouragement put in their way.



## *Change in attitude*

All of this is a far cry indeed from the attitudes publicly expressed in the 1960s and 1970s, when wealth and profit were frowned upon, and when government was thought of as the major source of opportunity. Conservative philosophy has re-asserted itself, and shown that it is people who create wealth, who innovate, and who add to the stock of human achievements.

Good governments will generate the climate in which citizens are free to fulfill themselves by engaging in this type of enterprise, knowing that society as a whole benefits from what they create. Freedom for enterprise does not mean that a few rich types in the City can make fortunes shuffling paper around. It means a society in which people at all levels can make decisions, can break out into new ventures, can seek to exploit their skills and talents in new markets. It means a society with a variety of jobs, and a variety of types of employment.

With the transformation of Britain, already under way, from an economy and a society dependent on heavy industry and mass manufacturing, into one increasingly dominated by small, high-tech and service industries, it is vitally important that we build in the flexibility needed to survive. It is happening; it has happened. We need to ensure that it happens in the future, and that we speed up the process.

Pessimists told us, and some still do, that the days of high levels of employment are gone forever. This is not correct. Some of the jobs are there now, if we make it possible for people to fill them. More of them will be created in areas we can only guess at, provided that we create the conditions under which entrepreneurs can anticipate demand, can experiment with products and processes and new services; in which children at school are encouraged to see self-employment as a realistic and admirable option.

We have to take the market and the opportunities which it holds out to the people. We have to show that, far from fearing the constant change and progress which follow from changing times and changing technology, the freedom of the market can be the one secure base which enables us to adapt and to cope.

## HEALTH

THERE IS CONSIDERABLE debate over the levels and the quality of service provided by national health care. Critics claim that standards are declining, and point to shortages of equipment and supplies in some areas, while the Government points out that spending on health has actually increased.

It is possible that both are correct. It could well be that more money is being spent on health, without the standard of provision getting any better. The trouble is that claims are made one way or the other about inputs into the National Health Service, whereas the people who use it depend on it and are interested in its output.

To a sick person needing treatment, it is of little concern whether the funds available do more than keep abreast of inflation, or less. To them what matters is that treatment is available of an acceptable standard at a time when it is needed. One of the problems with the NHS is that a high proportion of the funds available to it are not spent on services related directly to patient care. They do not translate themselves into perceived benefits to the recipients.

A great deal of money goes, for example, in paying the wages of non-medical staff such as cleaners and porters. A great deal pays the salaries of administrators. The patient, however, is more concerned about the money which pays for doctors, nurses and drugs, and that which pays to provide hospital beds and medical equipment. The problem with measurement of the inputs is that any increases in funding might be sucked toward non-medical areas without achieving any improvement in the level of care provided.

### *The British system*

The system of health care which has evolved in Britain has both its good and bad points. Herein lies a major difficulty: how to improve those aspects which are not of an acceptable standard, without risk to the things which it does so well. One major fact about medical care in Britain is that no-one need fear that they will be denied treatment owing to lack of resources. This central achievement of the British system takes away one of the major worries about health, and leaves people with the security that no accident or ailment will ruin them financially.



This is a major achievement, and a very popular one. It is vital that, whatever changes are made to health care in Britain, this basic security is maintained, and that people see that it is maintained.

### *Consumer responsiveness*

One drawback of the British system is that there are not many ways in which the preferences of the consumers of health care can be taken into account. Those who receive health care are also those who pay for it, but because the payment is made through the tax system, they are unable to exert the same kind of consumer pressure that they can bring to bear on supermarket shopping, for example. They have only very oblique ways of letting their preferences be known.

The National Health Service makes health into a part of the political process. The money which is spent on health is decided according to political criteria. It is based on what the Government thinks will be tolerated by way of taxation, on how prosperous the economy as a whole happens to be, or maybe on what it takes to assuage the huge numbers whose employment is in the health industry.

