

“The time has come
for a new alignment
of progressive
politics...”

THE LIBERAL MOMENT

Nick Clegg

First published in 2009
© Demos. Some rights reserved
*Magdalen House, 136 Tooley Street,
London, SE1 2TU, UK*

ISBN 978 1 906693 24 4
Series design by modernactivity
Typeset by Chat Noir Design, Charente
Printed by Lecturis, Eindhoven

Set in Gotham Rounded
and Baskerville 10
Cover paper: Flora Gardenia
Text paper: Munken Premium White



Mixed Sources

Product group from well-managed
forests, controlled sources and
recycled wood or fiber

www.fsc.org Cert no. CU-COC-804101
© 1996 Forest Stewardship Council

THE LIBERAL MOMENT

Nick Clegg

Open access. Some rights reserved.

As the publisher of this work, Demos wants to encourage the circulation of our work as widely as possible while retaining the copyright. We therefore have an open access policy which enables anyone to access our content online without charge.

Anyone can download, save, perform or distribute this work in any format, including translation, without written permission. This is subject to the terms of the Demos licence found at the back of this publication. Its main conditions are:

- Demos and the author(s) are credited
- This summary and the address *www.demos.co.uk* are displayed
- The text is not altered and is used in full
- The work is not resold
- A copy of the work or link to its use online is sent to Demos

You are welcome to ask for permission to use this work for purposes other than those covered by the licence. Demos gratefully acknowledges the work of Creative Commons in inspiring our approach to copyright. To find out more go to *www.creativecommons.org*



Contents

Acknowledgements	7
Introduction	9
1 A different approach to power	13
2 The progressive split	21
3 The second switch	29
4 The economic crisis	35
5 The political crisis	45
6 The environmental crisis	51
7 The social crisis	59
8 The security crisis	71
Conclusion	79
Notes	81

Acknowledgements

I am grateful to all those in the Liberal Democrat policy unit who provided detailed input into the policy recommendations in this pamphlet. Neil Sherlock, Mike Kenny and Noreena Hertz provided invaluable comments on key sections of the pamphlet, too. Above all, I am immensely grateful to Polly Mackenzie without whom this pamphlet would not have been possible. All opinions, errors and failings are, of course, entirely my own.

Nick Clegg
September 2009

Introduction

This pamphlet is about the future of British politics. Specifically, it is about the future of progressive politics in Britain. It is obvious to most people that Labour's time is up. This Government displays all the hallmarks of a government running out of road – tired, ideologically incoherent, and internally fractured. The question for progressives is what comes next? Is it inevitable that the red-blue/blue-red pendulum of British politics must swing again away from the progressive hopes offered by New Labour in its early days, only swinging back in many years to come once the Conservatives have had another go? Or is there life still left in the ideals of fairness, social mobility, sustainability, civil rights and internationalism which are the lifeblood of progressive thought?

My argument is simple: if progressives are to avoid being marginalised by an ideologically barren Conservative party, bereft of any discernible convictions other than a sense of entitlement that it is now their turn to govern, then the progressive forces in British politics must regroup under a new banner. I believe that liberalism offers the rallying point for a resurgent progressive movement in Britain.

I make this claim not just because of Labour's current political difficulties, but because I believe Labour's basic approach to governance – to social, political, economic and environmental progress – is fundamentally flawed. Its starting point is central state activism, its defining characteristic is the hoarding of power at the centre, and its method of delivery is top-down government. These reflexes once had their day. When Labour was born in the early twentieth century there was a need for strong, collectivist action to emancipate millions of working men and women. As I will argue in this pamphlet, the speed with which the Labour Party eclipsed the Liberal Party in the early

part of the last century was in large part because Labour better understood the need for such collectivist responses, especially at a time of war, and an internally divided Liberal party did not.

But the situation today, almost exactly a century later, is almost exactly the reverse: state-centred, top-down solutions are wholly out of step with the demands of our age. We live in a more atomised society where people are no longer rigidly defined by class or place. Our society is no longer trapped by a culture of diffidence and hierarchy. The capacity of the nation state to act for its citizens has been dramatically diluted as globalisation has undermined its powers. The increasing accessibility of international air travel and new technologies like the internet have radically stretched people's physical and conceptual horizons. New forms of religious and ethnic identity have dissolved the traditional glue that held the identity of nations together. In short, we live in a more fluid, less deferential world where opportunities and threats can no longer be exploited or defeated by national governments alone.

Labour never fully reconciled itself to the way in which power now flows downwards to individuals and communities who will no longer accept a relationship of obeisance to central government. From frenzied target-setting in public services to the demolition of individual civil liberties, Labour has misread the demand for individual and grassroots empowerment in contemporary Britain. With perfect symmetry, the Conservative party still has not reconciled itself to the way in which power now also flows upwards to international institutions which are indispensable if we are to meet globalised threats such as climate change, cross border crime or international financial instability. Despite all the shiny rebranding of Cameron's Conservative party, it remains a party steeped in the misplaced belief that the nineteenth century nation state still makes sense in a twenty-first century world.

Only liberalism possesses a clear understanding of the way in which power has flowed upwards and downwards from the central state. Only liberalism marries a passion for devolution within Britain with a commitment to international institutions and the international rule of law. As I will argue below,

liberalism's starting point is the fairer dispersal and distribution of power. From a fairer tax system to the protection of civil liberties, from the reform of our clapped out Westminster politics to the break up of monopolistic banks, from devolved public services to a new concept of green citizenship, from social radicalism in education to a more accountable and effective European Union, dispersing power more fairly and holding the powerful to account runs as a thread through all of my own liberal beliefs.

So this pamphlet starts and finishes with a particular view about the great differences in the Labour and Liberal traditions of progressive thought, and an assertion that as Labour heads for defeat at the next election the future of progressive politics lies in liberalism. In much the same way that Labour was on the right side of events over a century ago when the Liberal party was not, I will argue that a reverse 'switch' in which the Liberal Democrats can become the dominant progressive force in British politics is now more possible than ever before. What follows will not include a blow by blow response to current political controversies, nor a detailed analysis of the looming fiscal crisis the country faces, nor a commentary on all of today's foreign policy dilemmas. Instead, it lays out the historical context and key policy features of a new progressive alignment in British politics.

1 A different approach to power

Britain is the home of diverse and changing political traditions and ideologies. Political theorists slice and dice them, and every mainstream political party is a broad church that brings together people with differing ideas under a single banner. Nevertheless, beyond all this diversity lie some basic, structural dividing lines. In my view, the most basic of all dividing lines is that between progressive and conservative thinkers; it's a dividing line built on two different responses to the human condition.

At the core of progressive thought is the idea that we are on a journey forward to a better, and especially more socially just, society; it's a political ideology that stems from a restless, optimistic ambition for change and transformation. At the core of conservative thought is a determination to preserve, protect and defend. Conservatives are primarily governed by caution about the unintended consequences of change, reluctant to change the status quo, especially to alter the social pecking order in society. Conservatives tend to believe we are at risk of decline if we don't protect things as they are; progressives tend to believe we are capable of more, and better, if only we change the way things are.

No wonder David Cameron and George Osborne have sought to lay claim to the word progressive to describe their plans for Britain; it is the final frontier for them, the last step in their decontamination of the Conservative brand. But they will find, in the end, they are unable to square the circle of the idea of 'progressive conservatism'; the words contradict one another.

Liberal Democrats, by contrast, lie on the progressive side of British politics, as did both our predecessor parties, the Liberals, from 1859, and the SDP, from 1981. So, in large part, does the Labour party. There have been those, over the years, who have described our retaining a separate identity from

Labour as a betrayal of the progressive movement, allowing the Conservatives to rule through the 1980s and most of the 1990s because we refused to unite progressives under a single flag. Even now, some Labour figures suggest in private that the Liberal Democrats should fall in line with Gordon Brown to hold back the rise of the Conservatives.

My reasons for refusing to even contemplate such a move are many. First, Liberal Democrats share the sense of betrayal that all progressives have about the worst excesses of the Labour government over the last twelve years, from the illegal invasion of Iraq and subordination of Britain's foreign policy to the Bush administration through to the tough talk on crime that has put a generation of young men behind bars and jettisoned our long-treasured and hard-won civil liberties. These were not minor peccadilloes that can be swept under the carpet and ignored; they were fundamental betrayals of the progressive cause that has eaten away at the very meaning and soul of the Labour party and its purpose in British politics.

But even if none of these things had happened, the Liberal Democrats would remain a very different party from Labour, with a different ideological core. Yes, we share the progressive space with Labour, but our two parties have widely differing attitudes to power. These differing attitudes lead to deep divisions in relation to domestic and international affairs, divisions that I will draw out in detail below.

Progressive liberalism has always been and always will be about the dispersal and distribution of power. Liberalism conventionally starts with the notion of freedom; a central abiding tenet of liberalism is the harm principle – that a man or woman must be free to do as they choose except where it affects or limits another's freedom. It is articulated most clearly by John Stuart Mill in *On Liberty* in 1859.

That the only purpose for which power can be rightfully exercised over any member of a civilized community, against his will, is to prevent harm to others.¹

But there are more than just locks and chains that limit a person's freedom. You are only free to choose to do things of

which you are capable, things for which you have the resources and understanding. So efforts to increase freedom should not just be about constraining people's ability to harm one another and reducing state control. Any effort to increase freedom must also increase people's capabilities, resources and understanding. Empowerment is a by-word for liberation.

It is often said that the individualism of liberals and the collectivism of Labour are mutually exclusive. In practice, the difference is more subtle than that. I recognise the collectivist premise that, in many circumstances, we are capable of more together than we are alone. We are often more powerful – and therefore, in my interpretation, more free – when we can act together. As individuals, communities and nations we are more empowered to overcome poverty, confront climate change, or guarantee our safety, for example, if we act together.

