Trust in People: Make Britain free, fair and green

Policy paper 76

LIBERAL DEMOCRATS

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Foreword

Trust in People: Make Britain free, fair and green sets out what Liberal Democrat ideas mean for Britain.

At the last general election the public told us that they liked and voted for many of our specific policies, but they could not always see the underlying Liberal Democrat theme. This paper aims to set out not so much the details of our policy but the basic approach from which we derive it.

Liberalism means a freer Britain, one in which people and communities are able to exercise real political power on their own behalf. It means a fairer Britain, where people are not excluded by a lack of income or wealth or opportunity. And it means a greener Britain, where the environment is valued and protected. It means a country built on trust in its citizens.

These are the themes around which we will develop our policy, and our campaigns, for the remainder of this Parliament. This paper provides a guide for the future work of the Federal Policy Committee, the Campaigns and Communications Committee, and the whole party.

The Liberal Democrats are not like the other two parties, ditching their entire policy prospectus when they elect a new leader. We know what we believe in. *Trust in People: Make Britain free, fair and green* takes as its starting point *It's About Freedom*, our 2002 policy paper setting out Liberal Democrat philosophy for the 21st century, and the policies we put forward in the 2005 election. It develops them to meet the challenges and opportunities that will face Britain and its government after the next election.

And it is based on the widest consultation exercise we have ever conducted in the party, with its own website, separate conference, dozens of meetings around the country and hundreds of individual submissions. To everyone who contributed to the paper, both inside and outside the party, I extend my thanks.

Trust in People: Make Britain free, fair and green conveys an understanding of the Liberal Democrat approach that is essential in the run-up to the next election and beyond. I urge you to read it and to use it as a spur to your thinking and your campaigning as we enter the most challenging, and the most exciting, period in our party's history. I commend it to you.

Rt Hon Sir Menzies Campbell QC MP
Leader of the Liberal Democrats

Trust in People:
Make Britain free, fair and green

Liberal Democrats aim to make Britain a free, fair and green country. The UK is an increasingly liberal nation. British people are tolerant, energetic, enterprising and compassionate. But they are badly served by a centralised and failing political system that excludes the views of most of them. Britain is also an increasingly unequal society in which too many are prevented from making the best of their lives. And it has been burdened by governments which have failed to face up to long-term challenges such as climate change. A different Britain is possible – one in which people and communities are able to wield real political power on their own behalf, where people are not shut out by a lack of income or wealth or respect, and where the environment is valued and protected. A country built on trust in its people.

Britain at the beginning of the twenty-first century is being failed by its government.

On the one hand, the UK is an increasingly liberal nation. British people are tolerant, energetic, enterprising and compassionate. Left to get on with it, they have the skills and imagination to transform their own lives and the lives of those around them. It is this ability that has made Britain a world leader in innovation and the creative industries.

On the other hand, it is saddled with a failing political system and government that frustrates this energy and attempts to run people's lives rather than allow them to take responsibility for their own affairs. Politics today excludes the views of the majority of British citizens. An increasingly unequal society excludes too many people from any real control over their own futures. And politicians obsessed with tabloid headlines and the next election aren't focusing on real long-term needs, like the environment.

Trust in people

Everyone knows things aren't working as they should. Everyone knows government is about tough choices. Free market or regulation? Lower or higher public spending? National standards or local choices? Of course, such choices are never clear-cut. There are shades and compromises between the extremes. But so often politicians tell us we can have it all, we don't have to choose. We would like to believe them, but deep down we know it's not true. And what people want to know from political parties is not, 'will you promise us the earth?' but, 'when the chips are down, where do you really stand?'

With the two old parties, increasingly it's impossible to tell. Each disguises itself as the other: Labour promises another crime crackdown, Cameron makes speeches about social justice. Both rely on spin and public relations in order to disguise the reality of their policies. Tough talk is used to pander to the tabloids, often covering up a lack of action. They haven't cared about the widening gap between rich and poor, the barriers of wealth and income that stop people getting a good education, or worthwhile jobs. Obsessed with short-term opportunism, they haven't faced up to long-term challenges such as climate change.

What unites Labour and the Conservatives is a refusal to trust people, to allow them to take control of their own lives. They don't treat people as grown-ups.

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Liberal Democrats don't think like this. Throughout its history, the Liberal Party has fought to put people in control of their own lives - widening the right to vote, establishing local government, laying the foundations of the welfare state to support everyone in unemployment, illness and old age.

Now Liberal Democrats run local councils throughout Britain, from big cities like Aberdeen, Cardiff, Newcastle and Liverpool to smaller towns and districts like Eastleigh and St Albans, and rural counties like Cornwall and Somerset. We have been in government in Scotland since devolution in 1999. We do our best to listen to people's concerns, and stay in touch with their lives, and to trust them to take their own decisions.

This is because we believe that individual citizens, and the communities in which they live, are best placed to determine what they want; neither governments nor business can do it for them. So we want to see a society where people are trusted - and encouraged - to take control over their own futures, and government is there to enable them to do so.

We want to build a liberal Britain that is free, fair and green.

Free Britain

The Liberal Democrat vision of a free Britain is one which people have the greatest possible control over their own lives. This can be achieved through government that really responds to communities' wishes - where decisions are taken near to those they affect, by representatives chosen by local people and elected through a fair voting system, with real power to shape the places they live. Our vision is of public services that work effectively because they involve those that use them - patients, parents, students and victims of crime - and make full use of the talents and imagination of their staff.

A free Britain is one in which citizens can trust their government to act openly, democratically and competently, and government trusts people and communities to take more responsibility for the institutions that affect them.

A free Britain is one in which the state cannot trample on basic civil liberties, membership of the legislature cannot be bought by a donation to the ruling party, and the country cannot go to war without the consent of its own people. In a free Britain faith is restored in the power of government, at all levels, to do good.

Fair Britain

Britain can't be free unless all of its people are. Liberal Democrats want to create a much fairer society, which means a much less unequal one. A fair Britain is one where progressive national and local taxation, based on people's ability to pay, redistributes money from the richest to the poorest. It has public services that work for everyone, not just the educated and the well-off.

A fair Britain would regenerate local economies which are in decline and losing jobs. It would offer better education and training and child care, opening up opportunities for more and better jobs. It would guarantee access to justice for all.

A fair Britain is one in which local neighbourhoods prosper, and people can feel safe in their communities. A fair Britain is one in which people aren't excluded by a lack of income or wealth or respect.

Green Britain

Because we trust people, we know they understand that protecting the environment is an urgent priority. A green Britain is one which provides people with a framework which allows them to put the environment first themselves - through generating their own electricity, using good public transport, or choosing locally produced or organic food. Green taxes are used to signal what's bad for the environment and what's good.

A green Britain in one in which government makes the investment in sustainable energy and transport systems that individuals can't - and one which grabs the chance to become a world leader in green technology and jobs. A green Britain is one in which government, business and consumers think green in everything they do. That's why we have a 'green thread' running throughout all our proposals.

Britain in the world

Britain's government can't make Britain free, fair and green by itself. We need a more effective European Union to fight for the global environment, to cooperate against global terrorism, to tame the power of the transnational corporations, giving consumers real power. And the EU won't be truly effective unless it is more democratic and responsive. We also need stronger global institutions and the re-establishment of the framework of international law.

Meeting the challenge

This, then, is where Liberal Democrats stand: clear about our values, sure in our beliefs, standing by our liberal principles. We are optimistic about what the British people can achieve when set free from inequality, bureaucracy and central control. We trust in people to make Britain a free, fair and green place for all.

How can we restore democracy and participation? Decentralisation and accountability

2.0.1   Restoring a functioning democracy to Britain underpins everything that Liberal Democrats aim to achieve. Successive Conservative and Labour governments have shifted power from local government to appointed bodies, and from Parliament to the executive. Government has become more and more centralised, concentrated in the Prime Minister and Downing Street. The political system has not adjusted to the emergence of a more educated and self-confident electorate. Fewer citizens now turn out to vote, or have the chance to play an active role in representative democracy. Consequently governments have been elected with the support of a smaller and smaller proportion of the electorate. Liberal Democrats want to reinvigorate British democracy, to re-engage the public in democratic politics.

2.1   Challenges

2.1.1   Over the last 25 years, Conservative and Labour governments have degraded the institutions of politics. People no longer trust their leaders. New Labour came to power partly as a reaction to Tory sleaze, but after scandals such as cash-for-peerages, few now see Labour as any better. The Prime Minister has adopted an impatiently personalised approach in which he claims that his ill-thought-out and heavily spun initiatives are the answer to all problems with the inevitable result that expectations are dashed, real but minor improvements are seen as failures and senior politicians are thought of as liars.

2.1.2   Britain, and particularly England, has become absurdly centralised. Decision-making has been steadily taken away from local government; rate-capping introduced by the Thatcher Government,

has been enthusiastically maintained by Labour. Local services have been subordinated to central target-setting. Divorced from real wants and needs, this process generally fails, or distorts priorities towards whatever may be the latest tabloid headline, while also undermining the responsibility and innovation of frontline staff. The result is that public services become simultaneously more expensive and less effective. Government itself is increasingly seen as incompetent and incapable of performing its most basic functions.

2.1.3   Despite this, the Blair-Brown Government continues to arrogate more power to the central executive. Labour's authoritarian tendencies have been most recently obvious through its series of proposals to undermine basic liberties, through the introduction of near-compulsory identity cards and detention without trial. Centralisation operates even within government, with policy priorities imposed on ministers and departments by Downing Street.

2.1.4   Yet while it has pretended it can regulate every aspect of public services, the Government has been spineless in the face of corporate power. Although globalisation has brought many new opportunities, it has also seen the development of an international commercial and financial system which can have decisive impacts on citizens' day-to-day lives but which seems entirely outside their control. Yet at the same time both Conservative and Labour governments have opposed attempts to increase the effectiveness and democratic nature of the European and international institutions which could provide the necessary balance.

2.1.5   Small wonder that voters display a growing lack of interest in the political process. Turnout continues to decline, with less than two-thirds of the electorate now participating in general elections, and nearer one-third for local and European elections. The voting system contributes to the problem: when voters say there's no point in voting because their vote won't make any difference, most of them are right.

2.1.6   These trends are a major concern. If citizens in general, or members of particular ethnic communities, less affluent economic groups or specific regions in particular, are less likely to vote, their needs and wishes are more likely to be ignored. If individuals are left disempowered by political or economic structures, they will look for alternative ways to make their views felt. In 2005, the low turnout, coupled with the unfair electoral system, meant that the votes of just over 20% of the electorate delivered Labour a comfortable majority in the House of Commons. If the political system loses its legitimacy, anti-democratic and anti-political forces are more likely to gain ground.

2.1.7   Although people are increasingly switching off from elections and party politics, they are not, however, losing interest in issues of public policy. Over the past 20 years, the British Social Attitudes survey has shown a marked increase in the number of people signing petitions, contacting the media and taking part in protests. A recent large-scale survey for the BBC revealed the 'emergence of a dynamic, socially engaged and environmentally conscious' type of voter in substantial numbers. These people are disengaged not from politics as such but from a political system which is seen as corrupt and ineffective and excludes the view of all but a handful.

2.2   The Liberal Democrat approach

2.2.1   The Liberal Democrat approach is different. The origins of British Liberalism lay in spreading power away from an authoritarian monarchy, and bringing a widening circle of citizens into political life. In the 19th century it was Liberals who were at the forefront of the expansion of the franchise, and the development of strong and accountable local government. As we set out in chapter 1, we believe that control over people's lives and futures belongs best to individuals and the communities in which they live. We recognise, in common with John Stuart Mill, that 'the worth of a state, in the long run, is the worth of the individuals that compose it', and that the promotion of active citizenship, based on a shared understanding of rights and obligations, is the foundation of a liberal society.

2.2.2   At the core of our approach lies the principle of local responsibility: local people should control the publicly-funded services in their own area, operating through democratically elected and accountable local government. Power should be decentralised from Westminster to local councils, and home rule taken forward further in Scotland and Wales, built on federal principles. Education should be geared towards creating self-confident and articulate citizens, able to engage with politics and exercise real power reinforced by freedom of expression in the arts and the media.

2.2.3   Clearly not all power can be exercised at a local level. Effective institutions are needed at national, European and global levels. Many challenges can only be met effectively by pooling sovereignty among national governments such as the regulation of financial markets and transnational corporations, measures to limit

atmospheric and marine pollution, and actions against potential threats to security.

2.2.4   Wherever it resides, government at all tiers local, devolved, UK or European, must be accountable through the ballot box to those it serves and those it taxes. The systems through which people hold government to account must be fair. Legislators should be elected in proportion to the votes cast for them. Councillors should not have to oppose the wishes of their residents because central government is able to override them. Unelected bodies should not be in a position, as they are in today's Britain, to approve or reject laws.