It is not based on health needs, except at a distance. The money figure is not arrived at by finding out what people are prepared to spend on health, given a range of possible options. There are only vague ways of finding out if people would like more to be spent on health, and rather less on education, or vice versa. All of the choices have to be packaged together in one bundle to be selected at general elections.

Not surprisingly, the level of health care, and the allocation of funds between different services, becomes very political. It pays a government, in terms of support, to provide a service which benefits a lot of people just a little, rather than one which helps a small number a great deal. There are more votes in making large numbers comfortable, than in providing vital care for the few.

### *The private sector*

Private health in Britain used to be for the privileged few. Only top company directors enjoyed the luxury which accompanies private treatment: some choice concerning the time of treatment, a private room, optional extras. This is no longer the case. Private treatment is an important part of the British health system, and is becoming more important.

The NHS might cost £17 billion, but private health is already

over the £1 billion mark, and climbing fast. Millions of people since 1979 have been added to the ranks of those covered by private health schemes, including hundreds of thousands of trade unionists. The Government has helped this process by making health insurance premiums tax deductible for those earning below £8,500 whose employers enrol them in private schemes.

The rise of private medicine is an excellent thing, and should be encouraged even more. It means that people have more choices, and have different types of service available. It means that people who are already paying in full for the NHS are prepared to put more of their money into health. This not only raises the total spent on health care, which is very good indeed, it also means that the state's resources can be directed more and more to those who need them.

By taking demand into the private sector, those who use private medicine take some of the pressure off the NHS, and enable it to use its own resources more efficiently. Our concern now should be to extend that type of choice as widely as possible, so it becomes a real option for most of the population. Private health is no longer something for the rich; it should be something all of us can draw on if we wish.

### *Encouraging private support*

The Government should give more encouragement to people to undertake private medical insurance. It should lift the earnings limit of £8,500, and remove the requirement that it must be employer-enrolled.

If health insurance is to take more and more of the load from the NHS, we should be doing everything possible to make it a viable and attractive prospect.

But the private health sector has a much bigger role to play in the future of health care in Britain, in ways that will be of even more benefit to the NHS. A start has been made, for example, in the contracting out of cleaning and catering in the NHS hospitals to private contractors. The only reason the savings are not larger is that too little of it has yet been done. Where it has been done there have been savings averaging 25 per cent. This programme should be speeded up so that more NHS funds are available for medical purposes.

A large improvement in hospital administration and efficiency is promised by the use of private management teams for public hospitals. This has worked very successfully abroad, and should be tested now in Britain. Again, it brings a smoother



running service with savings that can be passed on to the medical budget.

Bearing in mind the explosion of private medical care, we are going to need many more private hospitals. Instead of closing down the NHS hospitals which are surplus to the requirements of changing population needs, we should sell them to the private sector. The effect will be to increase the total number of hospital beds available, and to increase the spread of sophisticated medical equipment.

The private sector should be seen as a partner, not a threat, to the National Health Service. It can take the pressure of demand away from hard-pressed NHS facilities. It can call extra funds into health beyond the tax level which the Government feels able to support. It can bring in expertise and high technology at a faster rate than could be sustained by the state service. Its techniques can serve as examples to the NHS, and it can point the way to new efficiencies and savings. It can be brought in to NHS institutions to perform routine services in an efficient manner which allows the NHS to concentrate on its primary health function.

Far from frowning at private medicine, as the Socialist party does, the Government should encourage it in such a way that nearly everyone has access to it. There are some classes of patient care, for example, which the Government should be getting private medicine to perform under contract. There are cases where the NHS could use its resources more efficiently by paying for some of the patients to be treated in private hospitals.

### *No two tiers*

There are those who argue that the growth of variation and choice will lead to the emergence of a two-tier system, with only the well-to-do able to obtain proper care. The reverse is the case. It is the present system which is two-tier, with its shortages and queues presenting no real obstacle to the articulate middle classes who know how to use it, but providing a barrier to full use by those less fortunate.