So liberalism does not shun collective action where it is necessary. But it is much more alert to the dangers of heavy-handed collective action: authoritarianism, secrecy, a lack of transparency and accountability. Once a collective good has been identified as important, there is always the danger that the means, even if they are illiberal, will be justified in pursuit of those collective ends. That is why, for instance, Labour has been so untroubled by the infringement of civil liberties, arguing instead that the supposed end of greater collective security justifies the illiberal means. A liberal would never make such an argument.

In other words, since a liberal's starting point is the freedom and integrity of the individual, anything that may impose arbitrary or unaccountable demands on the individual should be challenged. That, in turn, generates the fundamental difference of attitude towards power between the liberal and Labour traditions that I have set out here. Liberals will always challenge arbitrary or unaccountable centres of power even as labour will continue to argue that they are necessary to deliver a collective good, even when there is little evidence that this is so.

In our society it is clear that power – and thereby freedom – is unfairly distributed. Power has its own gravitational pull; it

accumulates among elites – political, social and corporate – and they each exercise that power in their own interests, acting against the interests of, and thereby diminishing the freedom of, others. The job of a liberal government, therefore, is to disperse power, acting as a countervailing force to excessive concentrations of power.

Governments occupy an ambivalent position here, both as hoarders of power themselves, but also as the only bodies capable of breaking up other monopolies of power, particularly corporate power, and of providing important common goods such as defence and quality public services. A successful liberal democracy rests on the right balance between the legitimate powers of an accountable state and the freedoms of its citizens. As Mill said, ‘A state which dwarfs its men ... even for beneficial purposes, will find that with small men no great things can be accomplished.’²

Underpinning this attitude towards power is a particular liberal attitude towards people – a belief that most people, most of the time, will make the right decisions for themselves, their family and their community. A belief in the dispersal of power only makes sense if sustained by this optimism. There would be little point in dispersing power from governments to citizens, families and communities if you did not think they have the capacity and capabilities to put that power to better use than governments themselves.

Our focus on power is not just about devolution and citizen empowerment, though. It is also about shifting power upwards, where necessary, to supranational organisations, because nation states in an age of globalisation have become powerless to provide security, prosperity and freedom to their citizens on their own. Nation states need to pool decision-making with others if they want to extend real sovereignty over the world around them. Terrorism, climate change, immigration, commerce, crime – all operate at a level beyond the clutches of the nineteenth century nation state. This insight has always escaped the Conservatives, no more so than in today’s Conservative party, the most insular and Eurosceptic in living memory.

Crucially, the liberal attitude towards international affairs is also underpinned by a belief in the universality of human rights, and the need to constrain power at the international level as much as at the national level through the enforcement of law and the creation of accountable political institutions. This, then, is a marriage of the necessity of collective supranational action with the principle of the universality of inalienable rights and the rule of law. This was the starting point for Gladstone when he argued the case for liberal interventionism during the ‘Midlothian campaign’ in 1879, as much as it is now the starting point for the Liberal Democrats’ support for the EU or its opposition to the illegal invasion of Iraq.

Labour requires a mighty nation state, just as liberalism believes in pooling sovereignty in multi-lateral institutions. Labour believes that society can only be improved through relentless state activism, a belief driven by far greater pessimism about the ability of people to improve their own lives. Liberalism believes fairness, fulfilment and freedom can be best secured by giving real power directly to millions of citizens. Labour believes in the ordered, controlled capacity of the state to take the right decisions about other peoples’ lives. A liberal believes in the raucous, unpredictable capacity of people to take decisions about their own lives. Labour believes a progressive society is characterised by enlightened top-down government. A liberal believes a progressive society is distinguished by aspiration, creativity and non conformity.

Gordon Brown says his is the party of the many and not the few, but what he and the Labour party really mean is that the only way to deliver for the many is to keep control in the hands of the few. That is why, under their management, Whitehall target-setting has spiralled out of control resulting in warped priorities and distorted behaviour. It is why attacks on our freedom such as databases, surveillance and terror laws have been introduced in the name of our safety, legitimised by reference to an alleged common good. And it is why, despite some successes on the international stage, they have failed to make the case to the British people for sustained, committed engagement with the European Union and other supranational

organisations, preferring instead to perpetuate the myth that a Labour government has all the answers.

Liberal Democrats have opposed Labour's centralised model because it jars with our core beliefs. This matters because the biggest challenges that face our country now require a different approach. Whether it is creating a sustained economic recovery, restoring our broken politics, tackling climate change, ensuring Britain's security or delivering social justice in our society these challenges cannot be resolved by hoarding and administering power from the centre.

In the chapters that follow, I will demonstrate this in relation to all these five challenges. The best approach for the future is to shift power away from central government and political and corporate elites. Some problems need to be addressed by taking power away from central government and disperse it downwards to communities and individuals: problems like salvaging our democracy, encouraging the innovation needed to pull the country out of recession, diversifying public services so they can meet the needs of the communities they serve and empowering the most disadvantaged so they can get ahead in life. Others need to be addressed by taking power away from central government and dispersing it upwards: problems like global financial regulation, climate change and international crime and terrorism. But across the board, it is liberal, rather than Labour, ideology that provides the answers to the challenges of the modern world.

But first, let us take a look at history and assess how and why Labour overtook the Liberals nearly a century ago. What lessons are there to learn about the potential for a repeat of this political leapfrog? Is there a chance that the liberal agenda, which I believe offers the best route to a stronger future for Britain, will prevail once again in the twenty-first century? Or will the duopoly of Labour and the Conservatives continue to exclude the pluralism and innovation we so desperately need to succeed as a nation?

2 The progressive split

The Labour Representation Committee was founded in 1900. Following a pact with the Liberals to minimise the number of seats where both parties had a candidate on the ballot paper, it won 29 seats in the 1906 general election, after which it was reformed into the Labour Party. The Liberals were returned with 397 MPs in a landslide victory; 24 out of 29 Labour MPs, meanwhile, had been returned in seats where the Liberals had stood aside. Although Labour made some more progress in the elections of January and December 1910, it was very clear that the new party was distinctly junior to its Liberal allies.

By the general election of 1918, however, the position had changed radically. The Liberals had split between factions loyal to HH Asquith (Prime Minister from 1908–16) and David Lloyd George, who succeeded him. In the 1918 election, Coalition Liberals stood against Asquithians or supported Conservatives. The effect on the independent Liberals was disastrous, reducing them to a mere 36 MPs. Labour was now the largest opposition party, albeit with only 57 MPs, and it formed its first government in 1923. Despite recovering to win 158 seats in 1923, Liberals never really recovered; they never again sat in government, except some individual Liberals in the National Governments of the Depression and the Second World War. By 1951, they had sunk to a rump of six MPs and, by 1957, to an all time low of five following a by-election loss to Lloyd George's daughter.

This chapter looks at how this dramatic reversal of fortunes occurred and how the Liberals lost the leadership of progressive politics. Although social changes in the early twentieth century provided opportunities for an emergent Labour Party, I do not wish to argue some sort of determinist case for its inevitable rise. Nothing is inevitable in politics, where even a week is counted a long time, and the passing of the mantle of the principal

progressive party from the Liberals to Labour was as much caused by Liberal mistakes as by Labour successes. But there are lessons to be learnt for today in re-examining how and why it happened: primarily, for me, that the Liberals lost their footing in British politics as a result of internal splits and an inability to adjust their ideas to the changing political context created by the upheaval of war. Divided and confused, things slowly fell apart for the Liberals, and Labour was ready and willing to surge into the gap they left behind.

1906-14: Progressive Alliance

Much has been written about the relative positions of the Liberals and Labour in the years leading up to the outbreak of war in 1914. At one extreme, it has been argued that the Labour party was poised inevitably to overtake the Liberals – either through the extension of the franchise or through the shift of working-class votes to Labour under any franchise. At the other extreme, it has been argued that the Liberals had effectively become a party of the working classes by 1910, influenced by New Liberalism, and therefore were quite capable of performing the role which the Labour party would take after the First World War – in other words, that Liberals themselves gave away their position as the leading progressive party.³

The real picture seems to have been very locally varied. British politics was not divided as clearly along simple class lines as some imagine and the Labour party, despite what many assume today, was not simply the collective voice of all working men. Their appeal was as regionally diverse as the Liberal Democrats' now. In some areas, such as West Yorkshire, the Liberals had historically been weak and Labour could make inroads. In many others, the Liberals retained their appeal and Labour found it hard to make further progress without Liberals giving them a free run in particular seats.⁴

The Liberals and Labour were, it appears, electorally complementary in the early twentieth century. Crucially, both parties were coalitions of different elements of support. The Liberal party had within its ranks New Liberals, committed to

state intervention for social reform; Radicals, with their focus on traditional objectives such as peace, Nonconformity, Home Rule and limited spending; Centrists, who could make some common cause with New Liberals on pragmatic intervention; and, indeed, more conservative Liberals. Labour, too, had a spectrum of views and groups – socialists, moderate reformers, trade unionists and statist interest groups as well as those who simply saw Labour as a means of ensuring working people were represented.

At the same time, both parties were able to attract voters which the other could not. The more traditionally small-state elements of the Liberal party's platform retained appeal, including among the working classes, many of whom associated the state with the poor law, unfair taxation and enforced social conformity. The Labour party, for its part, made progress in some areas much more than others, beginning with many in which Liberalism had historically been weak. It could also appeal to Unionist voters the Liberal party had not been able to reach.⁵

Lloyd George's 'People's Budget' serves as an indicator of Liberal adaptability to this complex political environment. The budget was intended to provide funding for further reform as well as for old-age pensions, and its details were calculated to satisfy key elements of the Liberal coalition. Increasing taxation on land was squarely in the Radical tradition, for instance, while the increase in taxes on incomes over £2,000 and £5,000, along with death duties and the differentiation between earned and unearned income, appealed to New Liberals' theories of income. It also had the electoral advantage of avoiding placing the burden on the lower-middle classes, who already felt overburdened by previous impositions. In addition, of course, the Lords' rejection of the Budget in November 1909 created a constitutional crisis – the second chamber had not rejected a Budget in over 200 years – and reinvigorated the Liberal party in a battle against a traditional enemy.⁶ Although the Labour Party did gain some seats in the following elections – rising to 40 MPs in January and 42 MPs in December 1910 – it did so within the context of the Progressive Alliance, in which it remained most clearly the junior partner.