2.2.5   An important part of what we want is a change in the style of politics, no more pretending that an inspired leader has all the answers, no more obsession with the next tabloid headline, no more central diktats from an arrogant and incompetent bureaucracy. Instead, we want a system that treats its citizens as grown-ups, capable of understanding and making difficult choices. This means decentralised government, capable of experimenting and innovating and of listening to its citizens, and it means a renewed belief in the power of government to do good. What we aim to achieve is the construction of a political system that engages and mobilises the talents of all the citizens it serves and that trusts the people.

2.3   Decentralising power

2.3.1   Liberal Democrats have long argued for a series of reforms to return power from central government back to local people. Power exercised locally will be exercised more in tune with genuine needs and wishes, thereby being not only more democratic but also more effective. Our existing policies would take major strides towards this, through:
- Reducing the ability of central government to dictate the activities of local government, and treating the latter not as merely a delivery agent for central government but as an elected body with its own mandate accountable to local people;
- Extending the powers of elected and accountable local councils to control currently unaccountable public services, such as local health services and, at the appropriate tier, the police;
- Further decentralising law-making and tax-raising powers to the Scottish Parliament and National Assembly for Wales, at the same time as replacing the Barnett formula for fiscal transfers with a new needs-based assessment.

2.3.2   Our detailed proposals for local government in England have already been updated and are being presented to conference in policy paper 73, *Your Community, Your Choice*. Proposals for ensuring local government is as fairly and locally funded as possible are included in policy paper 75, *Fairer, Simpler, Greener*. The main proposals of these papers are:
- Ensuring that all communities have the right to set up their own decision-making structures;
- Introducing a concordat for local government in England that defines the rights and responsibilities of local government and limits the powers of central government to interfere in local decision-making;
- Giving councils enhanced powers so that they can address the needs of their residents;
- Increasing the share of local authority revenues raised locally from 25% to 50% by re-localising the business rate and replacing Council Tax with local income tax;
- In the longer term, raising the share of locally raised revenue towards 75% by further shifting income tax from national to local level.

2.3.3   With home rule established for the other nations of the UK, the issue of how England-only law is made needs to be

revisited. The current situation is inequitable and breeds resentment. We will therefore develop policy further to ensure that the post-devolution constitutional settlement is robust and provides the nations and regions of the UK with responsive and democratic government based on federal principles. The Report of the Steel Commission, *Moving to Federalism*, commissioned by the Scottish Liberal Democrats, has been well received and is helping to inform policy on the future shape and financing of the federal UK which Liberal Democrats want to see.

2.4   Restoring trust in politics

2.4.1   At a UK level, we aim to restore the faith in the political system that Labour and the Conservatives have done so much to undermine, to make it fairer, more accountable and more transparent. Our existing policies include:
* Ensuring that MPs are elected in proportion to the number of votes they receive, through STV;
* Making the second legislative chamber, the House of Lords, predominantly elected;
* Ending extensive powers being exercised outside Parliamentary scrutiny under the Royal Prerogative;
* Enshrining the rights of individual citizens in a written constitution.

2.4.2   Recent developments have underlined the power of the executive to operate without the effective scrutiny of Parliament and of the Prime Minister to operate without any real accountability even to his own cabinet. The Treasury under Gordon Brown has become an ever-more centralising force throughout government. We will develop proposals to:
* Restore the power of Parliament to ensure effective scrutiny and accountability of the executive (both the cabinet and the Prime Minister), and restore the collegiate nature of cabinet government;

* Enhance the effectiveness and maintain the impartiality of the civil service.

2.4.3   Political parties are essential to the functioning of any political system, providing the means to put before the electorate a coherent set of policy proposals built round a core of values and principles. Yet the recent decline of trust in politics in general has much to do with the increasing disconnect between politicians and the electorate, and the behaviour of politicians once elected. The cash-for-peerages scandal in particular has reopened the issue of the funding of political parties. We will investigate ways in which parties can become more open and responsive to the electorate, and develop proposals to introduce a fair and broad-based system for party funding. We will review and update our commitment to community politics - the belief that 'our role as political activists is to help and organise people in communities to take and use power'.

2.5   Making the European Union more effective and democratic

2.5.1   An effective EU is needed more than ever before. As well as helping to manage affairs between the member states, the EU is particularly required to tackle global problems that individual member states cannot deal with alone. These include taking a lead on climate change, exploring ways in which to regulate global markets, and providing a strong voice on the world stage. Yet the EU cannot develop in this way while it remains insufficiently accountable and democratic. This is why Liberal Democrats support a new constitutional settlement in the EU, to:
* Define the powers of the EU, reflecting Europe's diversity, preventing over-centralisation and ensuring that the principle of subsidiarity is applied, so that EU

powers are exercised only where national action alone would be less effective;

- Enhance democratic accountability, by ensuring that the democratically elected European Parliament plays a full part in the legislative process and holds the Council of Ministers and European Commission to account;
- Provide for national parliaments to scrutinise proposed European legislation more effectively.

2.5.2   After defeats in the French and Dutch referendums in 2005 governments decided that the proposed European Constitution should not proceed. We need to develop new proposals on the future institutional structure of Europe, which will underpin our platform for the European elections in 2009. These will aim to increase the effectiveness of the EU, and the power of individual European citizens, through greater openness, democracy and accountability.

2.5.3   A major challenge for the EU over the next few years will be making a reality of taking effective joint action. We set out elsewhere in this paper plans to develop our policies across a range of areas where the EU is central, including reshaping the EU's spending priorities away from agriculture and towards regional development, energy and environment, and improving cooperation on justice and home affairs.

2.6   Enhancing international institutions

2.6.1   For much the same reasons as we argue for an effective and democratic EU, Liberal Democrats are wholeheartedly committed to a multilateral approach to global governance. We support more sophisticated international frameworks which go beyond a reliance on national sovereignty to ensure that effective international action can be taken. In

particular, we support:
- A central role for the UN in sanctioning international military action;
- Effective and well-resourced international environmental agreements, such as the Kyoto Protocol on climate change;
- The reform of international economic institutions, including the IMF, World Bank and WTO, to better incorporate environmental and social objectives.

2.6.2   The principle of multilateralism is under threat following the disregard for international law shown in the invasion of Iraq, and the increased reliance on bilateral trade deals instead of multilateral agreement through the WTO. Further details are set out in this paper and specific proposals on international law are set out in policy paper 74, *Britain's Global Responsibilities: the international rule of law*. They include:
- Reform of the Security Council in order to strengthen its authority and legitimacy in addressing threats to international peace and security;
- Reform of the General Assembly to enable it effectively to scrutinise and hold accountable the agencies and bodies within the UN system;
- Providing the Secretary General with greater resources to investigate and report to the Security Council on emerging crises, and enabling him to ensure that any non-military preventive action required by the UN is carried out rapidly and effectively;
- Effective protection for human rights, including ensuring that the UN Human Rights Council encourages its members to maintain the highest standards of human rights.

How can we create a less divided and unequal society? Fairness

3.0.1   One of the most serious outcomes of the past 25 years of failed government has been the reversal of the trend towards greater equality that characterised the 1960s and 1970s. Inequalities in wealth and in standards of health are widening, while rates of social mobility are falling. Just as the country is burdened with a political system that excludes its citizens from decision-making, it suffers from an economic system that shuts out many from the chance to shape their own futures. This unequal society undermines communities and political institutions and fosters crime and anti-social behaviour. We are determined to reverse this trend and to remove the inequalities created by the structures of society. We are determined to create a fairer Britain.

3.1   Challenges

3.1.1   Despite the growing wealth of the UK as a whole, consecutive governments have created an increasingly divided society. After falling in the 1970s income inequality grew in the 1980s and 1990s. Despite some improvement in recent years the poorest fifth of the population still pay a higher percentage of their gross income in tax than the richest fifth. Furthermore, wealth distribution remains more unequal than that of income: in 2001 the poorer half of the population owned just 5% of the country's wealth, down from 8% in 1976. In 2004, based on the widely accepted Gini Index measure, the UK was the most unequal country in the EU.

3.1.2   On top of this, the UK suffers from low and declining social mobility. A 2005 study showed that the chances of children born into low-income groups moving into high-income groups as adults were lower in the UK than in the Nordic countries and Germany, and the chances of upward

movement were significantly lower for people born in 1970 than for those born in 1958. There is a far stronger relationship between educational attainment and family income than in other European or North American countries. Young people with parents with higher professional jobs, for example, are four times more likely to go to university as those with parents in routine manual employment.

3.1.3   The practical effect of this is the differences in the opportunities and quality of life available to individuals. Too many people lack the chance to take control over their lives. This creates a divided society to which those at the bottom have no reason to feel much attachment, with knock-on effects such as rising rates of anti-social behaviour and crime.

3.1.4   Inequalities in income and wealth feed through into a huge range of social outcomes. Inequalities in standards of health and in mortality rates are still rising. In 1997-2001, male life expectancy at birth was 71 years for unskilled manual classes compared to 79.4 for professional classes. In 2005, average male life expectancy in the Calton area of Glasgow was 8 years less than in Iraq after 10 years of sanctions, war and insurgency. Inequality also has an influence on the extent to which communities function effectively. People's involvement in community life, and engagement in political institutions, is highest where inequality is lowest. Inequality undermines trust, neighbourliness and mutual support, the most unequal societies are also the most unhappy societies.

3.1.5   Age, gender, ethnicity and disability can all reinforce inequality. More than 2 million pensioners live below the poverty line, of whom two-thirds are

women. In 2005 hourly earnings were 17% higher for men than for women in full-time jobs, and 38% higher in part-time jobs. There is an increasing polarisation between well-educated and less-educated women, particularly lone parents. Ethnic minority households are more likely to have lower incomes, even after correcting for gender, age and qualifications. Half of all families of Bangladeshi and Pakistani origin have incomes 50% below the national average. Unemployment rates for people with disabilities are about twice as high as those of the general population.

3.1.6　The Government acknowledges the problem of poverty, but its attempts to deal with it have been half-hearted and have ignored the human dimension. Labour has fought shy of any serious redistributive tax measures, such as replacing the regressive Council Tax with a local tax based on ability to pay. Poverty has been seen in simplistic economic terms, so that if people can be moved above an arbitrary income level, through targeted use of benefits, the problem is regarded as solved. The complexity of the tax credit system has led to wrong payments and poor take-up. The Government's reliance on means-tested benefits has undermined incentives to save and has created very high marginal rates for tax and the withdrawal of benefits for the low-paid. Child poverty remains a major problem; in 2004-05, 3.4 million children were living in relative poverty (in households on less than 60% of the median household income). Labour has failed to reverse the steady slide towards an increasingly unequal and unfair society.

3.2　The Liberal Democrat approach

3.2.1　Tackling inequality is important because inequality limits freedom. In modern Britain, where you are from, what your parents did, the school you went to,

your physical ability, your ethnicity and gender still in large measure determine your chances in life, your educational attainments, your work prospects, even how long you will live. The pursuit of a more equal society, not as an end in itself, but as a precondition of freedom, will be a major political goal for the Liberal Democrats in the approach to the next election and a major plank of our campaign.

3.2.2　We want to build a fair society, in which everyone has the opportunity to fulfil their potential, free from the barriers imposed by poverty and inequality. Improving social mobility lies at the heart of our commitment to fairness. We believe that the effects of poverty, inequality and lack of opportunity are interlinked, requiring a coherent strategy focusing not only on income and wealth, but also on issues such as access to education, employment, health services, child care, culture and the arts.

3.2.3　We also understand that a fairer society is a stronger society, with citizens who feel greater attachment to social structures, stronger communities and higher levels of political engagement. The proposals we make elsewhere for the dispersal of political power, the decentralisation of public services and support for local communities will both help to reduce inequality and in turn be reinforced by a reduction in inequalities of income and wealth.

3.2.4　This collection of challenges goes to the heart of much of what is wrong with Britain today. Consequently, tackling inequality is one of our top two political priorities. Creating a fairer society means creating a freer society. Liberty and equality are not a zero-sum game; on the contrary, the ability to enjoy the opportunities provided by a democratic society is increased by the redistribution of wealth and power.

3.2.5   Tackling inequality in this way is an immediate priority, but there is a longer-term need to attack the roots of the problem, and build a society which relies less on social status and more on cooperation and mutual respect. Status and cooperation have their roots in fundamentally different ways of resolving the problem of competition for scarce resources. Status is based on pecking order, coercion and privileged access to resources, while cooperation rests on a more egalitarian basis of social obligations and reciprocity. This shift is, clearly, a major undertaking and, furthermore, one in which government's role is not entirely clear. We will work with outside experts and think tanks to explore the possibilities and limitations of government in this field, and to produce more detailed proposals for future policy.

3.3   Reducing inequality: eradicating poverty

3.3.1   If inequality is to be tackled effectively, crucial starting points are reducing both absolute poverty and inequalities in the distribution of wealth. Part of the Liberal Democrat approach to poverty has been to develop policies aimed to help specific groups in society who are worse off than others, including:

*   Tackling poverty among pensioners through a more generous Citizen's Pension - which also tackles some of the inequalities faced by women in the current pensions system;
*   Introducing a maternity income guarantee for mothers on the birth of the first child in a family, equivalent to the adult minimum wage for a full-time working week, for the first six months.