The spread of variety takes the strain off the central state facilities, allowing many more resources to be directed at those who depend on them. Every time people choose private medical insurance for hospital treatment, or elect to join a group practice insurance scheme, or subscribe to a health maintenance organization, they are removing the need for the NHS to do the same work. They are putting more money into health provision, and letting scarce resources help those who need them most.

### *Parallel and interlocking systems*

By adopting the measures outlined here, and similar ones, government can extend the present health system, with its lack of responsiveness and its shortages, while retaining the security which is so valuable a part of it. Many parallel health systems will grow up, with more resources going freely into health care than governments might feel able to justify with public money alone.

There will be a range of choices at every turn, with people being able to decide even for particular courses of treatment how they wish to be attended. People who now have no alternative to the standard NHS treatment will find that to be only one option among many.

The insurance market will make sure that the benefits are widely known and made generally available. People will elect to go private for some classes of treatment, assisted perhaps by government granted tax incentives, but to undertake certain courses of treatment within the state sector.

The emergence of parallel and interlocking systems like this will enable specializations to develop, with each sector concentrating on what it does best. The National Health Service will still be the first choice of many people for some of the things which it does really well. But the presence of other choices will permit other types of health organization to excel at the things they are better equipped to perform.

The general public will gain enormously if we extend to the field of health care the same consumer choices which they enjoy elsewhere, and if we give them the power to make those choices effective in providing a high quality service. We have no need to be defensive about the National Health Service; the policies recommended here will improve it. It will still be providing that safety net which is so valuable.

But the restoration of some market choices to the general public will improve the total system of health care in Britain beyond measure. We should not be paralyzed with fear, and treat the present system as if it were perfect. It isn't; and it should be improved. The surest and most secure way to improve it is by the free choices of people. They will improve it themselves if we give them the opportunity. Their choices will lead to the growth of new institutions. Their decisions will lead to resources being committed to new areas of health care, and will reveal where their own priorities lie.



# HOUSING

HOUSING HAS BEEN one of the biggest successes of the Conservative government. The policy of enabling council house tenants to become home owners has resulted in nearly one million persons becoming owner occupiers. What this means in human terms is that one million families who never had the chance before now feel the security of ownership. They have a stake in a tangible asset whose capital growth they can see.

Home ownership is a good in itself. It takes people out of the category in which they are dependent on the state and its handouts and allocations, and into the category of those who make independent provision for their lives. Instead of spending money on rent and having nothing concrete to show at the end, it lets them build up a substantial capital asset in their home, while living in it.

The Government has made a major start in extending home ownership to council tenants, but it is important to realize that it is only a start. There are some properties which are difficult to sell, for example, homes which have a low value because of dilapidation, or are in hard to let areas of the cities. Some are difficult to buy because they are flats in a larger block, and there are difficulties in mixing owner occupation with council tenancy in one building.

Some families do not have adequate funds coming in to enable them to purchase. And finally, some are thwarted by the recalcitrance and obstinacy of left-wing local authorities determined to put every obstruction they can in the way of purchase because they are ideologically opposed to private ownership as such. In some cases they are aided and abetted in this bloody-mindedness by local authority housing administrators desperately trying to cling on to the power base of their diminishing empires.

## *The solutions*

All of these problems have prevented the number of council tenants who become home owners from being larger than it is. The important thing to realize is that all of them can be solved. A government which believes in the soundness of its convictions about ownership, and in the justice of its policies to achieve it, can find ways of dealing with the difficulties.

It is not a case of back-tracking or retrenching: it is a case of doing more. The policy of making home ownership easier has been both popular and successful. These are not reasons to stop it or slow it down, but to extend and speed it up. The Government not only has a duty to offer those same benefits to wider groups in society, it has everything to gain by doing so.

## *Dilapidation*

The problem of dilapidated properties, or areas of the city which are hard to let, is often intensified by the reluctance of local authorities to do anything which might diminish the stock of public housing. Often they will hang onto decayed blocks which they cannot afford to renovate. Often they will leave empty large sections of 'problem' estates, hoping that at some future date the funds will be available to restore them.