The impact of war

In 1914, the continued viability of the Liberals depended on their ability to continue this balancing act of competing demands as well as to adapt to changes in society which could provide Labour with opportunities, either to push for a larger role within the progressive alliance or to strike out independently. Unions and many working class communities could, given the right circumstances, represent a concentrated core of support for Labour, but at this stage by no means all of these saw the Labour party as the most natural or important vehicle for their interests. The Liberals remained the leading party of progressive politics.

Nonetheless, the Liberals failed to maintain the progressive coalition of support after 1918, succumbing to damaging splits in no small part because of the First World War. These splits were not simply personal. The demands of a new scale and intensity of war caused enormous division within the Liberal party, striking at the heart of cherished Liberal beliefs.

The impact of protection, rationing, conscription and a host of other measures meant that the traditional liberal state as cherished by the Liberal movement seemed to have changed its contours dramatically. Liberal thinkers such as Hobhouse, Hobson, Scott and others who had often supported a redefinition of liberalism and an enhancement of the role of government before 1914 found themselves thrown back on their own older ideas.⁷ Suddenly they were confronted with a world in which the state had to do something quite different, assuming a far greater role in national life that jarred with their traditional Liberal beliefs. Liberalism seemed all at sea in this new world.

The dissatisfaction of many in Liberal ranks was compounded by a more visible division among Liberal MPs. Controversy about the conduct of the war and the availability of munitions increased the pressure on Asquith as Prime Minister. He formed a coalition with the Unionists and with Labour in response to political crisis, but divisions within Liberal ranks intensified, crucially – and unsurprisingly – over conscription. By November, Lloyd George and Andrew Bonar Law (the Unionist leader) demanded the formation of a war committee excluding Asquith; on 5 December, Asquith resigned, effectively ejected from the government he had tried for so long to hold

together. Lloyd George became Prime Minister, but most Liberal MPs remained loyal to Asquith, and their ties with Liberals in the Coalition became increasingly nominal. The split hardened and was essentially complete in 1918 – leading up to the Liberals fighting against one another in the General Election.⁸

These splits and the coupon election in 1918 had a dramatic effect on Liberal fortunes. The direct electoral consequences of being divided were devastating for the independent Liberals, the vast majority of whom (including Asquith himself) lost their seats, while the Coalition Liberals' losses in the 1922 election brutally exposed the previous dependence of Lloyd George's adherents on Conservative support. The hollowing out of Liberalism in the eyes of many, combined with a relatively united and independent Labour Party in 1918, was crucial to Labour's electoral appeal – allowing it to take the opportunities presented by Liberal disarray and to consolidate its gains in later years. A party whose values had been so thoroughly mauled by conflict and whose leaders were so divided almost encouraged a search for another allegiance, which could both act as heir to its better angels and provide an alternative to its increasingly threadbare image.⁹

Ironically, the very successes of the Progressive Alliance before 1914 made a shift of many Liberals to Labour easier. As Peter Clarke has argued, the sense that the two parties were (or ought to be) two parts of a progressive movement meant that Liberal thinkers could turn to Labour more easily – even when the Liberals' failings were in areas which ought to have been answered by the Liberals' own traditions. There is, after all, no logical reason why a movement divided over issues so quintessentially to do with personal freedoms – like conscription – should necessarily turn to a more collectivist and statist movement. But, as a party whose 'progressive' credentials had been legitimised before 1914 by its alliance with the Liberals, Labour was able both to portray itself as distinct and different from the Liberals in many respects and at the same time be seen, by many, as a better way of expressing beliefs which had been accommodated within Liberalism.¹⁰ Labour could therefore portray itself as both the 'true heir to the Liberal tradition', as in

Leicester West in 1924, and represent itself as a clean break from Liberalism – with the original Clause IV and the 1918 reorganisation of the party playing an important role.¹¹

Liberals' own varied responses to Labour's rise were inconsistent – and often played into Labour's hands. Examples can be found of co-operation with Labour, but we also see frequent instances of Liberal-Conservative co-operation *against* Labour. Unsurprisingly, proliferations of Moderate, Municipal Reform or Citizens' Party arrangements allowed Labour to represent itself as the alternative to both the other parties – as well as assisting attempts to portray itself as the true heir to progressive Liberalism, abandoned by its previous owners.¹²

The division and uncertainty in the Liberal Party reflected – and helped to shape – a wider truth. The impact of the war and of the 'coupon' election was, in a sense, both more and less fundamental than the election results initially suggest. On the one hand, as I have already said, it is important not to overplay the collapse of Liberalism in 1918; Liberal-Labour competition by no means came to an end in the coupon election. On the other hand, even in the first Liberal revival of 1923, the nature of the Liberal vote was beginning to change. In 1923, Liberals would find themselves winning seats which had remained Conservative even in 1906; many of their gains were in different areas and often relied on different voters from the old electoral basis of Liberalism. It is striking how many of the Liberals' gains – over two-thirds – were from Conservative rather than Labour MPs in 1923. They found they couldn't win back the territory they had lost to Labour, even in an election where the old cause of Free Trade was at stake. In a very real sense, Liberals vacated much of their own heritage; the Labour Party was very happy to claim it.¹³

3 The second switch

Since the 1920s flip, there have been a few, rare, opportunities for real change in British politics: moments in which the establishment has been extremely vulnerable. From the instability prompted by the Second World War to the turmoil of the Winter of Discontent, events have put pressure on governments that seemed able to break them completely. And in more recent times, changes within politics itself have, occasionally, seemed likely to break open the duopoly of British politics.

The first time this happened was in the early 80s, when the Alliance of the SDP and Liberal parties came tantalisingly close to breaking the mould of British politics, winning support in local government across the country and polling almost as many votes as Labour in the General Election. The second was in 1997, when the whole country turned its back on eighteen years of Conservative rule, and the Liberal Democrats and Labour worked more closely together than before in order to ensure the Major government was routed. At both these moments in our political history, it felt as if we were on the brink of a sea change. But both times, the momentum was not quite great enough to break through, the moment passed and the status quo remained in place.

Some will argue that the same will happen again. The winds of change are swirling around us because of the environmental, social, political and economic crises that have been unleashed, but the time of upheaval will pass and the dust will settle back to its old positions once more. I do not believe this is the case. Much has changed since the 1980s and 1990s that makes a reversal, the like of which we have not seen since the 1920s, more likely now than it ever was then.

Much of the story of the previous chapter is mirrored in the circumstances of today. Labour has lost its ideological way just as

the Liberals lost theirs. They are unsure how to deal with a globalised world in which the nation state is no longer the correct locus of power. They are unsure how to react to the way people have been empowered by technology, travel and prosperity and are no longer willing to subordinate themselves to a collective whole in the name of a supposed 'common good', and they recognise that socialism was not built for people like the citizens of today. They are clinging to the patronage of Trade Unions even as class-based politics is disintegrating all around us.

The world has changed profoundly in recent years. More than 200 million people now live outside the country of their birth,¹⁴ and while previous generations of migrants were cut off from their previous existences, satellites, travel and the internet allow people to communicate regularly and cheaply over vast distances, retaining connections with the communities they have left and forging complex identities in their new ones. And it is not just migrants who find themselves with feet in different places at once. It is now possible for people to find multiple homes in an ever-growing number of communities, real and virtual, where people are bound by shared interests, principles, experiences and fates, not just by geographical location. Old-fashioned collectivism simply does not speak to the modern age, just as a liberal view of the role of the state simply did not speak to an age of total war. And without an ideological purpose, destructive splits are inevitable.

It is unlikely, of course, that Labour will split as deeply as the Liberals did – I cannot envisage half the Parliamentary Labour Party going into a coalition government, leaving half their party allies adrift on the opposition benches. But the opposition between New and Old Labour runs deep, and as the contest begins for the future of the party, the chances of political fracture are high. Labour attracted Liberal voters back in the 1920s because a hollow, fractured party provided an opening for a young party on the up; the reverse is now true.

But there are tactical considerations that seem eerily similar to the 1920s, too. Just as the Liberals and Labour were electorally complementary before 1914, so in the first 15 years of the Liberal Democrats, my party made progress in areas where Labour had

been historically weak. Each party was largely competing against the Conservatives (or nationalists) rather than against one another; in 1997 we even agreed an informal pact not to campaign hard in areas where the other was more likely to defeat the Conservative candidate. This closeness forged an understanding among the British people of a shared progressive vision that could play into our hands as it played into Labour's in the 1920s.

Later on, when the Liberals were weak, Labour started to take ground from them, just as the Liberal Democrats started to win seats from Labour in 2005 and expect to continue doing so at the next general election. Just as in the 1920s the Liberals found it almost impossible to win back ground that been seized by Labour, so ground won now will not simply slip back to Labour but remain under Liberal Democrat influence. It is important to note that Labour has now disappeared completely from huge parts of the country, with the Liberal Democrats now controlling the majority of big cities outside London. There are also now a staggering 94 local councils which do not have a single elected member from the Labour party – and this poses an existential threat to them. It cuts off the chances of a revival because there is nowhere for it to grow.

Like the Liberals in the early twentieth century, Labour in the 1990s and early 2000s maintained its pre-eminence by holding together a broad and diverse coalition of progressive support. That coalition is crumbling now, as the Liberals' did a century ago. Civil libertarians, internationalists, environmentalists and more who signed up to the Labour cause in hope in the 1990s have turned their backs in despair and are searching for a new political home.