In the light of the Turner Commission recommendations, we also recognise the need for later retirement ages to ensure that pension commitments are financially sustainable.

3.3.2   No strategy for reducing inequality can be taken seriously unless it includes measures to ensure that the wealthiest members of society contribute more to helping the poorest than they do at present. We are therefore committed to making the tax system more progressive. Detailed proposals for reform are in policy paper 75, *Fairer, Simpler, Greener*. Its overall approach is to raise income tax thresholds and cut rates at the bottom end, paid for by removing tax reliefs which benefit the well-off and by increasing the total raised from environmental taxes.

3.3.3   The paper sets out an overall revenue-neutral package for the short term. It will significantly lift the tax threshold for national income tax by removing the current 10% starting rate and cutting the basic rate of income tax, removing some Capital Gains Tax reliefs, providing income tax relief on pensions contributions at the basic rate only, and increasing environmental taxes, especially on aviation. We also reaffirm our commitment to replace the highly regressive Council Tax with a local income tax. (See further in chapter 5.)

3.3.4   More detailed rates and figures for changes in tax levels will be set out, as part of a costed package, in our manifesto for the next general election. We cannot, of course, accurately forecast the fiscal situation that will prevail at the time, but we are clear that if we propose any increases in taxation on the wealthiest, the revenue will be used directly to help the poorest, for example, by cutting or removing taxes for the lowest paid. Other reforms that are important but which do not necessarily target the poorest in society will be funded through general taxation or from savings in existing budgets.

3.3.5   These reforms to the taxation system need to be placed in the context of a coherent, long-term and wide-ranging

strategy, aiming to help people permanently to escape the poverty cycle and gain independence. Changes in taxation alone can have relatively little impact on the very poorest in society, who pay little or nothing in direct taxation. A reformed and simplified benefit system is therefore needed, aiming to protect the most vulnerable and acting as a ladder into employment and self-sufficiency for the young and the unemployed.

3.3.6   In particular, child poverty today remains a major barrier to a more equal society. We will develop proposals aimed specifically at breaking the cycle of poverty from generation to generation through reform of the benefit system. Access to education, particularly pre-school, and health care, are also key to this objective, and are dealt with in chapter 8.

3.4   Reducing inequality: increasing opportunity

3.4.1   Reducing inequality is about more than redistribution and tackling poverty, vital though these are. There are many other proposals in the Liberal Democrat programme which have an impact on inequality, including:

- Improving access to higher education, reforming secondary education to give pupils the chance to mix academic and vocational learning, and improving access to child care (see further in chapters 7 and 8);
- Introducing a Single Equality Act to outlaw all unfair discrimination, including on the grounds of race, gender, religion or belief, sexual orientation, disability, age or gender identity;
- Improving access to housing, by altering the VAT regime, reforming stamp duty and building affordable homes on public-sector land;
- Reforming the asylum system, including supporting common EU standards, and ending asylum-seekers'

dependence on benefits, allowing them to work so they can pay their own way.

3.4.2   Further action is needed in the areas of employment policy and regional development. Competition from low-wage-cost economies among the new entrants to the EU and from rapidly industrialising economies in the developing world, particularly China and India, are leading to the loss of some types of investment - most notably, in recent years, in car manufacturing. Immigration, while bringing clear benefits to the UK economy, also tends to exert downward pressure on wage levels amongst unskilled workers.

3.4.3   We believe that government can do more to support individual workers, and entire regions, adversely affected by such developments. One of its most important roles is to ensure that the education system provides a good grounding for all in basic disciplines like literacy, numeracy and science, so that those affected by painful changes are better able to adapt. We will also bring forward proposals to:

- Refocus employment policy so that it gets more people into real jobs rather than the revolving door of New Deal schemes;
- Intervene more actively in the labour market, including greater provision of training and reskilling and childcare, making it easier for people to develop new skills and move jobs without being forced to take lower-paid and lower-skilled work;
- Promote regional development policy aimed at assisting localities affected by the loss of entire industries - based on the successful experience of some British cities and regions, notably in Scotland.

3.4.4   We also need to create a more equal society at work. Again, inequality, this time in the ability to make your voice

heard, has an impact. Studies of health standards in the workplace show that people are healthier, with lower death rates, where they have more control over their work. We will develop proposals for employee participation and share ownership, and support for cooperative enterprises. We will also develop proposals to reduce the substantial inequalities in wage levels experienced by women.

3.5　Reducing inequality: creating a fairer world

3.5.1　Our commitment to reducing inequality is not limited to Britain's shores; we aim also to contribute to creating a fairer global society. With a few major exceptions, notably China, the income gap between rich and poor nations is still increasing. The UK, and the EU, must make a major contribution to achieving the UN Millennium Development Goals, which include

tackling extreme poverty and hunger, providing universal primary education, and combating HIV/AIDS, by 2014. We will increase UK development aid to 0.7% of GNP by 2011 at the latest, and focus it particularly on supporting environmentally sustainable development and promoting good governance. Tougher action against corruption, in which companies and banks from developed nations are often complicit, is also needed.

3.5.2　No developing country, however, has ever been lifted out of poverty by aid alone. Access to international trade and investment is crucial to long-term development, but the current model of WTO-led trade liberalisation is not serving the poorest countries well. More aid should be focused on assisting the least developed countries to compete in world markets, and they should be allowed more time to open up economic sectors for liberalisation at their own pace. (See further in chapter 5.)

How can we tackle climate change? Sustainability

4.0.1   Treating the environmental challenge seriously is one of the most urgent priorities for government. Catastrophic climate change is currently the most significant threat to human prosperity, and even survival. Yet here, as in other areas, Tony Blair professes the right sentiments, but his actions belie his words. Under David Cameron, the Conservatives have tried to jump on the green bandwagon, but have failed to produce anything of substance. Liberal Democrats believe urgent action is needed in particular to promote renewable energy, energy efficiency and public transport. We do not pretend this is possible without changing the way individuals behave, but the threat is too serious for difficult decisions to be sidelined any longer.

4.1   Challenges

4.1.1   Humans are living beyond the ability of the planet to support life. In 2003, the first report of the UN's Millennium Ecosystem Assessment showed that 60% of the basic ecosystems that support life on Earth are being degraded or used unsustainably. Of all the likely outcomes, the predicted impacts of catastrophic climate change are the most serious. They will include rising sea levels and damage to coastal areas, higher variability in weather patterns (with more droughts and severe storms), the spread of diseases such as malaria, the extinction of habitats and biodiversity, and growing numbers of refugees from countries too poor and too vulnerable to adapt effectively.

4.1.2   After relatively steep falls in UK emissions of carbon dioxide (the main greenhouse gas contributing to climate change) in the 1980s and 1990s, recent performance has been less impressive:

emissions are now higher than they were in 1997. The Government's original target of a 20% reduction in carbon emissions by 2010 (from 1990) is already unachievable - indeed, it is not clear that it will even meet the UK's Kyoto target of 12.5%. Renewable energy has expanded too slowly (except in Scotland, thanks to Liberal Democrats in government) and energy efficiency levels have risen only marginally. Although about 50% of UK carbon emissions emanate from the occupation of buildings, still almost half of the energy used in them is wasted, and although minimum energy efficiency standards are rising in theory, they are very rarely enforced in practice.

4.1.3   An increasingly car-based economy has seen out-of-town shopping replace local facilities - the UK has lost 40% of local shops, banks and sub-post offices over the last ten years. Increasing car use means more pollution and more congestion, with accompaning health and economic impacts. Decades of under-investment in public transport, followed by the badly managed rail privatisation of the 1990s, have done little to achieve environmental objectives. From 1997 to 2005, the real cost of motoring fell by 9%, while the cost of bus and coach travel, relied on by the poorest, rose by 15%. The cost of rail travel rose by 5% and is now the highest in Europe. Foreign travel has become far more commonplace and, as a result, aviation is responsible for a rapidly growing share of greenhouse emissions.

4.1.4   Britain consumes more resources and produces more waste than the environment can afford. Despite south-eastern England experiencing the driest eighteen months for the last eighty years, water companies still lose 15-35% of supply through leakage, and investment in

improving supply remains inadequate, due in part to their desire to protect their shareholders. Britain's total output of waste is still rising; the UK has a poor recycling record compared with other European countries. British biodiversity is at risk from pollution, waste, and loss of habitats, caused by urbanisation, deforestation and agriculture and exacerbated by climate change.

4.1.5   The Government's environmental record is poor. Green taxes, such as fuel duty, or the Climate Change Levy, have been held down. They now account for only 2.9% of GDP, down from 3.6% in 1999 - an important reason why carbon emissions are higher now than in 1997. Labour and the Conservatives' support for a new generation of nuclear power stations is perverse, ignoring the unresolved issue of waste disposal and the technology's very large long-term costs. If the £700 million cost of a new nuclear plant was spent instead on improving the energy efficiency of buildings, it would save more electricity than the plant would provide and leave no nuclear waste to dispose of.

4.1.6   Successful sustainable development requires a comprehensive and coherent approach across all government departments, business and the public. It needs to alter the economic and social framework within which choices are made, in turn promoting both technological and behavioural change. Although in a few areas the Labour Government has presided over improvements, in almost every case they are insufficient - and in some instances, like transport policy, glaringly inadequate – to meet the real challenge of building a sustainable economy and society.

4.2   The Liberal Democrat approach

4.2.1   The Liberal Democrats place environmentally sustainable development

at the heart of our approach - as defined in the 1987 Brundtland Report, 'development that meets the needs of the present without compromising the ability of future generations to meet their own needs'. This requires changes in the way in which people live their lives and in particular in the machinery, appliances and vehicles they use and the houses they live in. Above all, it means changing investment choices to make future patterns of economic activity sustainable. This affects every area of government policy - hence the thread of green proposals which runs throughout this paper.

4.2.2   It also requires the participation of every level of government - local and national, regional and European, and of the Scottish Parliament and the National Assembly for Wales. In Scotland, Liberal Democrats have put our 'green thread' into action, going further than the rest of the UK in introducing a tough new system of strategic environmental assessment applying to all public sector plans and strategies. Liberal Democrat ministers have also had a real and beneficial impact in dramatically improving recycling rates, supporting renewable energy and developing green jobs.

4.2.3   In order for environmental policies to be accepted and implemented as broadly as possible, we need to demonstrate how households and communities can exist and develop sustainably, allowing people to enjoy a high standard of living while minimising the environmental impacts of their lifestyle. Implementing our commitment to putting individuals and communities more clearly in control of their own lives will help to achieve this objective. As local authority recycling rates show, people generally respond well when they are given appropriate tools (such as household collection of recyclable waste). People are increasingly aware of the many opportunities available to reduce their own

impact on the natural environment, including buying electricity from renewable sources, walking, cycling or using public transport instead of cars, or purchasing organic or locally produced foodstuffs. We aim to expand and raise awareness of these opportunities and increase their payback, for example, by requiring electricity supply companies to buy back surplus power from consumers who have installed micro-generation technologies.

4.2.4   This approach will help to stimulate innovation and mobilise individuals' activities and investment capital. It is limited, however, partly by people's awareness and income levels and partly by the fact that many aspects of the move towards sustainability can only be achieved by national governments or the international community as a whole. UK government must therefore play a more active role in steering the market towards sustainable solutions, for example by using green taxes and emissions trading systems, and in setting the right framework through planning policy. It must also make the direct investment, for example in public transport, which is needed to reach sustainable solutions.

4.2.5   Government action can also ensure that greener policies lead to fairer outcomes. The poorest individuals and households are generally those least able to take advantage of environmental incentives, but are also those most likely to be affected by environmental degradation - living in inadequate housing in polluted areas and relying on public transport that is too often unreliable and unsafe. Liberal Democrats recognise that environmental policies will fail if they exacerbate levels of inequality and deprivation.

4.2.6   It is also clear that action needs to be taken at international level, building more effective environmental agreements

and integrating environmental priorities into all relevant international institutions, such as the World Bank and WTO. The international structure provided by the Kyoto Protocol does not yet provide an adequate framework for reducing greenhouse gas emissions. The UK and EU need to take urgent action to take a lead in reducing their own emissions, demonstrating commitment and encouraging action worldwide. In many areas the EU already leads the international environmental debate, but its spending priorities undermine its environmental credentials and must be further reformed.

4.3   Dealing with climate change

4.3.1   Political parties used to talk about environmental policy as an aspect of 'quality of life'. Although this is still true, the issue of climate change is far more serious, posing a real and direct threat to the survival of human societies. The lack of effective action to avert climate change is the greatest failing of the last twenty years on the part of both the international community and the domestic political system. Furthermore, it is clear that it is now too late to avert many of the impacts. Although the effort to reduce greenhouse gas emissions is still urgent, policies to adapt to the effects of climate change are also important. Consequently, we place climate change as one of our top two policy and campaigning priorities (alongside creating a fairer and less unequal society; see chapter 3).