One solution that works is to have derelict or run-down properties restored by private contractors for sale on the open market. What this achieves in practice is an immediate capital injection into the housing units concerned, and an increase in the total number of houses available, even if the public stock is not increased.

The hard to let decayed estates of today can become the smart and desirable areas of tomorrow. Some cities have already pioneered this activity. It works, and the Government's duty is to extend it. A procedure should be established which makes it easy for contractors to bid to take over derelict blocks and slum estates for renovation. In some cases it may be necessary to set up a procedure for certain blocks to be condemned and put out for private renovation over the head of a reluctant local authority.

This is a way in which private capital can be brought in to renovate and renew, even when public funds are in short supply and where public activity is overstretched. It offers a way to revitalize many of the public slums which are a disgrace to our cities, while simultaneously providing many more opportunities for people to become home owners.

## *The problem of flats*

People who are tenants of council flats, as opposed to single houses, should be given no less opportunities for home ownership. There is nothing inherent in the nature of a flat which makes it more difficult to own. True, the ground below it may have several occupants above, and there may be common areas



such as stairs and lifts which have to be owned and maintained jointly in co-operation with others. These are problems which have been solved elsewhere without difficulty.

The Government could take an important step in the application of Conservative principles by vesting the ownership of apartment blocks in private co-operative associations of those who live in them. In this way, the ownership of common sections is vested in a body in which all have rights. The individual flats could then be bought by the tenants who wished, under a right to buy just as valid as that in force for tenants of council houses. They would be buying from the co-operative association, which would retain responsibility for common sections such as stairs and roofing.

### *Financial support*

The problem of those who simply cannot afford to buy is not necessarily insuperable, although it does need a new determination by government. In many cases, a young married couple, perhaps with children to care for, and at the start of their earning power, cannot cope with the initial level of payments which a mortgage would require. Yet even with a very low rate of inflation over the years, they would find those payments much lower in real terms at the height of their earning power and no longer with children at home to provide for.

The Government should take the initiative with the building societies in establishing low start mortgages for such cases, so the initial payments can be low, when income is smallest, rising in real terms with income over the course of a working life. There are similar proposals already under consideration by some of the building societies. All it needs is a determination by government to clear the legal path and introduce its own version for local authorities. This would bring the prospect of home ownership within range of many more people, and make them possible purchasers of their council house or flat.

### *Supporting house purchase*

The welfare programmes which recognize the needs of poorer people to meet rent payments should treat mortgage payments on a par. There is no reason why the same money which is permissible on rent should not go towards purchase, or why a person given money for rent cannot embark upon home ownership with those same funds.

We face situations daily in our cities in which families are

given huge sums to pay for bread and breakfast accommodation, sometimes in less than adequate conditions, yet where the total weekly sum towards a mortgage repayment would be less. In other words, it would sometimes be cheaper to put the public funds towards buying a house for the family. Not only does this give a stability and security not found with temporary accommodation, but it goes some way to achieving a solution towards some cases of poverty because the house is permanent, and will gradually constitute a substantial asset.

### *Reluctant councils*

The Government has helped the public considerably with its right to buy legislation. It has given them a lever with which to shift reluctant councils from a policy of trying to thwart house sales. Yet there are still councils which use delaying tactics, or make information difficult to get, or which hold out as long as possible in processing applications in the hope that a government will come in and reverse their obligation to sell to tenants.

A sure guarantee against such a government is to spread home ownership as quickly and as widely as possible. The Government should now consider whether or not the ownership of housing is a legitimate function of local government. There is a deplorable history of the politicization of housing, and its use to manipulate electoral boundaries and keep people in dependency. Many of the city slums are a direct result of the actions of local authorities.

The transfer of apartment blocks to housing co-operatives will take a large slice of housing away from local authorities and into the private sector. The redevelopment by private contractors of derelict estates will do more. The introduction of low start mortgages, and the assistance to purchase for lower income families will go further. The role of local authorities after such measures will be a residual one, as they are required to sell their remaining houses at heavily discounted prices to the tenants who wish to buy them. Even houses of poorer quality in less desirable areas become potentially attractive if the discount recognizes this. While this will mean even bigger discounts than are now available, it will speed up the process of sale and renovation.