Finally, just as the Liberals turned on Labour, even collaborating with the Conservatives to stop them, back in the 1920s, so Labour has turned on the Liberal Democrats now. There are Labour-Conservative council coalitions whose sole purpose is to stop the Liberal Democrats controlling an area. There is an establishment stitch-up in Westminster that keeps a party with nearly a quarter of people's votes with just a tenth of the seats in Parliament. But, as it helped Labour in the 1920s,

this attack plays into Liberal Democrat hands now, reinforcing our role in the political system as reformers, exactly what people are searching for in an era of massive popular disenchantment with politics.

Labour is also threatened by the ongoing demise of two-party politics itself, one of the greatest, and yet least told, stories of the post-war era. The duopoly that dominated British politics in the twentieth century is dying on its feet. In the 1951 General Election only 2 per cent of voters chose a party other than Labour or the Conservatives; at the local elections this summer, that figure had risen to nearly 40 per cent. At the last two general elections, more people did not vote than voted for the winning party – a phenomenon that was unheard of in our democratic history until 2001, but now seems likely to be the rule, rather than the exception, of our political future. This can only benefit outsider parties like the Liberal Democrats, who seek political support from across demographic and geographical groups. It makes it more likely than ever that we can break through, as we could not in the 1980s and 1990s.

I have argued that the chances that the Liberal Democrats will replace Labour as the strongest progressive force in British politics are high, and growing. But I have focused on why it is likely, rather than why it is necessary, if we are to build the better society of which progressives dream. The rest of this pamphlet is devoted to explaining why I believe this to be the case, starting with the most pressing issue of all.

4 The economic crisis

Britain is in the teeth of a deep and difficult recession. The British economy has now been shrinking for a year, reducing in size by £80bn. Although there is some hope that we will see a return to low growth next year, as the Governor of the Bank of England has said, the effects of this recession will be felt for years to come. We already have almost 2.5 million unemployed, the highest in well over a decade; by the end of the year this could be 3 million. What is particularly worrying is that we know from past experience how long it takes for unemployment to fall significantly: in the 1990s, it took seven years for unemployment to return to pre-recession levels. And however long this recession may last one thing is already certain: we will be left with a legacy of massive public debt and the enormous challenge of eradicating a structural deficit that could be as high as 10 per cent of GDP.

Britain is, of course, not alone. The whole world's economy has suffered an enormous shock stemming from the credit crunch and banking crisis. It would be wrong to pretend that Britain is not suffering, in part, as a consequence of this global recession. However much political opponents may like to blame problems on the government of the day, it is only fair to acknowledge that Britain's problems are not all home-grown. The British Treasury could not have prevented the collapse of the US housing market, the collapse of the Icelandic financial system or the failure of Lehman Brothers.

However, to acknowledge the effects of global forces on Britain's economy is not to absolve the Government of all blame. Indeed the severity of the crisis we face is because of serious failings at home as well as abroad. There are two significant mistakes Labour made – the first contributed to the global collapse, and the second worsened its domestic effects. Both

errors of judgement can be traced to their illiberal attitude towards power in both politics and economics.

First, they pushed for international deregulation, ignoring or even blocking moves toward better global regulation of international finance that could have prevented or limited the problems that led to the credit crunch. They welcomed with open arms hedge funds that left the US after the Sarbanes-Oxley regulations were imposed. They did all this out of their determination to protect what they saw as our vital competitive edge for the City and a healthy cash cow for Treasury coffers. They were swept up in the glamour and excitement of a gravity-defying City. Remember Gordon Brown's pledge to a Mansion House dinner in 2004: 'I want us to do even more to encourage the risk takers.'¹⁵ And, at the same event in 2003, while negotiating the EU Financial Services Action Plan, he pledged to financiers that 'the government will continue to do all in its power to ensure that London remains the pre-eminent financial centre in Europe.'¹⁶ He was determined to ensure no international action threatened that status.

Labour did not recognise, as liberals did, that concentrating too much power in global financial centres was a mistake. They did not see that protecting the City from the reach of international regulators made it – and the global financial system to which it was so intricately tied – severely vulnerable. They did not recognise that regulatory power needed to move beyond the nation state, matching the global reach of the banks, if it was to have a hope of restraining them and challenging their risk-taking behaviours.

Labour's second error was domestic. They presided over more than a decade of unbalanced, precarious, debt-fuelled economic development, concentrating power and wealth in London, in a few chosen industries like finance and property, and among the wealthy elites who operate in these spheres. In their relentless courtship of the City, New Labour forgot the need for a balanced economy. No wonder the gap between rich and poor has widened on their watch, with the proportion of national wealth owned by the poorest fifth falling (from 7.7 per cent to 7.1 per cent) and the proportion of national wealth

owned by the richest fifth increasing (from 40.9 per cent to 43.1 per cent).¹⁷

As a result, Britain was immensely – and uniquely – vulnerable to the global recession that has hit over the last twelve months. Tax revenues have collapsed, creating a huge structural deficit. With 7.5 per cent (£42bn) of tax revenue coming from the City, and a further 2.5 per cent (£14.3bn) from stamp duty of shares and property before the recession, there was a fundamental imbalance in the economy.¹⁸ Inequality means a huge number of consumers are hard-pressed and struggling with debts, unable to find money to spend to keep the wheels of the economy turning.

Progressives have a right to ask why Labour conspired to create a society and economy that was so vulnerable. There is no doubt in my mind that it stemmed from their failure to break up monopolies of power. It is inevitable that economic development will be centralised and London-based if political decision-making is centralised and London-based. Ministers and the journalists and policy wonks who follow their moves all work in the capital or its commuter belt, so their world view is London-centric. Manufacturing businesses in Sheffield, renewable energy companies in Cornwall, hill farmers in Cumbria – in fact the vast majority of small and medium-sized enterprises that make up the vast majority of the country's GDP – are neither on the London radar screen nor wield the lobbying power of big business.

The concentration of power in the inner circle of the government also made it easy for vested interests to capture political elites. An absence of checks and balances encourages an incestuous relationship between political and economic elites. At worst, this leads to outright corruption – as the allegations of cash-for-amendments in the House of Lords starkly illustrate. At best, it leads to the over-reliance by politicians on a few vested interests in the economy over others. It is this failure of our politics – its failure to be open to differing voices, the lack of pluralism, the absence of transparent checks – that contributed to our over-dependence on financial services. Governments of both colours became entranced by the City for the last 20 years

or more, bewitched by the idea of cash flowing into the Treasury and, sad to say, into party coffers.

The truth is that winner-takes-all politics creates winner-takes-all economics; it is boom and bust for parties and businesses alike. In this case, ministers had no interest in stopping over-leveraged banks lending irresponsibly, fuelling the housing bubble and driving up personal debt because they were benefiting from the tax revenue and the illusion of growth. If power were dispersed, as it would be in a liberal economy, bubbles would not get so large in the first place.

There is no doubt in my mind that the failure to disperse power both domestically and internationally contributed significantly to Britain's problems. But my argument – that we should have been more liberal to prevent these crises – runs counter to a narrative that blames liberalism itself for the crisis. So before I explain my view of how we can use liberal ideas to rebuild our economy on a more sustainable footing, let me explain what I understand liberal economics to be.

Liberalism is not a doctrine of anarchy. Mill, who I quoted earlier, did not argue that power should never be exercised against an individual but that power should be exercised against an individual to prevent harm to others. So liberal economics is not laissez-faire economics. Liberal economics understands that our prosperity depends on regulation to challenge monopolies and disperse economic power, creating a level playing field between big and small players. Liberal economics understands that regulation is necessary to keep trade open and fair, to ensure short-termism in business does not usurp our long term duty to the environment and the economy, and to give consumers the rights and information that is vital for the effective functioning of competitive markets. It is no more liberal to let markets rip as an experiment in social Darwinism than it is liberal to argue that the state should run all our major industries.

It is because liberals are so hostile to concentrations of power – be they in corporate or government institutions – that we were the first to identify the risks of Labour's economic model and have been able to lead the way in proposing solutions. A liberal model would not have given the banks more freedom, but

less. We understood earlier than others that the City was not being adequately regulated, that an overheated housing market demanded new policy responses, and that the geographical and social inequality of development was breeding economic instability even while Gordon Brown promised an end to boom and bust. But looking back to say 'I told you so' is not enough: a liberal approach also offers us a way forward out of this recession to a better and more sustainable future for our economy, so these mistakes are never made again. Central to that is a reinvention of our banking system, based on liberal principles, dispersing power within the banking sector and levelling the playing field between banks and their consumers.

That is why regulation must match the scope of financial institutions and operate across borders where necessary, recognising that no one nation state can adequately control multinational businesses. We need new supra-national institutions – with real teeth – to regulate banking. In my view they should be modelled on the World Trade Organisation that, uniquely among global institutions, is a treaty-based organisation operating with the force of law among member countries. It is this model that should form the basis of a new global agreement on financial service regulation that can bind national governments, regulators and business into a framework that prevents, permanently, a return to the crisis of today. It should be able to identify risk and intervene to stop it from spiralling out of control. And this new global financial regulator must have the power to bring into line, and enforce sanctions on, any organisations or countries who fail to meet their obligations. The London Summit in March made a tentative nod in the right direction, but stronger leadership could have delivered this.

The second way in which we must shift power in banking is in their size and scope. Banks which are too big to fail are, according to liberal principles, too big *per se* and must be broken up. In the run up to the current crisis, power became too concentrated in the few global banking players right at the top. One of the problems with the rescue as currently enacted is that it has the potential to worsen that situation, merging some of the

big competitors while others have disappeared altogether, meaning market shares are more concentrated than ever. That is why we must make a concerted effort to break up the giants of global finance as the economy returns to normal.

As Vince Cable, Liberal Democrat Shadow Chancellor has said countless times, size matters. British taxpayers should be disentangled from the risks involved in global investment banking as soon as possible. Existing publicly owned institutions – RBS and Lloyds – should be broken up before they are returned to private ownership, with the Lloyds-HBOS merger unscrambled as part of this process and RBS split from its investment banking operations.