4.3.2   We remain committed to the necessary longer-term target of a 60% reduction in UK greenhouse gas emissions by 2050. This is challenging but not unachievable, as long as appropriate policy frameworks are firmly put in place in the next few years. We will develop proposals including:
•   Mechanisms to accelerate

significantly the development of renewable energy and investment in energy conservation measures, particularly for housing, where standards are still very low;

- No replacement for nuclear stations; compared to the alternatives, nuclear power is hugely expensive, far more vulnerable to terrorist attack and poses unresolved problems of waste disposal;
- Promoting a decentralised energy system based more on micro-generation, using solar panels, small wind turbines and combined heat and power units to make buildings net generators of electricity - reducing reliance on the centralised and highly inefficient (in terms of transmission losses) system of major power stations plus the National Grid;
- Development of the Kyoto Protocol process, centred around the principle of 'contraction and convergence' as a fair way of allocating emissions levels between countries, and proposals for supportive initiatives such as, for example, an EU-China technology agreement, together with a radical shift in EU spending priorities from agriculture to energy and transport.

4.3.3   Reducing emissions from transport is an urgent priority if we are to meet our climate change targets. Once again, a wide range of policies is essential, aimed at improving public transport, reducing the environmental impact of motor transport and aviation, and reducing the need to travel in the first place. We will develop proposals to:

- Expand and improve rail services within and between cities, including tram and urban light rail systems. This will require substantial investment, including using innovative forms of financing such as issuing bonds or applying the principle that those who benefit from development, through

increased land values, should support the cost;

- Improve bus services using, where appropriate, the London model of competitive franchises for service networks, determined on social as well as economic grounds;
- Extend congestion charging, initially to those cities which want them, and in the long term nationwide, as part of a national road-user charging scheme;
- Develop a planning framework which incorporates targets for energy and carbon reduction, and minimises the need to travel.

4.3.4   The Scottish record in recent years shows how much can be done. Under successive Liberal Democrat Transport Ministers, 70% of transport investment is now directed at public transport, including rail and tram systems. Indeed, while rail lines continue to close under Labour in England, Scottish ministers are investing in new railways, such as the Borders Railway, that will undo the damage of the 1960s' cuts and reconnect one of the largest areas in Britain currently without a rail system.

4.3.5   A more ambitious use of green taxes is an important part of our agenda, and a cost-effective way in which to change people's behaviour. Following the principle of 'taxing differently, not taxing more', we will implement a significant 'green switch' in taxation, away from wealth and jobs and on to resource use and pollution. Increased revenue from the green taxes outlined below will be used to cut taxes in other areas (see chapter 5). Emissions trading can also be used more effectively to control carbon emissions. We will:

- Reduce emissions from road transport, and reward clean cars, by graduating vehicle excise duty much more steeply against the fuel efficiency of the vehicle, and

increasing fuel duty in line with inflation;

- Reduce emissions from aviation by replacing the existing tax on passengers - Airport Passenger Duty - with an aircraft tax based on the emissions of each aircraft. This will cover freight aircraft as well as passenger services, and will be charged on each departing flight, scaled by the emissions capacity of the aircraft rather than individual passengers (current necessary exemptions in the Highlands and Islands will be retained). We will also aim to include aviation emissions in the European Emissions Trading System as soon as possible;
- Promote renewables and energy efficiency, through reforming the existing Climate Change Levy on business use of carbon fuels, which is over-complex and has not been indexed. Initially we will index it to inflation, and then reform it into a simpler carbon tax applying upstream to primary fuels;
- Reduce industrial emissions by tightening the unambitious cap on emissions set by the EU, and pressing for member states to be allowed to hold back a part of the national allocation for sale to the highest bidder at auction;
- Investigate the use of tradable personal carbon allowances to encourage consumers and businesses to reduce their own activities which generate carbon emissions.

4.3.6   The impacts of climate change are now increasingly visible, and will become more so even if action to reduce emissions is successful. We will develop policies designed to adapt to the impacts of climate change in the UK, which include greater water shortages in southern and eastern England, changes in crop growing patterns and pressure on vulnerable wildlife. We will also aim to increase aid spending on the most vulnerable poor countries, particularly island and coastal nations.

4.4   Building sustainable communities

4.4.1   Climate change is not, of course, the only area where environmental policy is important. Key Liberal Democrat policy commitments currently include:

- A long-term goal of zero municipal waste through waste minimisation, reuse and recycling;
- Opposition to commercial growing of GM crops in the absence of sufficient evidence of their environmental safety;
- More widespread reporting of the environmental impacts of government and commercial behaviour, and stricter enforcement of environmental regulations;
- The use of central and local government procurement policy to boost the market for green products and services.

4.4.2   We need to take these commitments further and demonstrate how households and local communities can exist and develop sustainably. We will therefore develop proposals to:

- Ensure all new building is to the highest environmental standards, together with a programme of retro-fitting existing buildings when they are sold or tenancies changed - aiming to minimise their use of non-renewable energy and of treated water;
- Enable local communities to develop their own initiatives to reduce pollution and resource use, for example through community-owned renewable energy generation or water-saving initiatives;
- Promote sustainable consumption, including using stricter product standards to remove the most damaging products from the shops,

environmental labelling, and improved product design to maximise product life and durability;

- Encourage businesses, particularly small and medium-sized enterprises, to follow up environmental reporting with policies to minimise waste and resource use - which is good for their bottom line as well as for the environment.

4.4.3   Planning policy is key to many of our aims, and should be reformed so that sustainable housing and transport systems, economic and leisure opportunities which minimise the need to travel, and improved protection of habitats and biodiversity can all be more effectively pursued. The system should be reformed so that each case is considered entirely on its merits and in line with local need.

4.4.4   Many environmental issues, including climate change and its associated impacts, such as water shortages, need concerted international action if they are to be tackled effectively. Specific proposals for reforming international law as it affects the global environment are being put before conference in policy paper 74, *Britain's Global Responsibilities: the international rule of law*. They include:

- Improving international environmental institutions, including boosting the resources available to the UN Environment Programme and Global Environment Facility, and encouraging the development of effective enforcement mechanisms in environmental treaties;
- Integrating environmental priorities into the policies and practices of key international institutions such as the World Bank and World Trade Organisation;
- Ensuring that the drive to trade liberalisation, particularly in developing countries, does not impede the development of effective domestic environmental policies, for example for the sustainable management of natural resources such as timber or fisheries.

How can we build an economy for the long term? Prosperity

5.0.1 Sustainable economic prosperity is needed to underpin all our goals - extending individual freedom, delivering effective local public services, ending social exclusion, building a just and equitable world and investing in the technologies that reduce resource use and pollution. The Labour Government has put right some of the problems it inherited from the Conservatives, but has not yet laid the foundations for real and lasting prosperity.

5.1 Challenges

5.1.1 In some important respects, the UK economy has performed well over the last decade. Whereas for many years cycles of growth and inflation used to characterise Britain's economy, it is now, in the words of the OECD, a 'paragon of stability'. Job growth has been strong and unemployment rates fell from the mid-1990s until 2004. The major reform of moving the power to set interest rates away from politicians to the Bank of England, originally proposed by the Liberal Democrats, has played an important role in cementing in low inflation and economic stability.

5.1.2 Despite these achievements, there are still daunting economic challenges that place continued prosperity at risk. Britain's economy suffers from a number of imbalances. Growth has been over-dependent on consumer spending, which cannot be sustained indefinitely, and business investment has been far from buoyant. Personal debt levels, including mortgages, are uncomfortably high and rising. People now pay out nearly £1 in every £5 of their take-home pay in servicing debt. Unemployment, while still low by European standards, has been creeping upwards since February 2005.

5.1.3 Despite recent improvements, average productivity still lags behind other western countries. In 2004, output per hour worked was 19% higher in France, 15% higher in the US and 5% higher in Germany than it was in Britain. British workers tend to be less skilled than their counterparts. A third of 25-34-year-olds - a much larger proportion than in any other large rich economy - have few or no formal qualifications beyond compulsory education. Skill shortages throughout the economy hold back business development and reduce the ability to create wealth. They also increase the vulnerability of the economy to external competition, particularly from the new entrants to the EU in eastern Europe and from newly industrialising countries, particularly China and India. Unable to compete on wage costs, British workers need higher levels of skills and greater flexibility to adapt to changing markets.

5.1.4 The long-standing belief that the UK has a strong science base has been undermined by large-scale closures of university science departments and the current crisis in the supply of science and maths teachers in schools. There is also a patchy record in research and development, patents and innovation activity compared to other EU countries. Between 1998 and 2000 the UK was ahead of just two EU15 countries (Spain and Greece) in the Community Innovation Survey. Britain has very few large technology-based companies.

5.1.5 The economy is still a long way from achieving environmental sustainability. This is dealt with in more detail in chapter 4, but the failure to integrate environmental costs and benefits into prices and decision-making also places pressures on the UK's economic

infrastructure and ability to improve its productivity. Higher traffic levels, for example, mean that Britain has the most congested roads in the EU. The failure to invest in renewable energy and energy efficiency has led to a growing dependence on global oil and gas markets, presenting future challenges for energy security.

5.2 The Liberal Democrat approach

5.2.1   Liberal Democrats believe that economic prosperity - the creation of wealth and a better standard of living - is most likely to be assured through the operation of markets that liberate the energies and talents of individuals and promote enterprise and innovation. If they are to work, markets need an environment that is consistent and predictable. A key role of government is therefore to maintain a framework of stable prices, low interest rates and responsibly managed public finances. A rules-based and non-discriminatory international trading system helps realise the benefits of the market system, and spreads prosperity around the world.

5.2.2   At the same time, we recognise that markets can fail, for instance where market dominance is abused. The Government, for example, has allowed a handful of retailers to build up near-monopolies in local and regional economies which threaten consumer choice, as well as social cohesion and local economic sustainability. There is now an enormous gap between the preferential treatment given to large international businesses, in taxation, planning and other hidden subsidies, compared to the forest of bureaucratic hurdles thrown in the path of the next generation of small businesses.

5.2.3   Where this occurs, government intervention is justified. It is for this reason that Liberal Democrats support

tough legislation to prevent monopolies, cartels and other market distortions and to protect the rights of consumers. Some interventions can achieve a number of objectives: our ten-point plan to tackle consumer debt, for instance, can be seen as a measure both to protect consumers and to promote economic stability. Market regulation is particularly important - though correspondingly difficult - at international level, where major transnational companies can exercise more power than governments of small countries. At the same time, we recognise that heavy-handed interventions can make it difficult for business to create wealth, and wherever possible we want to avoid burdening companies with additional regulation.

5.2.4   Markets also fail where the value of social or environmental goods (on which it is often hard to put a price) are not reflected in prices. As set out in chapter 4, we aim to ensure that sustainable development lies at the heart of economic policy. This requires a mix of regulation and market-based measures, such as green taxes and emissions trading, to ensure that environmental costs and benefits are factored in to decisions taken by businesses and consumers. It also requires direct investment in areas such as public transport and renewable energy.

5.2.5   Markets also often fail to prevent wealth being concentrated in too few hands or to prevent situations in which poverty and economic disadvantage hinder personal freedoms and prevent people from playing their full role in society. Government needs to address this through spending on public services, such as health and education, which will, in turn, strengthen human capital. Taxes have a legitimate role in promoting a fairer society, by redistributing wealth from richer individuals and communities to those who are worse off. Liberal Democrats believe in a progressive tax

system in which those with a greater ability to pay are required to make a greater contribution. At the same time, taxes should not be punitive, and should be kept as low as possible whilst delivering adequate revenue to fund what needs to be financed from general taxation.

5.3   Tough choices on government spending

5.3.1   Labour claims that it is committed to following the 'golden rule' for government finances, to balance the current budget over the economic cycle. After building up big fiscal surpluses during its early years in office, spending increased by just under 4% per year in real terms between 1999 and 2005, while the economy also faced a structural shortfall in tax revenues over the same period. As the fiscal situation has steadily deteriorated, the golden rule has been stretched to breaking point. Over the next two fiscal years, the Government intends public spending growth to slow to around 3% a year, and from April 2008, it will be held back still further, to only 1.9% a year in the three years to 2010/11.

5.3.2   In keeping with our commitment to economic stability and responsible fiscal management, Liberal Democrats support the golden rule and will ensure that it is consistently applied - and, just as importantly, subjected to independent assessment, for example by the National Audit Office. Total public expenditure is projected to rise by 41% in real terms over the period 1996/97 to 2007/08. Consequently, there is little public appetite for substantial increases in taxes or spending, which means that there will be limited room for commitments to higher public expenditure other than those which can be funded from the proceeds of economic growth.

5.3.3   Recognising this at the 2005 general election, Liberal Democrats were able to fund most of our proposals from budget savings. We proposed to:
- Keep both public spending and taxation at broadly the same total levels as proposed by the Government;
- Move around £5 billion of spending from lower priority areas (such as unjustifiable business subsidies, the Child Trust Fund and ID cards) into improved pensions, policing and early education;
- Ensure more independent scrutiny and discipline in fiscal policy.