### *The rental sector*

Although the Government's record on owner occupation is good, and has given Britain, for example, one of the highest rates



of home ownership by under 25s in the world, the rental sector has been allowed to languish. More could have been done; more needs to be done. The market benefits which have been accorded to former council tenants should be extended to the private rental sector.

The problem with the private rental sector is that there is no market. Subsidized public housing was part of the problem, but the two most adverse factors have been rent control and security of tenure. Both of them sound as though they help the poor, but both militate very strongly against their interest. Both appear to make conditions easier for those in private rented accommodation, but both ensure that there is never nearly enough of it available.

### *The adverse effects*

The problem with rent control is that it fixes rents at levels other than those which make it worthwhile to let property. It thus keeps off the market property which might otherwise be let. Similarly, security of tenure sounds good for the tenant, but it prevents people being able to let the property for a limited period. The present rules would allow the tenant effectively to steal it, by denying repossession to the owner.

What this means is that there is never enough rental property. A person who might need the house or flat back some day cannot risk its being alienated from him by security of tenure. And while a house might command a good price for sale, its value zooms down if it contains a protected tenant living at a rent below market value.

The astonishing thing is not the scarcity of private rents. This has been guaranteed by rent control and security of tenure. What is truly astonishing is that there is any private rental property at all. The Government can act in very sensible ways which are not opposed to the interest of any section, yet which restores a market in private rented property.

It is necessary to exempt existing tenants from the new legislation which is needed. They have enjoyed a benefit, even if it is an unfair and unwise one, and cannot have it suddenly snatched from them.

### *New leases and small landlords*

All new leases should be exempt from either rent control or unlimited security of tenure. While this poses no threat to any current private tenant, it does at least contain the problem and

ensure that the situation will gradually improve. It will create a situation in which the letting of property again becomes a worthwhile activity, and will gradually make available large numbers of properties on the private market. As people cease to occupy under existing leases, so the number of properties outside of that market will diminish over time.

### *The market is the message*

What we have to get across is the fact that markets in housing are not impersonal forces which somehow put prices out of reach. They are the very opposite. They enable individuals to meet each other's needs on terms which benefit both. It is the rules and conditions that prevent markets from operating which dry up supply, which force all kinds of underhand payments, and which put things beyond the reach of ordinary people. A market which enables a widow, for example, to let part of her house to a family, will do vastly more good for both than a system of restrictive rules which make it too risky and unrewarding.

In housing, as in other areas, a start has been made. A few have been given access to the benefits which markets bring. Now is the time to take those choices and benefits out to the many. It is time to follow that start, and to create a society so secure that it will not willingly surrender any of them to any ideology based on envy and class division.



# CONCLUSION

THERE IS A clear thread of Conservative philosophy which runs through all of the areas in which we have proposed solutions. It expresses itself in the determination to preserve the spontaneity of society, and to resist and, if necessary, reverse, the attempt to impose upon it a preconceived plan.

Market freedoms are central to Conservative philosophy because they are the instruments of that spontaneity. It is through them that individuals make choices over the allocation of resources, choices which express their preferences and priorities. It is by the exercise of market freedoms that people live by their own moral standards instead of accepting the dictates of others.

The unthinking deride the free market as if it were some kind of sordid commercial transaction which reduces everything to buying and selling. They miss the central truth that the market is about human values and human relationships. It is by choosing to spend more on such things as health care that a person expresses a say on the subject. It is by doing so that he or she achieves input to the system, instead of being a passive recipient of someone else's priorities.

It is by allocating resources that we stimulate others to meet our needs. By doing so we create the conditions for people to provide new services and to satisfy their own needs in the process.

In a state monopoly situation, the participants are often at odds because their interests conflict. The porters and cleaners in hospitals might advocate policies against the interests of the general public because the situation means one can gain only if the other loses. With a free market, we gain by meeting each other's needs, not by opposing them.