In the longer term, we must ensure that the institutions consumers and small businesses depend on for savings and loans should not be put at risk by the casino culture of investment banking. To make this possible we need to invoke the spirit of the US Glass-Steagall Act, introduced to separate retail and investment banking in the 1930s in response to the financial crisis that led to the Great Depression. We do not need to replicate Glass-Steagall exactly, however. As Lord Turner of the FSA has warned, some forms of investment-style banking are low-risk, and offer benefits to consumers in the shape of increased flexibility and lower costs. Instead, we should divide our banking system along a more important line: risk. Individual banks should have to make a choice. Either they accept close regulation, an end to the bonus system, and an obligation to participate only in low-risk activities in return for permission to conduct consumer-facing business and access to government support in times of need. Or they choose the high-risk financial model, but are prohibited from conducting consumer-facing business and are left to sink or swim by the government even if the going gets tough – as is the case with hedge funds. I believe there is a place in the financial services mix for higher risk banking and for some complex financial instruments. Britain can have, and should have, a global hub for international finance in the City of London. But those who invest in these high-risk products should not expect any more protection than punters in betting shops and casinos.

Banking should be the servant of the economy, not its master. Liberal Democrats have long argued that politicians should not be in thrall to the money centre of the City, but support diverse, local banking infrastructure instead. In the aftermath of the banking crisis, now is the time to make this change – something Liberal Democrat and other councils are already doing by establishing or supporting credit unions. But we can go further. We should be using the taxpayer's stake to break up the big banks so that we can rebuild the kind of local banking and lending infrastructure that is effective in Germany and the USA, but which has been allowed to dwindle here. We need more of the building societies and credit unions that used to be the bedrock of British families' access to financial services. We need a financial power shift from the big beasts of global finance back to local people and their communities.

There is more to an economy than the banks, however. Liberal ideas also offer guidance for the development of a stronger, more sustainable economy in which a lop-sided reliance on one sector is replaced by a more balanced, dispersed approach to economic activity. The liberal approach is driven by our belief that the dispersal of power generates its own value: it creates stability, encourages creativity and innovation, and creates opportunities for individuals. Education is, of course, a vital consideration in generating a competitive economy and dispersing opportunity, which I will address below. Any attempt to restore our economy must also tackle perhaps our most important historic weakness – our failure to invest in infrastructure. A government preference for current over capital expenditure that has endured for decades must be reversed, especially if we are to meet the challenge of switching to a greener economy. My party has set out plans to divert several billion pounds of current spending that we believe to be wasteful into capital investment instead. By doing so we could create jobs today, especially for the young, and help to develop the infrastructure – the green homes, the efficient public transport, and the dispersed energy grid – we need to maintain a competitive and sustainable economy in the future.

Another important way to disperse power is through the tax system. To aid the recovery, we have long argued for substantial tax cuts for households on low and middle incomes to help people make ends meet, funded by making sure polluters and the very wealthy pay their fair share. This will be a financial power shift of the order of about £16 billion a year and will not only create a fairer tax regime, it will also help to boost consumer spending. Focusing our tax cuts on low and middle income earners will have the strongest economic effect, as they are the ones who are bearing the brunt of the recession and are most likely to spend the money. I explain this rebalancing of the tax system in favour of ordinary earners in more detail below, in the chapter on social justice.

Across the economic spectrum, the Liberal Democrats will focus on power, levelling the playing field and maintaining competition. Examples of our approach include our plans to regulate supermarkets more closely, to rebalance business rates so larger businesses pay more, and smaller ones have the burden lifted, and to reform the mechanisms of public sector procurement to provide more opportunities for entrepreneurs and SMEs.

In particular, Liberal Democrats will encourage the dispersal of power within, as well as between, businesses. There are far too many businesses where the employees who are creating business success might as well be numbers in a spreadsheet as far as the directors are concerned. A far better model for many businesses is one where staff are stakeholders in success, owners of the businesses to which they give up their day. Employee ownership is a classic liberal idea – it was something Jo Grimond campaigned hard for – but that does not make it old-fashioned. It is exactly what we need for a modern, liberal economy and it is particularly suited to high value-added businesses like technology start-ups, which will be a huge driver for future economic growth. Research, including Demos' recent report on 'Reinventing the Firm', shows employee owned companies produce higher quality work and have higher labour productivity,¹⁹ as well as lower employee turnover and higher job

satisfaction when combined with participatory management models.²⁰

After decades in which fast growth has been inextricably linked with high risks, this is the antidote we need: power and opportunity in every employee's hands. A Liberal Democrat government would not just look at ways to encourage employee ownership, we would lead the way by transferring a huge stake in the Royal Mail to a John Lewis Partnership-style employee ownership trust. This would be a way to put the future of our postal services into the hands of the people who really can change it, a symbol of our faith in them, and a concrete way for them to benefit from the effort they put in to turning the company around. It is only one company, but it would demonstrate our clear commitment to the diversification of company power structures, and lead the way for more change across the business environment.

5 The political crisis

During the spring and summer of 2009 Britain's political system was rocked as never before by the scandal over MPs' expenses. Thirteen years after Tony Blair wrote that he wanted 'a Britain where people have faith once again in politics – where they believe that politicians are not just in it for themselves but are MPs because they wish to serve their constituents and their country',²¹ politicians are held in unprecedented contempt by the British voter. Seventy-three per cent of people say they think politicians do not tell the truth.²² According to MORI polling, 83 per cent of the British people think politicians put themselves or their party ahead of constituents and the national interest.²³

While Labour cannot be held responsible for the excesses of individual MPs of all parties, they do bear some responsibility for their failure to reform politics. By allowing power to become concentrated among the few in Westminster, with the cosy system between the two parties and our voting rules guaranteeing hundreds of members of Parliament a job for life, they conspired in creating the terrain in which the expenses scandal took root.

The expenses scandal has worsened an already serious problem of alienation from politics. Growing disengagement from the political system has led to falling turnouts in elections at every level and growing cynicism about the motives of politicians and the effectiveness of the political process. Let us not forget that this year, for the first time, right wing fascists were elected to represent us in the European Parliament. The consequences for our society of disenchantment with mainstream politics are profound.

The question of what is causing this alienation is much debated, but in my view one of the major factors is the mis-allocation of power in our society. Much of people's contempt

for politicians is entirely rational, when you consider how little they can affect what happens in their life and their community. The outcome of elections is decided in a handful of marginal constituencies, so it is understandable that many people who live outside the handful of battleground constituencies see little value in voting.

There are few opportunities for people to influence their community, either. Alone in Europe, and in contrast to the great majority of democracies, Britain's government has become ever more centralised in recent decades, and less and less directly accountable to the public. The best the Government can offer in defence of its record on localism is that it has reduced the number of indicators it expects councils to measure from 1200 to 189.²⁴ Yet this change simply reversed centralising measures Labour had earlier introduced.²⁵ Despite a promise to rebuild local government,²⁶ the cross-party Communities and Local Government Committee concluded just this year that 'local government powers and responsibilities have been pushed both upwards to central government, and sideways and downwards to the regional arms of government and to other local bodies.'²⁷

Gordon Brown promised a 'bonfire of quangos'²⁸ in 1995, but Labour introduced 295 new 'task forces' in its first two years in office,²⁹ and the total number of Non-Departmental Public Bodies stood at 790 by March 2008. Forty new bodies have been created in the two years since Brown entered Downing Street. There are in addition thousands of local quangos, taking important decisions about how local services are delivered. As the authoritative Democratic Audit put it, 'It is palpably unrealistic to suggest that formal accountability of these [then] 4,500 bodies primarily through ministers to Parliament can be justified in principle, let alone work in practice. The idea is both inappropriate and impossible.'³⁰ Indeed, ministers use such bodies not to take responsibility but to abrogate it, claiming that any decision on the part of, for example, a Primary Care Trust is local, and not a matter for them.

Ours is the most centralised country in Europe outside Malta, when measured by the control over money spent at a local level. Only a country that is home to fewer people than the

London Borough of Croydon hoards as much power at the centre as this Labour Government. Even the Parliaments and Assemblies in Scotland, Wales, Northern Ireland and London have limited roles, while elsewhere in England local authorities have become agents for central government.³¹ Every major policy being delivered by councils today has ‘Made in Whitehall’ stamped on it, while 75 per cent of local authorities’ income comes from central coffers.³² As ever, power follows money; devoid of the freedom to raise the second, Councils are unable to exercise the first.

There was a time when Labour was the champion of change to this system, the great hope that politics could be reinvigorated, with power devolved so people had a real say in what happened to their communities. In 1993, this was at the heart of John Smith’s vision for Britain. He said: ‘I want to see a fundamental shift in the balance of power between the citizen and the state – a shift away from an overpowering state to a citizen’s democracy where people have rights and powers and where they are served by accountable and responsive government.’ And his words were echoed by his successor, Tony Blair, who told us in 1996: ‘It is [John’s] unfinished business which we must now finish.’ Blair promised to ‘create a new relationship between government and the people based on trust, freedom, choice and responsibility.’

To do them credit, Labour did begin a process of change, adhering to principles set out in opposition by Robin Cook. With the Labour/Liberal Democrat Joint Cabinet Committee pushing hard between 1997 and 1999, the government began the process of Lords reform, removing the majority of the hereditary peers from their seats. They introduced some transparency in relation to political donations, they introduced some reforms to the arcane system of Westminster, and they introduced the Freedom of Information Act to try to dismantle Whitehall’s culture of secrecy. For all this, they deserve credit.

But this did not represent a change in the culture of governance. Labour baulked at the big changes that would transform politics. They refused to cap donations to stop the influence of big donors. They refused to listen to their own party

members, sewing up backroom deals with union leaders instead. And they chose not to take the chance for the fundamental redistribution of the power in our political system offered by Roy Jenkins' commission on electoral reform. Once power was in their hands, the appeal of keeping power away from an overbearing executive and transferring it to Parliament and to voters suddenly dwindled.