5.3.4   Since the election, the Government has continued to put forward policies which will consume large amounts of public spending for wasteful outcomes - for example, identity cards, or new nuclear power stations. We will oppose unnecessary expenditure and continue to take tough choices on public spending, demonstrated through a costed alternative programme. Whenever we propose to increase government expenditure for specific purposes, we will seek to ensure that the revenue comes from cutting back on lower-priority areas. To facilitate this, we have established a spending review to identify approximately 3% of total government spending (£15bn a year) that we consider to be misdirected, or of a low priority, which can be reallocated to Liberal Democrat policy priorities.

5.4   Fairer and greener taxes

5.4.1   Whilst we do not propose increases in the overall level of taxation, Liberal Democrats seek major reforms to the structure of the tax system, for five reasons. First, as noted in chapter 3, to address fundamental unfairness in the system. Second, as explained in chapter 4, green taxes can be used much more ambitiously to tackle climate change.

Third, as set out in chapter 2, we want to strengthen local autonomy by giving democratic local government more power to raise and spend revenue. Fourth, we want to make the system more economically efficient, improving incentives to work and save. And fifth, the tax and benefits system has become unnecessarily complex and inefficient as a result of Gordon Brown's meddling and tinkering.

5.4.2   Our ideas for reform are set out in Policy Paper 75, *Fairer, Simpler, Greener*. Our overall approach is to raise income tax thresholds and cut rates at the bottom end, paid for by removing tax reliefs which benefit the well-off and by increasing the total raised from environmental taxes. The paper sets out an overall revenue-neutral package for the short term. It will significantly lift the threshold for national income tax by removing the current 10% starting rate and cutting the basic rate, removing Capital Gains Tax taper relief, providing income tax relief on pensions contributions at the basic rate only, and increasing environmental taxes, especially on aviation (our 'green switch' - see further in chapter 4). It also proposes to simplify business taxation by reducing the level of corporation tax, funded by removing reliefs. We reaffirm our commitment to replace the highly regressive Council Tax with a local income tax.

5.4.3   In the longer term, we intend to raise the income tax threshold even further - our intermediate objective would be to raise the threshold to the annual equivalent of the National Minimum Wage for a full-time worker. We aim to enlarge the tax base, tax unearned economic rent and stabilise the property market by further developing policies for land value taxation. We also plan in the long term to merge the system of employee and employer National Insurance Contributions as the contributory principle

becomes obsolete, and to overhaul the system of taxing transport and congestion to reflect the potential of road-user pricing.

5.5   Meeting the productivity challenge

5.5.1   For all its rhetoric, the Government has failed to address the UK's underlying economic weaknesses. According to DTI figures (March 2006), on average workers in the UK have to work nine hours to produce the same output that workers in Germany achieve in eight, and workers in France in seven. Tony Blair promised that his government would be about 'education, education, education' and yet employers are often frustrated at the lack of basic education and skills amongst their employees.

5.5.2   We will bring forward proposals to address the UK's skills gap, including:
- Ensuring that pupils up to age 14 have satisfactory attainments in the 'three Rs', and also in the 'fourth R', 'articulation' (speaking and listening skills), and a good grounding in the full range of other subjects;
- Reforming 14-19 education to give pupils a personalised curriculum with a choice of both academic and vocational learning;
- Addressing the funding inequality in 16-19 further education between schools and colleges;
- Enhancing opportunities for adult learning and work-based training;
- Making training providers more responsive to employers;
- Increasing the linkages and cross-overs between vocational and academic education, promoting business and management skills.

(See further in chapter 8.)

5.5.3 UK productivity also suffers from failings in infrastructure, particularly in transport (see chapter 4) and innovation. We welcomed the additional investment in science in the 2006 Budget - but Britain's spending on research and development still lags behind that of France, Germany, Japan and the United States. On the basis of current government policies, the UK will not start to close that gap for nearly another decade. During this Parliament, we will bring forward policy proposals to improve the UK's record in science, research and innovation.

5.6   Fostering enterprise

5.6.1   Liberal Democrats want British businesses to be able to succeed at creating prosperity and jobs, innovating and trading across the globe. Our proposals to guarantee a strong and stable economy, promote competition, ensure environmental sustainability and equip people with a high level of skills will underpin the success of British businesses.

5.6.2   We recognise that unnecessary regulations can become a burden that holds business back and prevents new wealth from being created. Once in place, regulations all too often stay in force even when they are no longer needed. Our existing proposals to ease the regulatory burden include:
- Abolishing the Department of Trade and Industry, which is irrelevant to most enterprises, while transferring its useful functions - such as the funding and co-ordination of scientific research - to other government departments;
- Carrying out independent impact assessments and post-implementation reviews to ensure that regulations do not levy unwarranted costs and are achieving their objectives;
- Ending the practice of 'gold-plating' EU regulations, and placing a sunset clause on new regulation;

- Merge the current plethora of government inspectors which currently enforce regulations into a single streamlined Small Business Inspectorate with a first duty of advising and helping small businesses, who suffer disproportionately from the burden of regulation.

Similarly, we will ensure that new policy proposals and our manifestos for the general and European elections are subject to an assessment of their impact on business.

5.6.3   Liberal Democrats want to end the dead hand of Whitehall control, and give local communities far greater freedom and flexibility to respond quickly to local needs and demands. Currently, billions of pounds of business support is provided through the Regional Development Agencies in England. However, the effectiveness of these agencies is somewhat patchy and they have no accountability to the areas they serve. Policy Paper 73, *Your Community, Your Choice*, proposes to devolve responsibility for economic development in England to local councils, either on their own or working together, or under the aegis of Regional Chambers. Local councils may opt to retain, reform or abolish the RDAs, depending on the needs and circumstances of particular regions.

5.6.4   Economic migrants have helped make Britain one of the richest countries in the world, both economically and culturally. There remains a positive economic benefit from managed immigration to fill the demand for skills and labour in short supply. We are committed to the principle of developing a rational policy for managed economic migration, based on a 'green-card' style system underpinned by an assessment of Britain's economic needs.

5.7 Opening up the global economy

5.7.1   The rules-based multilateral trading system overseen by the WTO is being placed in jeopardy by the faltering progress of the Doha Round of trade negotiations, opening the way to an increased reliance on bilateral trade deals which will benefit the stronger and richer nations at the expense of the smaller and poorer. Liberal Democrats hope that the Doha Round will still reach a successful conclusion - but we also recognise that it long ago ceased to be possible to represent it as the 'development round' it was supposed to be. While the increased market access for agricultural products it could bring would be beneficial for medium-income developing countries such as South Africa or India, it has little to offer the poorest countries, which are not well placed to compete in world markets. It is time for a major rethinking of the way in which the international community can best assist the poorest countries achieve sustainable development.

5.7.2   We will continue to argue for the benefits of an open and liberal trading system, but we recognise that the poorest countries need more assistance and more time in developing their economies. We support:
- Agreement in the WTO to reduce developed-country subsidies and tariff barriers and open market access to developing-country exports;
- An end to the dumping of subsidised

agricultural exports by developed economies;
- Ensuring that agreements to liberalise new economic sectors proceed on a genuinely voluntary basis, without the EU and others exerting undue pressure on developing countries;
- Requiring companies benefiting from further trade liberalisation to behave responsibly, and promoting a new international agreement to encourage investment in poorer countries.

5.7.3   Specific proposals for reforming international law as it affects international economic regulation are being put before conference in policy paper 74, *Britain's Global Responsibilities: the international rule of law*. They include:
- Applying the OECD Guidelines for Multinational Enterprises more effectively to limit the negative impacts of corporate behaviour, encourage innovation and establish a level playing field for all competitors;
- A thorough re-evaluation of the governance of international finance, including the establishment of a new International Financial Authority;
- Reform of the IMF to render it more responsive, transparent and accountable;
- Transforming the World Bank from a development agency to a global club in which developing country beneficiaries and rich country benefactors have a sense of ownership and financial responsibility.

How can we ensure safety without losing freedom? Liberty and security

6.0.1   Ensuring security without compromising individual freedom is one of the central issues of politics and one in which Labour has most comprehensively failed. Although in some categories crime rates have fallen, the fear of crime remains high, partly because of a perceived rise in anti-social behaviour and partly because of a series of high-profile failures of the Home Office, despite, or because of, more than 50 criminal justice acts since 1996. Labour has stoked a climate of fear and is increasingly using criminal justice policy for short-term political advantage and electioneering rather than effective long-term action to reduce crime and the fear of crime. It has used the spectre of international terrorism to erode basic civil liberties, while at the same time fanning the flames of terrorism through the illegal invasion of Iraq and the failure to plan properly for the aftermath. Liberal Democrats recognise that a country that is both free and secure can only be built on the basis of active citizenship, strong communities and a fair society. Beyond Britain, peace and security can only be built through a just and equitable international order and effective international institutions.

6.1   Challenges

6.1.1   Freedom from crime and the fear of crime is a basic objective of government. Although there has been some success, (according to the British Crime Survey, total crime peaked in 1995, and has since fallen by nearly half), detection rates for crime overall remain under 25%, and for minor offences are much lower. Labour's endless tinkering with the criminal justice system, together with some of its blatant failures, for example to prevent prisoners from re-offending, has undermined people's faith in the system. Feelings of insecurity and fear of crime are major factors in British society. For older people in particular, fear of crime has become a major limitation on freedom. Rapid social change, the weakening of extended families and of local communities and the increasing diversity of Britain's population have made a great many Britons feel less secure. The loss of contact between ordinary citizens and public authorities that has followed from the reduction of local accountability has increased the sense of powerlessness, of a loss of control.

6.1.2   There is clear evidence of the link between levels of inequality and levels of crime and violence. Studies show how murder rates, levels of imprisonment and low-level exhibitions of hostility and violence are all related to levels of income inequality. As discussed in chapter 3, Britain's increasingly unequal society creates enormous problems for those living at the bottom of the pecking order: the stress of low social status, disrespect and exclusion. The more unequal a society, the less likely those at the bottom are to feel any attachment to it, a fact that Labour's respect agenda, with its reliance on punitive measures such as ASBOs or curfews, completely fails to recognise.

6.1.3   The nature of the terrorist threat has changed in recent years, and requires an imaginative and sophisticated response. Yet Labour's main reaction has been to take Britain too far in the direction of authoritarianism. The use of detention without trial, the widening of stop-and-search policing and the extension of summary justice have eroded civil liberties to an unjustified extent. Labour's next panacea, the introduction of ID cards, will go further in extending the state's power to interfere in the lives of its citizens at

enormous and unjustified cost. ID cards, had they been in existence, would have done nothing to stop the London bombers on 7th July 2005.

6.1.4   In terms of national and international security British citizens are freer and safer than ever before. The construction of the EU has made European war unthinkable, while the end of the Cold War has removed the threat of superpower nuclear conflict. Britain's people have gained enormously from the development of an open world economy, with ease of travel and communication far beyond what their grandparents could have imagined. But the dark side of globalisation is that the boundaries between domestic and international threats have weakened; crime and terrorism now operate easily across national borders. British tourists are at risk from terrorist attack; criminal networks bring drugs, guns and illegal immigrants into Britain; computer fraudsters can operate from abroad. Rapid population growth, weak, corrupt and unstable states in the developing world, and the gulf between rich and poor within the global economy, have raised pressures for immigration and people-smuggling. The most serious threat to British security is now uncontrolled climate change, both for its direct impacts on the UK and for the international instability it is already starting to generate. Britain's domestic security therefore depends far more directly than two generations ago on European and global cooperation.

6.1.5   Yet the UK's recent record in promoting such cooperation is poor. Successive British governments have accepted dependence on the US rather than working to strengthen a common European policy. Partly because of this, the UK has been notably unsuccessful in constructing a new foreign and security agenda within the EU, despite the fact that Britain shares a wider and more immediate range of interests with its

European partners. At the same time, Bush's and Blair's decision to ignore the findings of the UN weapons inspectors and launch the invasion of Iraq in 2003 has caused enormous damage to the framework of international law, as well as adding to instability in the Middle East and spawning hatred of the West throughout much of the Muslim world.

6.2   The Liberal Democrat approach

6.2.1   The twin pillars of a liberal society are the rule of law and respect for individual rights. The rule of law provides rights, protections and privileges, but it imposes obligations and responsibilities too. Being assaulted, burgled or robbed is a violation of the liberty and freedom of the victim; those who break their obligations and infringe the rights of others must face the consequences. Tackling crime is a liberal issue, too, because the victims of crime are often the poorest, the most vulnerable and the least influential in society. Those who are least able to protect themselves and their property are the most at risk.

6.2.2   The police and criminal justice system has become increasingly divorced from citizens and their communities, and increasingly discredited. We aim to tackle the current crisis of confidence in the system by grounding it firmly in local communities and by rejecting the over-centralisation and lack of accountability of the police. We will promote community policing, support a stable and transparent sentencing regime and supplement ineffective prison sentences with a greater emphasis on restorative justice.