The free market is a more humane and dignified system, as well as a more efficient one. This is why it is so central to Conservative ideals. It permits society to be made according to the wishes of those who constitute its members, instead of from the master plan of some political élite.

We have proposed a wide extension of market principles because we believe they enable solutions to be found to our most serious problems. There is scarcely an area of life which cannot be improved by the introduction of opportunities for variety and

choice. People improve their lot by choosing the superior and setting the inferior behind them. This is possible only when there are differences to choose between. Thus by introducing more market choices, we introduce the possibilities of improvement.

Our contention is that Britain needs those opportunities. The world is changing, and with it the basis of the economic and social organization which has until now constituted modernity. Now there are new models, with faster rates of change, smaller units of organization, and more temporary relationships and associations to bind them. Subcontracting firms replace the in-house supply: services replace manufactures: variety is present where uniformity ruled before.

We believe that Britain needs the opportunities which free markets can bring, and can seize those opportunities, if permitted, to take a confident place in the coming century. We have shown how a continuation and extension of the radical approach since 1979 can open up real improvements for everyone in fields as diverse as education, housing, health and opportunities for employment.

We have set out the basis for a programme which can inject into hitherto untouched areas the same opportunities which have already been achieved elsewhere. We believe that such a programme will be popular, and that it will create freedoms which will be permanent.

Where people have been given market choices, they have enjoyed the benefits of competitive pricing and rising standards. It is time they were permitted to enjoy those same benefits throughout society and in every area of the economy. When they have once enjoyed them, no party or faction will ever be able to take them away again. The people will never willingly forego the advantages of choice once they have been enjoyed.

The Conservative government has the opportunity now to initiate and sustain such a programme. We believe it should do so, that it will be of lasting benefit to the country, and that the people will recognize this. We have nothing to fear by giving people the choices and the chances which enable them to control their own lives, to improve the quality of them, and to create by their own free decisions the society they prefer.



## *The MPs*

**MICHAEL BROWN** MP for Brigg and Cleethorpes since June 1983. Was MP for Brigg and Scunthorpe 1979-83. Joint Secretary, Conservative Parliamentary Northern Ireland Committee.

**CHRISTOPHER CHOPE OBE** MP for Southampton, Itchen, since June 1983. Leader of Wandsworth Borough Council 1978-83. Joint Secretary, Conservative Parliamentary Environment Committee.

**MICHAEL FALLON** MP for Darlington since 1983. A member of the Conservative Research Department 1975-79.

**MICHAEL FORSYTH** MP for Stirling since June 1983. Former Westminster City Councillor. Joint Vice-Chairman, Conservative Environment Committee.

**NEIL HAMILTON** MP for Tatton since June 1983. Joint Vice-Chairman, Conservative Parliamentary Trade and Industry Committee.

**GERALD HOWARTH** MP for Cannock and Burntwood since June 1983. Former Hounslow Borough Councillor. Secretary, Conservative Parliamentary Aviation Committee.

**ROBERT JONES** MP for West Hertfordshire since June 1983. Former advisor to the National Federation of Self-Employed and Small Businesses.

**EDWARD LEIGH** MP for Gainsborough since June 1983. GLC Councillor 1974-81. Joint Secretary, Conservative Parliamentary Agriculture Committee.

**PETER LILLEY** MP for St Albans since June 1983. Former Chairman of the Bow Group. PPS to the Chancellor of the Exchequer.

**FRANCIS MAUDE** MP for North Warwickshire since 1983. Former Westminster City Councillor. Appointed an Assistant Whip in October 1985.

**MICHAEL PORTILLO** MP for Enfield, Southgate, since December 1984. Secretary, Conservative Parliamentary Energy Committee.

**ANGELA RUMBOLD CBE** MP for Mitcham and Morden since February 1982. Parliamentary Under-Secretary of State at the Department of the Environment since September 1985.

**IAN TWINN** MP for Enfield, Edmonton, since 1983. A former Senior Lecturer in Town Planning at a London polytechnic.



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