The same pattern has repeated itself over the MPs' expenses scandal. At least some of the self-serving rules will now, thankfully, be removed for good, but it is shocking to any outsider that so little else is being done to change the system. Neither Labour nor the Conservatives will acknowledge that the expenses scandal was a symptom of a wider malaise in our politics, not an illness of its own. It is because our political culture is so warped that these Alice-in-Wonderland expenses rules developed in the first place. It is because Westminster is so closed to scrutiny that MPs imagined they could get away with them.

For too long we have believed the hype about Westminster being the Mother of Parliaments. The truth is all the pomp and tradition disguises the fact that Parliament is fast becoming a hollow sham, ignored by an over-mighty executive of ministers and civil servants. No wonder, when new democracies were emerging from the Soviet bloc in the 1990s, not one of them copied our model of governance. Our system does not deliver what people want, it does not keep government or politicians honest, and it does not foster the meaningful debate we need.

This has got to change. We should start from first principles. Power belongs to citizens, not politicians. That simple fact must be written down in a simple constitution setting out what rights people enjoy, and making clear the subservience of Parliament to the people. Big money must be taken out of politics because when cash determines the rules, they will always be weighted in favour of people with the largest wallets. Tinkering is not enough. We need to aim for a universal system where no donation over £25,000 is allowed. Even this seems a lot to most people, but it would be a huge shift in our politics. By cutting out the big money donors, we can shift influence back where it belongs: to the people.

Public outrage at many individual MPs' expense claims has been profound, but there is nothing constituents can do in response. That is why I believe if MPs transgress the rules, there must be a way for their constituents to sack them. I would create a 'recall' system: a small percentage of constituents should be able to force a by-election on any MP suspended for wrongdoing. The power to sack an MP should be in the hands of the people who sent them to Parliament in the first place, and they should not have to wait for election day.

Finally, but fundamentally, we need to give people a proper say in who governs the country with fair votes. No government should be able to secure total power with the support of just one out of every five people. Political reform might seem obscure sometimes, but it underpins real change. As I have outlined, it is our very system of election that confines the scope of our governments to create the fairer, freer society that Liberal Democrats have always championed.

Only a party which will really disperse power, breaking open the sorry, stale system of governance, rebuilding local government, and embracing fair votes for every level of election can reinvigorate our democracy. From the smallest parish council to the corridors of Westminster, we have to create a politics that opens doors to every citizen.

6 The environmental crisis

The threat of dangerous climate change rivals any the modern world has faced. No challenge for our generation is greater than averting a climate catastrophe. The best predictions science offers suggest that, if the planet warms by more than 2 degrees centigrade, it will tip us into a nightmare scenario that will lead to climate chaos we cannot control. It will affect not only the world's prosperity, but also our very ability to feed ourselves, threatening resource wars and mass migration on an unprecedented scale.

While Labour has done more than previous administrations to tackle carbon emissions, that is largely because the need is more apparent now than it had been in the past. Just doing more is not sufficient: only doing enough to stop the 2 degrees temperature rise will be good enough. But take a look at Labour's record. Carbon dioxide emissions are higher now than when Labour came to power ten years ago. They have admitted that they will not meet their domestic target of a 20 per cent cut in carbon dioxide emissions by 2010, and even their targets do not go far enough. Over the longer term, the government is only aiming to achieve a 60 per cent cut in the UK carbon account – not enough even to meet the level of cuts which the Stern review said will be necessary to achieve 'stabilisation' of carbon in the atmosphere at levels which current science considers may be too low.

Green taxes, an important market-based way of encouraging greener behaviour, have fallen from 3.6 per cent of GDP in 2000 to just 2.7 per cent of GDP today – their lowest level since Margaret Thatcher was Prime Minister.³³ And Labour has failed to support the necessary shift to renewable power. Renewable energy still accounts for less than 5 per cent of the UK domestic electricity, well short of the Government's 10 per cent target for

2010.³⁴ Instead of putting their focus into renewables, they are supporting the building of the first coal-fired power station since 1974 at Kingsnorth, jeopardising any hope of ending dirty coal generation.

Furthermore, many of Labour's key policies are actually making the problem worse. The party's transport policies are a mess: continuing year-on-year rises in vehicle emissions, rising costs for travel by public transport and falling costs for travelling by car. Road traffic in Britain has gone up by 14 per cent between 1997 and 2007 and despite the Government's own predictions that new road schemes can increase traffic by 8-10 per cent in just a year, it continues to push ahead with a flawed motorway widening policy.³⁵ And the number of air passengers have increased by 64 per cent between 1997 and 2007 (to 240 million), with freight traffic also increasing. CO₂ emissions from aviation have risen 83 per cent since 1997. Transport is now the fastest growing source of domestic UK carbon emissions.³⁶

Environmental campaigners often attribute Labour's failure to a simple lack of political will; a refusal to take the political hit of policies which seem to court short term unpopularity – like increasing aviation taxes – no matter how important they are in pushing us toward greener behaviour. There is certainly some truth in this analysis, but I argue that it is not just a failure of will that has betrayed the progressive cause of environmental protection. It is also a failure of method: once again, Labour's determination to drive through change from the central government has undermined their ability to achieve that change. They have refused to put power for change into the hands of individuals, local government and small businesses and – as so often – they have also failed to be the effective broker they should have been on the international stage, where so much of the efforts to tackle climate change are necessarily concentrated.

Let us look at the domestic record first. In two areas in particular, they have concentrated power and decision-making at the centre. First: the energy grid. We need to totally transform the way we generate electricity in this country, moving quickly to renewable energy. But even now, renewables firms are laying

off staff because the Government has shut its grant scheme that helps households adopt green energy technologies such as solar panels.

I believe Labour has never really committed to the renewables transition because it disrupts their preference for a centrally planned solution. The vast majority of Britain's energy is currently generated in large power stations, enormous hubs which pump out energy in a single direction towards the consumers. A strong renewables model is different: dispersed, diverse, local. Instead of just a few dozen giant power stations, millions of rooftops, street corners, rivers, tides and hilltops would be making a contribution, with technology ranging from wind and wave power to combined heat and power installations in industrial sites and micro-generation in every community. Homes become both receivers and generators of electricity, playing their part in a 'smart' grid that moves energy between us all. It is a lot more complicated and cannot be controlled from the centre, but it is also a lot more sustainable. All the technology is available, and if combined with a truly ambitious approach to energy efficiency and conservation, this model is entirely realistic as a way of meeting our future energy needs.

Yet Labour is disregarding this evidence and pushing, instead, for a new generation of nuclear power stations and even coal-fired generation. They cannot resist the urge to continue with the old, centralised model of generating electricity, because that is what they trust and understand. And this is despite the fact that their chosen strategy will not even meet the upcoming energy gap: even the Government admits that there is unlikely to be much in the way of new nuclear electricity on stream before 2020 – and the majority of the UK's existing nuclear power stations are due for decommissioning long before then.

Labour's support, even now, for micro-generation is lukewarm at best. It has taken them twelve years to learn the lesson from Germany and propose a feed-in tariff to encourage people to make their own power and sell it to the grid. On-shore wind is a case in point. Labour has undermined efforts to secure public support for wind power by focusing solely on ways to make it easier to get planning approval against the wishes of

local people. They should have looked to Denmark, where onshore wind is a huge success and – crucially – popular, not because it has been forced onto people but because citizens have the opportunity to own and profit from wind turbines in their area. It is a massive incentive to support their development which has worked phenomenally well. Denmark has the largest portfolio of wind projects integrated into its power grid in the world (21.6 percent in 2006), and is fifth (after Germany, Spain, the United States, and India) in terms of total domestic wind energy deployment (3,136 MW).³⁷

This has been possible only because they have created the diversified energy grid that liberals should be pressing for: the country shifted from centralised generation (with less than 20 large-scale plants) in the 1970s to a decentralised model including more than 4,000 small and medium-scale generators today. And it was the people, not the government, who did most of the hard work, putting up much of the capital and making the commitments necessary: by 2001 over 100,000 families belonged to wind turbine cooperatives, which had installed 86 per cent of all the wind turbines in Denmark. By 2004 over 150,000 were either members or owned turbines, and about 5,500 turbines had been installed.³⁸

Liberal Democrats would succeed where Labour has failed in switching to renewables because we are ready to learn these lessons, enthusiastic about dispersing the generation of power and committed to trusting people, communities and entrepreneurs to find solutions when the government can get the incentives right.

The second area in which Labour's centralised model has undermined their progressive ambitions is in transport. Their approach to all transport policy has been to 'predict and provide': the mantra of central planners across the world. This predict and provide strategy for aviation will allow a massive expansion of airports and deliver an 83 per cent increase in emissions from this sector. Road building plans approved by Labour are worth more than double the Tory programme that sparked mass protests by environmentalists in the early 1990s. Despite what they promised in 1997, Labour has exacerbated

trends towards car travel instead of trying to counteract them. The cost of public transport continues to rise above inflation (bus fares are up 17 per cent above inflation and train fares are up 7 per cent above inflation since 1997) while motoring costs have fallen by 17 per cent. Britain's railways are the most expensive in Europe, and in this context, it only makes sense for millions of people to stick with their car and keep polluting.

Labour's mistakes were, as ever, born of their particular attitude towards the use of power. They have tried to drive congestion-reduction and traffic management projects from the centre, meaning they are often inadequate or unsuitable for local needs or – like the proposed Manchester congestion scheme, subject to barely concealed financial blackmail from Whitehall – deeply unpopular and doomed to fail. Finally, in public transport, they have allowed large, pseudo-monopoly private providers to push up costs dramatically, in particular on the buses, where they have consistently refused to give local councils real power to stand up to operators.

Liberal Democrats would empower local communities to organise the services they want and manage traffic in a way that is best suited to their needs. That is why we would end the current highly centralised approach to transport planning with greater power given to local communities on matters such as the setting of targets for traffic reduction and for the development of good quality integrated commuter links between bus and rail. We would give more power to local authorities and/or Integrated Transport Authorities to license and regulate bus services in partnership with private-sector providers under a franchise or concession model allowing the authority to specify core bus routes and service levels. We would allow local areas to plan for their own future transport needs, by allowing councils and ITAs to make use of local revenue streams like bonds, or borrowing against future revenue streams, to invest in major new transport schemes – not ones dictated from Westminster, but ones proposed and supported by local residents.