6.2.3   At the same time, we recognise that crime and anti-social behaviour can never be tackled effectively unless we also deal with its root causes. The reduction of inequality and the creation of a society which does not exclude a significant

proportion of its citizens is a major priority for us, and is explored more fully in chapter 3. The creation of healthy, thriving local communities, providing a stable and supportive local environment, is equally important, and is dealt with in chapter 7.

6.2.4   Underpinning our entire approach is a fundamental belief in the autonomy and worth of the individual. We completely reject the Prime Minister's references to 'so-called' civil liberties and 'so-called' human rights, and his argument that the rights of the individual can be sacrificed to the needs of the wider community. Indeed, we believe that such an approach can only undermine the framework of self-respect and trust that is so vital to the functioning of modern society. We do not underestimate the threats Britain faces today, but we are determined that the country should not sacrifice the essential values of its open and liberal society as it faces them.

6.2.5   The Liberal Democrats are an internationalist party. We believe that strong, effective, and increasingly close cooperation among governments, within a clear framework of international law, is the only constructive response to the challenges of globalisation and the new threats to security, from rogue states to climate change. We need to repair the framework of international law that regulates the behaviour of nation states, so severely damaged by Bush's and Blair's military adventurism, and to reform and strengthen global institutions.

6.2.6   This approach sets the framework for British defence, foreign and development policy, which together should be aimed at reducing global instability and insecurity. Global inequalities and weak and corrupt states threaten security and deny common humanity. Liberal Democrats recognise the moral obligation

to end world poverty, working with other wealthy states. We also recognise that reducing the global gap between rich and poor, combating global diseases, attacking corrupt practices in international finance and trade, and supporting the rule of law and the spread of civil and political rights are in Britain's own long-term interest.

6.3   Restoring faith in the criminal justice system

6.3.1   The overriding priority at the present time is to make the police and criminal justice system work, improving its effectiveness and restoring people's trust in its ability to deter crime and catch criminals. We want to see a fundamental shift away from a top-down system which is subject to repeated meddling by government in response to the latest tabloid headline. It is also over-reliant on a prison system which is dangerously close to bursting point and has failed to stem high rates of re-offending upon release. We believe instead in a more effective system based on clear, robust sentencing of serious offenders and rehabilitation as well as punishment of those in prisons. We will extend the use of community justice panels for lesser offences, involving the public and allowing victims of low-level crime to have their say.

6.3.2   We need a consistent and sensitive sentencing regime with clarity on sentences, particularly for the more serious offenders. We argue for proposals to introduce greater honesty in sentencing, with full information available on the various components of the sentence, including minimum and maximum terms, eligibility for parole and the length of license. The police need to pay more attention to aspects of criminal behaviour, including the carrying of knives and dealing in hard drugs. In contrast, the personal use of cannabis should not be the subject of time-consuming prosecutions

other than in exceptional circumstances, so freeing up police time for more important priorities.

6.3.3   Although prison sentences have become both longer and more common, there is little evidence to suggest that a burgeoning prison population is leading to a reduction in re-offending rates; the UK has the highest rate of re-offending in Europe. We will develop proposals to:

- Use effective and visible community work far more frequently as an alternative to jail in appropriate cases, particularly for less serious crimes and for younger offenders;
- Improve education and training for convicted prisoners, to equip them after completion of their sentences to play more constructive social and economic roles, and give more emphasis to pre-release and rehabilitation programmes;
- Improve the probation service, currently seriously over-stretched.

6.4   Tackling the root causes of crime and anti-social behaviour

6.4.1   However effective the criminal justice system can be made to be, it can never provide a complete solution unless attention is paid to tackling the root causes of crime and anti-social behaviour. As we have described in chapter 3, this requires a focus on reducing inequality and building a more inclusive society. An important part of this agenda also lies in supporting the establishment of healthy communities, which we cover in chapter 7.

6.4.2   We will also develop specific proposals for tackling crime in the community. Greater visibility for the police, community support officers and other figures such as park wardens is an important part of creating an environment which feels secure. For this reason we oppose the Government's proposals for centralising police forces, which would

only serve to detach police officers even further from the communities they serve.

6.4.3   Much anti-social behaviour and low-level crime is connected to failures of government policy elsewhere, for example in the under-resourcing of the Youth Service, the decline of pastoral care in schools, the inadequate support for community mental health services, and the decline of special needs education. We will develop proposals to improve services such as these, which help to keep people out of trouble. As many Liberal Democrat-run local authorities have shown, tackling anti-social behaviour through early interventions such as Acceptable Behaviour Contracts is preferable to Anti-Social Behaviour Orders (ASBOs), though these need to be retained as an option.

6.5   Defending civil liberties

6.5.1   The Liberal Democrat commitment to civil liberties is clear. We have opposed Government policies on identity cards, control orders, religious hatred and demonstrations near Westminster, and worked in Parliament to revise successive bills on terrorism. Our commitment to restraining an over-mighty state through, for example, a written constitution and the abolition of the Royal Prerogative, go together with this approach and are dealt with in chapter 2.

6.5.2   We now need to go further and define more comprehensively where we believe the boundaries between state and citizen lie in the twenty-first century, taking into account the enhanced technological ability of the state to monitor its citizens' activities. We need to argue more clearly that liberty, justice and the separation of powers are prerequisites for security, and that sacrificing liberties in the face of unconventional threats from criminals and terrorists will only serve to make Britain a weaker and less secure society. We will also consider how non-

governmental activities threaten civil liberties - for example press intrusion into personal privacy, or the activities of private security and surveillance companies.

6.5.3   The protection of citizens' rights, whether from infringement by the state or in disputes with corporations or individuals, requires a system of civil justice where everyone has access to legal advice and representation and all citizens are equal before the law. One of the serious failures of successive governments over the last twenty years has been the virtual destruction of the civil legal aid system: a combination of funding problems, micro-management and excessive bureaucracy has driven away lawyers who in the past willingly undertook publicly funded work. A properly resourced and efficiently managed system of public funding for advice and representation before courts and tribunals is vital to ensure that access to justice is a reality. We will develop proposals on how to deliver this without allowing costs to escalate out of control.

6.5.4   We do not underestimate the threat from terrorism, but believe there are more intelligent ways to fight it than those employed by the current Government. Scrapping their commitment to introduce ID cards, for example, would release billions of pounds for spending on more police and improved intelligence networks. We will develop existing policy further to demonstrate how EU-wide cooperation among police and prosecuting authorities, and improved exchange of intelligence and information about suspected terrorist and criminal activities across borders - all subject to safeguards for the protection of citizens' privacy - can provide a more effective counter to terrorism, and other cross-border problems such as illegal immigration and people-smuggling.

6.6   Defending global security

6.6.1   Challenges to security in today's world are greater than those faced by previous generations. Alongside the traditional military threat to security, in 2004 the UN High-Level Panel on Threats, Challenges and Change identified violence within states, including civil wars, large-scale human rights abuses and genocide; poverty, infectious disease and environmental degradation; nuclear, radiological, chemical and biological weapons; terrorism; and transnational organised crime. Our proposals for building a more prosperous, just and environmentally secure world are to be found throughout this paper.

6.6.2   The 2005 general election manifesto demonstrated our commitment to an international approach to security:
- Continued opposition to the war in Iraq, and a determination that Britain should never again support an illegal military intervention;
- Support for working through the UN and EU to promote international law, democracy and respect for human rights, while reforming the institutions themselves to make them more responsive to international challenges;
- A new round of multilateral arms reduction talks and the negotiation of an international arms trade treaty;
- Improving the effectiveness of the British armed forces by making military procurement more open and efficient, cutting unnecessary programmes and cooperating more closely with NATO and EU partners.

6.6.3   Policy paper 74, *Britain's Global Responsibilities: the international rule of law,* updates our proposals on the system of international law and institutions that underpin global security. On the key issue of international intervention, we believe that the UN Security Council should give full weight to the use of strategies of

persuasion, negotiation, containment, and deterrence before considering preventive military action, which should only be employed as a last resort where international peace and security are threatened. In exceptional cases where the Security Council fails to act and where there is an overwhelming, widely supported and demonstrably legitimate case for intervention, states may be entitled to take proportionate measures to protect fundamental human rights. The rules of international law governing the use of force should be strengthened, to ensure that force is used only:

- In response to a threat to international peace and security, or actual or imminent large-scale violations of human rights;
- With reasonable prospects of success in averting or halting the threat or crisis in question;
- Where undertaken with a commitment to achieving long-term peace and stability.

6.6.4   With regard to tackling global crime and terrorism, the paper's proposes:

- Encouraging all UN member states to ratify all 12 international conventions against terrorism;
- Work through international organisations to ensure that countries where terrorism originates have the capacity to fight terrorist organisations;
- Work towards the negotiation of a comprehensive international convention on money laundering.

6.6.5   Within the UK, the structure and capabilities of government have not adjusted to the transformation of the threats to domestic and international security. The Foreign Office has been marginalised within Whitehall as the Prime Minister has centralised control over major foreign policy issues. The Department for International Development, the FCO and the Ministry

of Defence still lack a common approach to common security challenges. Britain still spends more on defence (2.3% of GDP) than any other EU state except France and Greece. Despite this British forces are overstretched and inadequately equipped for the tasks they have been given. The UK retains a nuclear deterrent, which ties it closely to the US as supplier and servicer of the missile system. This nuclear and military relationship, together with intelligence cooperation, are the core of Britain's special relationship with the US.

6.6.6   There is a clear need for a strategic security review, considering not just the role and functions of the armed forces but both domestic and international security issues, and covering all departments with security-related spending. Such a review should include the work of DFID, the FCO, the Home Office and intelligence services. The review should assess how the UK should work with its international and EU partners, the balance struck between short-term defences and long-term cures, and acceptable levels of risk. Against this background it should be possible to derive the most appropriate balance of security-related spending as between civil and military priorities.

6.6.7   This strategic security review should also give guidance to the most appropriate structure of British forces given the tasks they are likely to face, taking into account the changing nature of conflict and its implications for the utility of traditionally organised armed forces. We support the development of European cooperation in defence, together with the North Atlantic Alliance, as the security framework for the wider European region. We see the deployment of British military forces as one element in a broad approach to civil conflicts, failing states, and threatening regimes, which also involves diplomacy and assistance with economic and political development.

6.6.8   We will also bring forward proposals on the question of any replacement of the Trident nuclear weapons system. Party conference in autumn 2006 will begin the process of reviewing this policy area.

How can we rebuild neighbourhoods? Community and family

7.0.1   Many of the themes we have put forward in previous chapters come together in our approach to the social networks within which people live their lives - communities (whether geographic or interest-based), and families. Government policy, whether Labour or Conservative, has done much to undermine such social networks in Britain, but the impact of thriving communities, in terms of well-being and quality of life, is increasingly evident - and increasingly needed. A core commitment of the Liberal Democrats is to strengthen communities and hand back the responsibilities that go with local power. We are committed, too, to strengthen understanding of the rights and obligations of citizenship, taking and sharing responsibilities.

7.1   Challenges

7.1.1   It is increasingly clear that declining social cohesion and weakening local communities lie behind a whole range of policy issues. People with supportive friends, neighbours and families stay healthier and recover more quickly than those without - who see their mortality rates rise by factors as high as smokers. Research has demonstrated that this community collapse is also by far the most important factor in rising crime.

7.1.2   Yet the trend of British society since the war has been the gradual disintegration of local communities. The weakening of the extended family and the growing tendency to travel for work or education have of course affected all developed economies. In Britain, however, their impacts have been exacerbated by a series of disastrous Labour and Conservative policies, in particular on housing, which broke up traditional and supportive communities, decanting them

to what turned into sink estates, together with the emasculation of local government and the centralisation of local services. Alongside this, the decline of vital local anchors like banks and post offices, and regeneration schemes that enrich outsiders, displace local people and produce bland monocultures dominated by a few brand names, have continued to undermine community life. As we saw in chapter 3, an unequal society places additional stress on community cohesion, making it more difficult for neighbourhoods to flourish.

7.1.3   Housing policy is of vital importance to building strong communities, but high house prices are currently preventing many people from buying homes, while rented accommodation is often expensive and of poor quality, with more than a million public-sector homes in need of repair. There is also a huge imbalance between where housing is and where people want to live, with demand outstripping supply, particularly in South East England. Over 100,000 families are living in temporary accommodation.

7.1.4   Public concern over race and immigration has increased sharply in recent years. In 2001, minority ethnic groups formed 7.9 % of the UK population, up from 4.2 % in 1991. However, the public, influenced by scaremongering in parts of the media, overestimate this proportion by threefold. They similarly exaggerate the number of asylum-seekers, even though applications in 2004 were lower than in 1997. While a substantial majority of those questioned in public opinion polls agree with the statement 'it is a good thing that Britain is a multicultural society', significant pockets of tension exist in areas where ethnic communities are concentrated.

Social change within Britain, and continued immigration from outside Britain, have weakened and confused national identity.