Renewable energy and public transport: these are two important examples of areas in which significant carbon reductions could be achieved by a more liberal, decentralised

model of governance, so delivering on the progressive promise of protecting the life chances of future generations. There are many more. But some of the most important efforts to tackle climate change are, necessarily, being driven at the international level. Climate change, by its very nature, crosses borders, and so must action to stop it. Yet, again, Labour's lukewarm approach to international governance has made it harder to secure support for the changes they want. I deal in more detail with this in the section, below, on security, which analyses how and why Labour has not achieved its potential on the international stage.

7 The social crisis

There is one principle that pierces right to the heart of everything progressives stand for: fairness. Providing for a fair society where no one is condemned by the circumstances of their birth, where the vulnerable are given support, where the lucky reach out to the unlucky, where social mobility is not hobbled by class, used to be the guiding virtue for Labour. Yet over a decade of relentless central government activism has not produced the fairness we were promised. After years of unprecedented expenditure and target setting, social mobility is, by some assessments, worse now than it was in the 1950s. This is undoubtedly the greatest indictment of Labour's time in office, and the greatest abandonment of its progressive credentials.

Of course, empirical analysis of social mobility is fraught with difficulties, and it is hard to measure impacts of individual policies because of the timescales involved. However, the evidence that exists suggests that intergenerational mobility in Britain is substantially less mobile than Canada, the Nordic countries and Germany – the countries for which comparison is possible. Intergenerational mobility fell markedly over time in Britain, with less mobility for a cohort of people born in 1970 compared to a cohort born in 1958 – a time of rising average prosperity.³⁹

The charge sheet is heart-rending. In parts of Britain today there is an almost caste-like distinction between different communities: a child born today in the poorest neighbourhood in Sheffield will die on average fourteen years before a child born in the most affluent neighbourhood a few miles away. Recent research suggests that a bright child from a deprived background will have fallen behind a less bright but more affluent child by the age of six, and the gap will simply widen in subsequent years. This winter, 4.5 million people will only be able to

afford to heat one room in their homes. If you are disabled you are now twice as likely to be poor than if you are not. Income inequality is higher than when Labour came to power and higher than at any time under 17 years of Tory rule and Thatcher.⁴⁰ Taking all taxes together, the poorest 20 per cent pay 36.4 per cent of their income in tax, compared to just 35.6 per cent for the richest 20 per cent.⁴¹ Council housing waiting lists have grown by 77 per cent since 1997⁴² and the number of households in temporary accommodation has more than doubled.⁴³

It is clear to any impartial observer that across health, education, housing, taxes, benefits and crime, even after 12 years of Labour government, Britain remains marked by social division. Progressives believe this could, and should, be eradicated, but there remains a significant debate about how to do so, which is why it is in this area of policy that the fiercest discussions about the roots of Labour's failure are being conducted. As with the environment and political reform, many argue that it was simply a lack of political will, an unwillingness to go far enough with redistributive taxes, state control and nationalisation. I disagree: the failure to deliver social mobility, increased equality and opportunity for all stems directly from Labour's determination, as always, to push everything forward from central government. There is, of course, a role for central government: to allocate money on a fair basis, to guarantee equality of access in our schools and hospitals and to oversee core standards and entitlements. But once those building blocks are in place, the state must back off and allow the genius of grassroots innovation, diversity and experimentation to take off. As Organisation for Economic Co-Operation and Development (OECD) statistics show, on the whole, decentralised states are fairer than their centralised counterparts. Labour's refusal to allow liberal ideas like devolution and the dispersal of power to drive social change have had a huge negative impact on their attempts to tackle fairness in our society. This failure stretches across many policy areas that impact on social justice, which I will deal with one by one.

Education

Nothing is more important in dispersing power and delivering opportunities to people of every background than education. But Labour's record in using education to increase fairness is unimpressive: they have piled more money into our education system, but as the report I commissioned from Martin Narey on social mobility concluded, it has disproportionately benefited the better-off. Despite the Government's £500m Literacy Strategy, a fifth of children are still leaving primary school without being able to read and write properly and the initial progress made now appears to have stalled.⁴⁴ In 2008, only a quarter of the poorest children achieved 5 good GCSEs including English and maths.⁴⁵ Less than half of 16 year olds get 5 GCSEs (A*-C) including English and Maths⁴⁶ and Poorer children are still only half as likely to get five good GCSE passes.⁴⁷ Labour has presided over an education system that too often perpetuates rather than addresses inequality.

While I cannot, in a brief pamphlet, address every element of education policy, it is clear that at the heart of Labour's failure is its determination to deliver everything from Whitehall, rather than letting the genius of local innovation drive improvements. Every single year it has been in power, Labour has introduced an Education Bill, putting further burdens on schools, but failing to drive up standards. The various education departments have produced 11 Green Papers, 9 White Papers and 11 Education Bills since 1997, as well as laying more than 1800 Statutory Instruments, placing further regulations and burdens on schools.⁴⁸ The latest Bill gives ministers a staggering 150 powers to interfere, further restricting the freedom of schools and undermining the independence of the new regulator responsible for standards. Constant meddling with the curriculum and qualifications has eroded confidence in standards and fuelled the annual 'dumbing down' debate. Labour has created one of the most centralised education systems in the world that restricts schools from working creatively to ensure every child receives the quality education they need to get on in life.

Its approach has also been contradictory. Ministers did appear to acknowledge that freedom for schools was essential to driving up performance and gave more freedoms to innovate to a

small number of schools that they handpicked – Academies. Some of these schools have been very successful, transforming areas where there has been a long tradition of under-performance, though their critics would argue that their success was unsurprising given the exceptional financial and other support with which they were provided. Yet, ministers still refuse to extend these key freedoms to all schools preferring to continue their central control and stifling innovation for all but the few schools deemed by ministers to deserve something different.

The liberal approach would be very different. Central to our vision for education is setting schools free from Whitehall, so we would pass an Education Freedom Act, cutting the size of the central department banning ministers from interfering in the day to day running of schools. All schools would be awarded the key freedoms, such as changing the structure of the school day and creating a more flexible curriculum, currently only available to Academies.

Instead of meddling in the day-to-day running of schools, central government will be responsible for creating the right incentives needed for a fair system. Our fully funded Pupil Premium, in particular, will get funding for the poorest children up to the levels in private schools and see an extra £2.5bn injected into the education system, paid for by cutting central departmental expenditure and channelling savings from removing people on above average incomes from the means-tested Tax Credit system. It is modelled on the Dutch system, where the most deprived children attract funding of about twice as much as affluent children. The international study of educational standards PISA (Programme for International Student Assessment) shows the impact of socio-economic background on educational outcomes is about half that in the UK. This extra cash would enable schools to offer more one-to-one tuition and catch-up classes so that those children who are struggling no longer fall further behind, but get the extra support they desperately need. This would then allow all pupils from all backgrounds to progress together in class, rather than having classrooms fractured according to wealth and family circumstances from an early age.

Crucially, if you want to increase social justice, you have to help children as early as possible in life. That is why we have committed to abolishing the Child Trust Fund – which puts a few hundred pounds into the hands of 18 year olds whose life chances have already been all but determined – using the money instead to reduce class sizes for the youngest primary school children. All the evidence shows this would be a far more effective way to improve educational standards among people from poorer backgrounds, dispersing power to the disadvantaged at a time when it makes the biggest difference.

Health

Labour has poured more money than ever before into the National Health Service, helping it recover from a generation of underinvestment under the Conservatives. While there is so much that is excellent about the NHS, big questions must be asked about how it can be strengthened further. Looking at the overall picture, there are two broad conclusions that can be drawn. First, that there is more – much more – to improving services than money alone, and Labour's centralised management model does not appear to have delivered as much as could be expected given the doubling of NHS budgets since 1997. Second, health inequality remains a scar on the nation's conscience, with life expectancy still varying by 15 years or more between the most deprived and most affluent parts of Britain, more unequal than at any time since the Victorian age.⁴⁹ Social justice – fair health outcomes for all – is simply not being delivered by the current model.

The centralisation of Labour's management of the NHS has, in my view, undermined service delivery and jeopardised equality. They failed to understand that power needs to be dispersed in the NHS, rather than collected in the Secretary of State's office so no-one can do anything without Whitehall say-so. And they failed to understand that individual patients need to be empowered to deal with the NHS proactively – we should not all be supplicants at the state machine, but enabled to take charge of our health, get the care we need, and manage our own

interactions with medical staff. Trying to navigate the health and social care systems can be a nightmare, when there are so many different rules about entitlements, so much confusing jargon, not enough information about the options available to people.

The results of over-centralisation in the NHS are clear. Labour's target culture has stifled innovation, undermined the ability of doctors to make clinical judgements about their patients and distorted health care priorities. Studies have shown that a bid to meet targets has led to gaming in hospitals, some of which have drafted in extra staff to A&E to ensure patients are treated within four hours, at the expense of cancelled operations elsewhere. Some GPs responded to the target to provide access within 48 hours by blocking patients from making advance appointments. Preliminary research suggests the GP contract – a grand experiment in target-based incentives – may have systematically distorted care by increasing the neglect of conditions that do not carry payments. And hospital mismanagement of infections such as MRSA has in part been driven by a need to meet targets, in particular the requirement to clear patients from the accident and emergency department within four hours. Payment by Results incentivises hospitals to do more and more routine operations and, as a result, has been found to compromise specialist care or discourage clinical innovation because trusts are discouraged from investing in new treatment facilities and practices that would save lives.

The effects of treating patients like numbers instead of people are also profound. It is no wonder health inequality is rising. When the NHS is so complex to navigate, vulnerable people will be the first to suffer because they often find it harder to assert themselves. Over-centralised administrative complexity is a guarantee that the articulate middle classes will win out.