7.1.5   Although more people than ever are able to own their own home, the costs of doing so have encouraged high-pressure two-income family lifestyles which strain health and relationships. One in six people suffer from depression or a chronic anxiety disorder. The weight of mortgage debt on the average family is compounded by over-extended credit card and other personal debt, now one of the highest in Europe and a major contributor to lower levels of well-being. While economic opportunities and social mobility have improved, many women find themselves having to be both an economic breadwinner and the main carer in a family, with less of a support network of extended family and friends than has been available in the past.

7.1.6   Pressures on young people - social peer pressures for conformity, backed by heavy brand advertising, and academic pressures from a rigid, overly-academic and technocratic national curriculum - are increasingly onerous. This helps to explain the enormous drop in well-being among young people when they reach secondary school; one in ten children aged 11-15 has clinically significant emotional or behavioural problems.

7.1.7   The Government has addressed some of the issues around parenting and pressures on families, through policies such as Sure Start and Children's Centres, the Children Act, Anti-Social Behaviour Orders and Parenting Orders. But the most important initiatives, such as Children's Centres, have not been given adequate funding. Families are also being undermined by a prescriptive inspection regime that puts pressure on informal childcare by relatives and undermines mutually supportive childcare solutions by

neighbours. Current welfare systems, designed to punish a new generation of 'undeserving poor', and deeply suspicious of self-help, often catch and condemn the most enterprising families and young people.

7.2   The Liberal Democrat approach

7.2.1   It is clear that many people feel a sense of a loss of control - over institutions and the services they deliver, over the quality of the food they eat and the environment they live in. This has been exacerbated by the Labour Government's determination to impose targets from the centre, which has further eroded local autonomy, experimentation and accountability. Most of Britain's population have little sense of active *citizenship*: that they can take part in shaping the decisions that affect the communities in which they live.

7.2.2   A commitment to strong and vibrant communities is central to the Liberal Democrat approach. Liberal activists in the 1960s and '70s developed the concept of community politics, the belief in empowering people in local communities to take and to use power. In this way, decisions can be taken at the lowest possible level rather than by some distant bureaucrat, improving the sensitivity and efficiency of a whole range of local services, including health and social services, education, local planning and environmental protection. The Liberal Democrat commitments to decentralisation and local delivery of services are dealt with in chapters 2 and 8.

7.2.3   We have also seen how communities are undermined by an unequal distribution of income and wealth, which creates large numbers of socially excluded people, owing no attachment to a society which seems to care little for them. In turn this feeds through into widening

disparities in standards of health, and high levels of crime and anti-social behaviour. We set out in chapter 3 our proposals for reducing inequality and thereby creating a more supportive environment in which communities can flourish.

7.2.4   In addition to these broad approaches, there is much that can be done at a local level to rebuild neighbourhoods. Liberal Democrat administrations, for example in Liverpool, have pioneered the development of social enterprises as a form of local economic renewal. Planning policy, including the use of public space, amenities and community centres, the role of sport, arts and music, and the use of the internet to create community forums and new forms of participatory decision-making are also vital. We also recognise the need for a more independent voluntary sector which can meet local needs on a more informal, small-scale basis than large institutions find possible. Sustainable funding, and other support, is vital if this sector is going to survive. This should come along the lines of the Invest to Save programme from the savings in public spending they will make possible in the future, and provide local projects with more security and independence.

7.2.5   Looking to the longer term, further research is needed on the issue of 'well-being', and all its many ramifications. 'Well-being' can encompass many factors, including personal prosperity, work/life balance, the quality of social relations, mental and physical health, 'quality-of-life' issues such as the local environment, fear of crime, access to friends, amenities, and services, and the degree of control individuals and communities exercise over their own future. We will work with outside experts and think tanks to explore the possibilities and limitations of government in this field, and to produce more detailed proposals for future policy.

7.3   Building communities, supporting families

7.3.1   Proposals aimed at strengthening communities are put forward throughout this paper:
• Decentralisation of power to local government (chapter 2);
• Improving the quality of social relations (chapter 3);
• Creating environmentally sustainable communities (chapter 4);
• Community-focused crime and policing policies (chapter 6);
• Building community decision-making into public services (chapter 8).

7.3.2   We will develop further proposals for community regeneration, to be put before conference in spring 2007. These will relate to economic regeneration and communities, in particular how to retain local shopping facilities and the integration of local businesses with the local community. Other specific policy proposals include:
• Defending the post office network, by ploughing back some of the money from its part-privatisation into the sustainability of local post offices;
• Encouraging mutual volunteering schemes inside and outside public services.

7.3.3   Housing policy is crucial to the functioning of communities; as we have seen, it can destroy or support them - yet affordable housing is simply not available in many areas. We are committed to tackling this crisis by making available public sector land, enough to build an additional 100,000 homes for rent and affordable purchase through mutual home ownership schemes and community land trusts. Any new developments must be built to the highest environmental standards, embrace the concept of 'homes for life', be well supported by new infrastructure, and be sympathetic to existing communities. We will reform VAT

to encourage developers to repair and reuse empty buildings and brownfield land rather than building on greenfields and eroding the countryside.

7.3.4 The role of the arts, culture and sport in building communities, reducing crime and anti-social behaviour, encouraging self-expression and, more broadly, a cohesive wider society, is often overlooked. We aim to improve core arts funding and grassroots sports funding, transfer resources from government-backed schemes to those delivered by artists themselves, and local communities, and end Labour's interference in the arts, which stifles artistic freedom.

7.3.5 We will also bring forward proposals on other cross-cutting areas of policy which until recently might have been considered 'fringe' political issues, but which are increasingly recognised as important to determining success or failure in many policy outcomes:

- Development of initiatives to build greater neighbourliness, including time banks and other local structures than encourage mutual support;
- Diversion of some regional funding into local community support, along the lines of 'community allowances' and community service agreements. Some Liberal Democrat-run local authorities, for example, provide very small grants, of a few hundred pounds, to support local initiatives like planting trees or flowerbeds in shared spaces, or organising street parties – all of which can help to bring neighbours together;
- Development of volunteering as a mainstream aspect of public services, to broaden and deepen the services they are able to provide;
- Reform of benefits policy to tackle the problem of where, as at present, it undermines the efforts of people doing vital local work in their neighbourhoods;

- Tackling the problem of financial exclusion of poor neighbourhoods by financial institutions, and spreading banking services to people on lower incomes by requiring lenders to reveal their lending patterns, along the lines of the Community Reinvestment Act in the US;
- Support for social enterprises where they can make a significant contribution, and encouragement for government departments, central and local, to make it possible for them to win procurement contracts;
- Rebuilding a financially stable voluntary sector which supports the vital efforts of local people in their neighbourhoods, and does so independently of government.

7.3.6 Underlying much of our approach to communities is the concept of citizenship, and what it means in today's multicultural Britain. Education for citizenship is still tentative. We believe that schoolchildren deserve to learn about their rights and obligations as members of the national community, and we want to see a more robust citizenship curriculum in secondary schools. We support lowering the voting age to sixteen so as to sharpen awareness among new citizens of the responsibilities they share. We also recognise that in today's multicultural society children would benefit from teaching that explores the many areas of British and global history, rather than relying on rigid identity and symbols more resonant with the last century.

7.3.7 We will develop proposals on the integration of immigrants into local communities. Economic migrants have helped make Britain one of the richest countries in the world, and there is a need for continued immigration to meet the demand for skills and labour. Poor integration, however, can contribute to poverty, racial tensions, civil unrest, crime and even terrorism. Between half a million

and a million illegal immigrants are resident in the UK, with no right to health care, education or the minimum wage. We will develop proposals to address the relative deprivation and social exclusion of some of these communities, including their exclusion from public life.

7.3.8   These proposals focus primarily on geographic communities. It should not be forgotten that for many people work or interest-based communities can be just as important. We outline in chapter 3 our support for industrial democracy and cooperative enterprises, building work-based communities with real influence.

7.3.9   Liberal Democrat policy on children and families is set out in policy paper 72, *Stronger Families, Brighter Futures*. Its main proposals include:

*   Age-appropriate Personal, Social and Health Education to be a statutory part of the National Curriculum;
*   The establishment of Contact Points with trusted professionals such as midwives and health visitors to recognise problems and offer support;
*   The encouragement of flexible working practices including shared parental leave between mothers and fathers;
*   A maternity income guarantee for mothers on the birth of their first child, equivalent to the adult minimum wage for a full-time working week, for the first 6 months, to be extended to 12 as statutory parental leave entitlements are increased;
*   Using funding models for childcare which give money directly to childcare providers, as well as to parents;
*   Quality of care guaranteed through training for early years professionals and a localised inspection regime;
*   Extra educational support for children in care.

7.4   The pursuit of happiness

7.4.1   The American Declaration of Independence, in many ways a classic liberal document, declares that governments exist to secure for their citizens 'life, liberty and the pursuit of happiness'. Liberal Democrats have traditionally avoided the issue of happiness on the grounds that the state cannot and should not intervene in matters of personal preference. But there are now clear links between well-being, general health, longevity and resilience. Measures of well-being in the UK show either static or declining levels since the mid-1970s despite increasing personal income. When a sixth of the population is suffering from depression at any one time, with major implications for the economy, family and community life, then politicians have a responsibility to look critically at institutions to see whether they can provide the context for better lives.

7.4.2   Government alone cannot, of course, generate individual well being. But it can remove barriers to well being, so that people are able to build happier lives for themselves. This includes reforming the National Curriculum to make it more flexible and to prepare children of all ability better, not just for employment, but for leading fulfilled lives, encouraging the development of self-confidence and self-esteem. A reformed curriculum should also deal with critical life issues like parenting, creativity and dealing with money. It means using the planning system to promote the building and protection of neighbourhoods that foster friendly and supportive local communities. It means making local services the gateway to a range of services and cross-disciplinary voluntary options building on the work of the Extended Schools programme. It means supporting a vibrant artistic and cultural environment that fosters creativity, self-expression and

enjoyment. It means reducing the burden of debt by providing better financial service options for people on low incomes. And it means giving people more information about the choices they make, and widening the range of choices, for example by promoting access to healthy and local food.

How can we make public services better? Delivering services locally

8.0.1   The development of public services, health, social services and education, has been one of the great failures of government policy over the last 25 years. First starved of resources under the Thatcher Governments, and then subjected to waves of reform and reorganisation under both Conservatives and Labour, even substantial injections of money over the last five years have failed to tackle many deep-seated problems. Liberal Democrats believe that these public institutions will continue to under-perform until they are comprehensively decentralised, so that citizens and communities become equal partners in the delivery of high-quality services and frontline staff can be set free to use their skills, knowledge and commitment.

8.1   Challenges

8.1.1   Education underpins not only future levels of prosperity but also political citizenship, community cohesion and personal satisfaction. Yet as many as 7% of British children leave primary school unable to read. The OECD ranks the UK 22nd out of 30 for pupils leaving school at 16 and failing to obtain upper secondary qualifications. Just 74 % of 17 year-olds participate in full-time education, one of the lowest levels amongst developed countries, and a proportion unchanged since 1996. We saw in chapter 3 how educational chances are strongly correlated with parental background and income, established even before children reach school. As educational attainment is a powerful determinant of life chances, a vicious circle is created, with a less favoured group locked into a cycle of social and educational disadvantage.

8.1.2   Schools already benefit from considerable local support from parents, neighbourhoods and local authorities, though the Government is steadily making them more directly accountable to Whitehall. The Department for Education and Skills will soon be the largest education authority in the country, when the 200 city academies, which report directly to the department, are all in place. The local management of schools is absolutely vital for their continued development, but frontline teaching staff are burdened with centrally-set targets and league tables and an inflexible National Curriculum. They are also prevented from doing an effective job by the size of classes (especially in primary schools), the size of schools (a direct cause of poor behaviour) and by the deadening pressure of constant tests and exams.

8.1.3   The Government has had some success in reversing the under-funding of the NHS it inherited from the Conservatives, but Labour's reliance on centrally set targets has created problems for areas not covered, which are inevitably given less priority such as dentistry, where 58 % of NHS dental practices now do not take on new patients compared to 40% in 2001. Targets set centrally for a vast institution like the NHS almost by definition cannot take account of local needs and local priorities, and only serve to distort clinical priorities and demoralise professionals and managers.

8.1.4   At the same time, no attempt has been made to reduce the NHS to a manageable, human, scale. It is no coincidence that the number of deaths caused by medication errors is rising, or that up to 5,000 people a year die from infections caught in hospitals. One person in 10 now admitted to a UK hospital ends

up suffering measurable harm, whether from mistakes, bugs, faulty equipment or drug side-effects. This results in additional hospital stays costing £2 billion a year. Too many central targets have distorted priorities and distracted medical professionals and local management from their jobs of looking after patients.

8.1.5   Meanwhile, many serious health problems such as poor nutrition, obesity, mental health, depression and stress, are often not easily amenable to hospital treatment. These maladies, generally the side-effects of behavioural change, high-stress working environments and social isolation, have a major and increasing impact on people's lives, but tackling them requires the active engagement of the individuals concerned, together with the provision of informal and supportive family or neighbourhood networks. Effective solutions will only be found by dealing with their underlying causes, including rising inequality and social exclusion, neighbourhood and community breakdown, cultural rootlessness, and rigid, high-stress working patterns. The continuing levels of inequality in the UK, higher than in most other European countries, are a serious obstacle to improving health.

8.1.6   Many of the problems of the public services, and particularly the NHS, have been caused by an endless series of reorganisations. While we support diversity of provision, both Conservative and Labour governments have insisted on trying to deliver too many aspects of public services through marketisation, competition, privatisation and the injection of private finance. They have concentrated on the creation of elite institutions such as John Major's trust hospitals and city technology colleges, or Tony Blair's foundation hospitals and city academies, rather than raising standards across the whole of the service. In general these initiatives have failed - because the public

goods of health, social care and education are not in general the same as private goods and cannot successfully be delivered in the same way. Individuals need to be treated as engaged citizens rather than as passive consumers, and their needs have to be met in the context of the communities of which they are part.

8.2   The Liberal Democrat approach

8.2.1   The Liberal Democrat approach to public services, deriving from the themes we have developed throughout this paper, is based on the principles of:
• Decentralisation, local accountability and community involvement in public services;
• Improving user experience by making services more responsive;
• Tackling the root causes of inequality;
• Making efficient use of resources.

8.2.2   We believe that Britain's public services, and the staff who work in them, have been poorly served by a succession of badly thought-out reforms designed from the top down that have failed to understand the way that public services work on the ground and failed to deliver equitable access to high quality services. Today's British citizens - self-reliant, adaptable and used to using technology to expand personal autonomy - need public institutions designed to engage them directly in the shape and delivery of services, both as individuals and communities.

8.2.3   Liberal Democrats have made education a key part of our policy platform at all general elections since 1992, and have been rewarded by high levels of support for our education policy. Our approach rests on improving access to education, and dealing with the root causes of the problems, for example by cutting class sizes in primary schools, ending the shortage of head teachers,

improving teaching in key subjects, and giving teachers more time to teach by reducing testing and national targets.

8.2.4   We have also highlighted policies on health and the NHS in the last two elections in particular, and opinion polling suggests that the party is now more trusted than Labour and the Conservatives on the National Health Service. Our approach rests on the priorities of improving access to health care, focusing on the root causes of ill health and designing services which engage their users.

8.3   Decentralisation, local accountability and community involvement

8.3.1   As with other public services, control of education has been steadily centralised by Conservative and Labour governments. Liberal Democrats believe strongly that high-quality education and training for all is best achieved though structures where learning institutions are rooted in and democratically accountable to the local communities they serve - delivered in the community, as part of the community, by the community - ensuring safeguards for parents where a local authority or school continually fails. We also believe that schools should work closely with other local services, such as social services, and that this multidisciplinary working functions best in the context of democratic local government. Liberal Democrats will bring forward proposals to:
- Allow local authorities, properly resourced and empowered, to develop as commissioners of education for local children. This means a radical decentralisation of funding from Whitehall to local authorities to restore democratic accountability and to enable communities to use their funds flexibly. We see local authorities as key guardians for fair admissions

policies, and wish to increase their role in joining up and co-ordinating local schools admissions policies;
- Develop local collaboration models for schools and colleges and other provides to choose which best reflect local circumstances and are democratically accountable to the local community - for instance Community Learning Trusts, Learning Federations and local education authority partnerships;
- Introduce a new funding system based on learning entitlements and local funding of education, where an individual pupil's learning choices drive funding and where local authorities must commission education providers to deliver those choices.

8.3.2   We aim to create an NHS based on local democratic accountability, free from top-down intervention from Whitehall. Given the rapidly changing institutional structure of the NHS, this is a major area for reform, and we will bring forward proposals to:
- Give elected local people the power to make decisions currently made by bodies such as Strategic Health Authorities, Primary Care Trusts and hospital trusts, while at the same time integrating health services with other local provision such as social care;
- Reduce the use of centralised targets in order to give local communities and frontline NHS staff greater control over the delivery of services and greater freedom to innovate;
- Ensure that there are clear definitions of the basic standards that can be expected across the country. We recognise that decentralisation of control will lead to variations in services, and this is to be welcomed, representing a chance for innovation and experimentation. But it will not be a 'postcode lottery', outside the

control of the citizen; rather, a 'postcode democracy', where local people, through the ballot box, can choose the services they want to receive and pay for.

8.4 Making services more responsive

8.4.1   Schools, colleges and teachers should have more freedom and flexibility in how they teach, and teaching should stress the importance of encouraging creativity, self-confidence and self-expression, rather than following the current over-regimented approach. We aim to reform the 14-19 curriculum, giving pupils a real choice of both academic and vocational education. Furthermore, if school is to seem relevant to many young people it should not be sealed off from the world outside. We want to see closer links between education and the world of work, and this means vocational education relevant to the needs of the local, or at least the regional, economy.

8.4.2   Too often in the past, health and social services have regarded individual patients and clients as units to be processed rather than involved them in decision-making about their own health and treatment options. We aim to develop policies to:
- Experiment more with direct payments to recipients of care, where this would enable them to receive appropriate services in a way more tailored to their circumstances;
- Improve health promotion, including better information about food quality, support for organic and other reduced-input food production, improvements in standards of children's nutrition, and encouragement for sport and physical activity;
- Allow people to choose services provided by non-NHS providers, including private, not-for-profit and

voluntary organisations, where appropriate.

8.4.3   Public institutions should be required to adopt minimum standards for involving clients or patients as co-producers of services, and equal partners in their delivery, alongside professionals. Among other outcomes, this will help to turn volunteering from the semi-professional activity favoured by Labour into a central plank of public service policy, designed to broaden and deepen the services they can provide, and to satisfy the basic need of everyone in society to feel useful.

8.4.4   This approach will expand choice and diversity in public service provision in a more meaningful way than the Government intends through its consumerist approach to choice between competing hospitals for the same treatment. We believe it is more important to ensure that high-quality care is available for everyone as locally as possible and that they are fully engaged with the decisions taken by professional staff.

8.5 Tackling the causes of inequality

8.5.1   Britain's unequal society is revealed in patterns of access to and use of services. Educational and health standards are linked to social class, and those at the bottom of the income distribution make least use of health services and benefit least from education. Public services need to be designed to be socially inclusive, making the greatest effort to deliver services to those most in need. We need to launch a concerted drive to eliminate the root causes of ill health, including inequality, poverty, social exclusion, poor housing, poor nutrition and a polluted environment.

8.5.2   As we saw in chapter 3, social disadvantage affects children even before they reach school, and it is an urgent priority for us to reverse this trend and ensure that all children benefit from high-quality education. Early intervention is the key: pupils should be funded according to their individual needs, in which those from disadvantaged backgrounds would carry additional funding to the school they attend. This would also allow schools with such pupils to have smaller classes, or to fund extra English-language tuition, for example.

8.5.3   We are clear that access to health care is a core issue of social justice. Our goal is quality health services for every community, free at the point of delivery, provided on the basis of need, not on ability to pay. Existing party policy is already strong in the areas of public health and preventive medicine, and it is a key part of our analysis that in addition to the classic 'health promotion' lifestyle issues, health is driven by patterns of basic socioeconomic inequality. We cover in chapter 3 proposals to reduce inequality, which in time will improve standards of and reduce inequalities in health.

8.6   Efficient use of resources

8.6.1   We believe in generously funded public services, but we also believe that public resources must be spent wisely and give good value for money. The best way of doing this is allowing frontline staff and local communities to deliver good local services free from central bureaucracy. Recent experience shows how ineffective, wasteful and expensive institutions can be if they diminish human relationships, undermine local responsibility and distance themselves from a supportive community and if they ignore the assets that their staff, clients and families represent. Britain can no longer afford giant, faceless institutions that chase targets but cannot create sustainable

change, whether it is in health, education or social care. Liberal Democrats want to localise institutions, sharing responsibility with clients, the local community and staff, because it works and is a more effective use of public money.

8.6.2   An important policy area where we need to consider the balance of resourcing is tertiary education. The Government has ambitious targets for expanding higher education, but it does not seem to have thought through what the cost-effectiveness of this will be. We need to focus on the overall purpose of tertiary education, particularly over issues such as what the nation really needs from higher and further education, and whether the UK has the balance between the two correct.

8.6.3   We recognise that British universities compete in a European and global market. A growing number of students and staff within Britain's universities come from abroad, while a worrying number of the country's brightest researchers and teachers migrate to American universities. Research in universities drives innovation in the local and national economy. We need to rethink the multiple roles of higher education and of institutions in their regional, national and international contexts, including assessing whether resources going into the sector are being used in a way that most benefits the country. We will develop proposals on tertiary education centred on the need to improve access, breaking down the traditional barriers between further and higher education, and doing more to encourage part-time students.

8.6.4   We will ensure that plans for the funding of the NHS to reach a comparable level with other wealthy European countries are carried through, and that funding is maintained in the long term. We believe that local accountability of the NHS is the best way of ensuring that the public gets value for money for these extra resources.

Next steps

9.0.1   This paper is the final output of the 'Meeting the Challenge' exercise, which was designed to complete the following tasks:

- Starting from Liberal Democrat principles (as set out in the 2002 policy paper, *It's About Freedom*), to build up a coherent overview that helps people understand instinctively what Liberal Democracy is about - in all areas, not just over a few eye-catching headline policies;
- To examine how existing party policy stands up to the challenges - economic, environmental, social, international - that UK government will have to meet after the next election, and to identify where it needs development and modification;
- Using this framework, to map out a detailed programme for the development of policy and campaigning messages over the next four years, to guide the work of the party's Federal Policy Committee (FPC) and Campaigns and Communications Committee (CCC).

9.0.2   This paper builds on the most comprehensive consultation exercise the party has ever carried out, including the publication of a consultation paper in August 2005, a consultative session at the autumn 2005 conference, a special one-day conference in January 2006, a dedicated website (www.meetingthechallenge.net), discussions at many regional and local party meetings, and hundreds of individual responses to the consultation paper and the think-pieces posted on the website.

9.0.3   As a result of the consultation process, and extensive input from individuals in the 'liberal diaspora' outside the party, chapters 2 to 8 of the paper set out a policy development programme for the party to follow over the next few years, in terms of the challenges to be met, the areas to be considered and the main lines along which policy will be developed.

9.0.4   It is vitally important that this programme of policy development involves the entire party. Although the Liberal Democrats are the only major party to possess a sovereign conference, at which representatives of local parties retain the right to set the policy of the party, it is true to say that policy discussion outside federal and state conferences is not common, even though our consultation exercise revealed a widespread desire to engage in it. In the coming years we will continue some of the innovations piloted in the 'Meeting the Challenge' exercise, including the use of special discussion conferences and websites, and the preparation of discussion materials for local parties. This will reinforce and underpin the democratic nature of policy-making within the party - and also help to bring in the views of liberals outside.

9.0.5   The major outcome of this exercise is not so much the individual proposals for policy development but the attempt we make to express them in a coherent message, set out in chapter 1. This should not be regarded as the final word; it needs to be discussed and developed and refined throughout the party, and to be used consistently to underpin both policy development and the party's campaigning messages. In this way we can begin to create the instinctive understanding of the Liberal Democrat approach that is essential in the run-up to the next election and beyond.

This paper has been approved for debate by the Federal Conference by the Federal Policy Committee under the terms of Article 5.4 of the Federal Constitution. Within the policy-making procedure of the Liberal Democrats, the Federal Party determines the policy of the Party in those areas which might reasonably be expected to fall within the remit of the federal institutions in the context of a federal United Kingdom. The Party in England, the Scottish Liberal Democrats, the Welsh Liberal Democrats and the Northern Ireland Local Party determine the policy of the Party on all other issues, except that any or all of them may confer this power upon the Federal Party in any specified area or areas. The Party in England has chosen to pass up policy-making to the Federal level. If approved by Conference, this paper will therefore form the policy of the Federal Party on federal issues and the Party in England on English issues. In appropriate policy areas, Scottish, Welsh and Northern Ireland party policy would take precedence. In particular, policies in Chapters 6, 7 and 8 of this paper are applicable to England only except where they relate to federal responsibilities such as national security. Aspects of policy contained in sections 3.4, 4.3, 4.4 and 5.5 will also apply to England only.

Many of the policy papers published by the Liberal Democrats imply modifications to existing government public expenditure priorities. We recognise that it may not be possible to achieve all these proposals in the lifetime of one Parliament. We intend to publish a costings programme, setting out our priorities across all policy areas, closer to the next general election.

Working Group on Meeting the Challenge

Note: Membership of the Working Group should not be taken to indicate that every member necessarily agrees with every statement or every proposal in this Paper.

Sir Menzies Campbell QC MP (Chair)   Simon Hughes MP
Charles Kennedy MP (Chair)   Kate Parminter
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