Some of the targets actually encourage medical professionals to act in ways that perpetuate inequality: part of the new GP contract, the Quality and Outcomes Framework, rewards doctors who work in more affluent areas which also tend to be healthier areas, for example. This is a total betrayal of progressive values, a classic example of Whitehall formulas leading to unfair outcomes on the ground.

A liberal NHS would be different, broken down to a human scale so individual patients – whatever their background – are empowered to get the health care they want, and communities can come together to run the services in the best way for their local area. Our patient contract would give all citizens a guaranteed entitlement to treatment, including for mental health concerns, within a maximum waiting time, with the NHS paying for care from a private provider if that time is exceeded. And our proposals for elections to local health boards would make it clear to people that they have the chance to improve the service in their area – they are not supplicants to the NHS but participants. As a result, our model would improve services for all, enabling local innovation to drive change that suits communities.

I am convinced this decentralised, liberal model would deliver more personalised and efficient services and, crucially, it would also help to tackle the problems of rising health inequalities. Look at Denmark, which has a similar model of universal health care to the one we propose: it is the only country in Europe where health inequality is not rising. In fact it has been stable for 20 years, during which period it has worsened dramatically in the UK as more affluent people take advantage of new health advice and medical technology which poorer people do not have the money, education or opportunity to access. By dispersing power both within the NHS and between its staff and its patients, we will be able to drive a new wave of improvement in health care, delivering on the progressive promise of world-class care, free to all on the basis of need, not ability to pay.

Tax

Tax policy is a fundamental aspect of liberal ideology because money gives people power, and when money is unevenly distributed in a society, so is power. To disperse power more evenly through society you have to make sure everyone pays their fair share and return some money, through benefits, to the most vulnerable. But in Labour's Britain the poorest pay a

higher proportion of their income in tax than the richest. The tax system does redistribute power, but it does it in the wrong way: it sucks the poorest dry, weakening them still further, and it allows big corporations and the super rich to pick and choose the taxes they pay. As a result, the richest are the ones who accelerate during the boom times, while the poor are left without the financial cushion to cope with rising prices and joblessness in the bad times.

Labour has created an unfair tax system. They have protected and increased the council tax, under which the poorest pensioners pay five times as much of their income as the richest working people. They chose to fund increased investment in the NHS with an increase in national insurance rather than income tax, even though national insurance is regressive, with people on lower incomes paying a higher proportion of their incomes than high earners. And, in 2007, Gordon Brown betrayed every low-paid worker in the country by doubling the 10p tax rate, pushing millions of people into financial dire straits. Their whole tax policy has undermined social justice, taking money – and with it power – away from the poorest people. While they have managed to transfer some wealth through the tax credit and benefit systems, overall the spread of both wealth and income between rich and poor has worsened under Labour.

In my view, fair taxes are a pre-requisite for a fair society, and that is why they are at the top of my agenda for liberal social reform. Liberal Democrats have put forward a plan to cut taxes for people on low and middle incomes by £700, by closing loopholes and ensuring that polluters and the very wealthy pay their fair share. We would raise the income tax threshold to £10,000, ensuring that millions of people who currently pay income tax would be able to earn their full salary, or draw their full pension, tax free. This is liberal because it ensures that money (and with it, power) is only taken from those who can afford it.

And this can be paid for, even in a recession, if we are prepared to even out the anomalies and loopholes which characterise Britain's over-complex tax system. We would raise the money, approximately £16bn, to raise the income tax

threshold to £10,000 by increasing green taxes, in particular on aviation, tackling tax avoidance, abolishing upper rate pensions tax relief and harmonising Capital Gains Tax rates and allowances with Income Tax.

Housing

Labour's record on housing, other than their investment in upgrading social housing stock, is dismal. They stoked a housing bubble that has now collapsed, causing tens of thousands of repossessions and a consumer credit boom that contributed to the recession. House building levels at one point fell to the lowest level since the Second World War. There are almost one million fewer social homes than in 1991 and the waiting list has rocketed to 1.8m families. Labour has let down low income families – the very people who hoped Labour would protect them.

Both the housing bubble and the social housing crisis developed because of Labour's reluctance to disperse economic and political power. Social housing is disappearing because of the nationally-imposed Right to Buy and Whitehall restrictions on councils' ability to invest in building new homes to replace those sold off. Both were introduced by the Conservatives but Labour did almost nothing to reverse the trends, even imposing extra constraints on councils in relation to the Decent Homes investment. As for the house price bubble: it was heavily influenced by the failure to regulate mortgage provision properly, with Labour refusing to intervene to disperse power away from the debt-providers and towards home buyers.

Liberal Democrats would approach housing differently, dispersing power away from the big mortgage providers and central government to provide a more stable market and more diverse safety net. Local authorities would be able to borrow on their own assets to build new social housing, we would ensure homes sold under Right to Buy are replaced locally, and would use the planning system to give power back to local communities so that they can shape local development to build the homes they need. We would regulate mortgages more closely and make

the Bank of England take house prices into account when setting interest rates to reduce the likelihood of another house price bubble. Only by doing so will we ensure that house prices do not again stretch beyond the reach of ordinary people, creating a permanent social divide between home owners and renters, the haves and have-nots of the property ladder.

8 The security crisis

Security has often been referred to as the first duty of the state. For progressives, security is important because without it there is little capacity for progress of any kind. Only once people feel safe can they devote their attentions to social development, innovation and creativity.

No wonder, then, that Labour put security from crime right at the top of their agenda in the late 1990s, fighting the 1997 election on a platform of ‘tough on crime, tough on the causes of crime.’ After the attacks of 9/11 they added security from terror as a key element of their pledge to the British people. Furthermore, Tony Blair put forward a new doctrine of liberal interventionism designed to increase the security of the whole world and its peoples. It is right, then, for progressives to ask whether the Labour government of the last 12 years has succeeded in creating security at the personal, national and international level. I will argue that it has not fulfilled its potential due to the perennial problems of Labour: a failure to trust individuals and devolve power, and a failure to engage effectively on the international stage.

First: crime. Most criminologists agree that where crime has fallen this is largely the product of benign economic circumstances over the last decade and changes in technology that have made crimes like burglary and car theft harder. The drop in crime in Britain has been mirrored throughout the developed world, and there are already some indications that the trend has gone into reverse in part due to the recession. In the latest British Crime Survey, overall crime was up 5 per cent over the year, with acquisitive crimes of theft from the person and domestic burglary both rising, by 25 per cent and 1 per cent respectively.⁵⁰

So the evidence suggests that there are wider forces at work to explain the ebb and flow of crime in Britain. Yet Labour has

ignored this evidence and claimed instead that its policy of mass incarceration has worked, even though it is an approach that has brought our prison system to the brink of meltdown.

In 1996, 61,114 people were in prison but in July 2008, it was over 83,000. The number of women in prison has nearly doubled, from 2,672 in 1997 to 4,565 in August 2008. We have the highest rate of young people in prison in Europe.⁵¹ Yet there is no evidence this is cutting crime: two thirds of people sent to prison re-offend within two years, compared to half of those given a community sentence. Seventy-eight per cent of juveniles sentenced to custody re-offend within a year⁵² and an astonishing 92 per cent of young men given their first short custodial sentence re-offend within two years.⁵³ It is clear that overcrowded prisons do not work to turn people away from crime, but can act instead as a training school, turning vulnerable young people into hardened career criminals.

A liberal approach to punishment would be very different, and in my view offers a real chance of turning our criminal justice system around. It would focus on changing the behaviour of offenders to cut crime, and giving communities and victims a greater role in how this is done. In practice, that means far less warehousing of people in prison and far more treatment for drug, alcohol and mental health problems to stop people offending and reoffending in the first place. It will mean far more training, education and work in prison, with prisoners even making a contribution from their wages to a Victim Compensation Fund, encouraging them to engage with the effects of their crimes on others. Only by making sure all prison and criminal punishment regimes are targeted towards turning people away from crime will we be able to turn offenders into productive, tax-paying members of society. The difference in approach is profound: our ambition is not simply to control and contain people who do wrong, but to use state action for the specific purpose of changing people so they no longer need to be controlled.

The liberal approach would also empower communities to tackle crime together. Community Justice Panels, which will give people a direct say in the sentencing of minor offences and anti-

social behaviour, will be established in every area. First developed by Liberal Democrats in Chard, in Somerset, and now being rolled out across Liberal Democrat-controlled Sheffield, these panels can deal with small but serious crimes, such as broken windows, graffiti and vandalism. Victims and offenders are offered an alternative to the usual justice system. If the victim agrees, offenders can face their victims and their families, explain what they did and why, and apologise. Members of the community and the victims themselves then have the power to decide how the offender can make up for their crime, through visible community service such as repairing criminal damage or cleaning up graffiti. The police only need to get involved if the offender refuses to cooperate. These panels work not only to cut crime – the pilot project in Chard has a reoffending rate of just 2 per cent – but also to restore the confidence of people that something is being done. The panels take justice out of anonymous courts and put power to cut crime into the hands of ordinary people. As a result, they are proving extremely popular. Justice is not just done, it is seen to be done; communities have power in their hands and it makes them feel strong.

Without security, it is impossible to be free. The insecurity of the threat of crime is corrosive, and can imprison people in their own homes. It is right that the state should act to liberate people from this fear, from the insecurity of crime. But what if state action creates insecurity of its own, so diminishing people's freedom in a different way? This is exactly what has happened over the last decade.

Labour's determination to extend state power, invariably in the name of our collective security, has led to the worst encroachment on British civil liberties in modern times. Not only is Labour planning to introduce identity cards, they have stockpiled the DNA of a million innocent people, curtailed the right to protest and the right to freedom of assembly and undermined the right to trial by jury. The Government has created a database of every child in the country. Surveillance powers designed to fight terrorism and serious crime are instead used to spy on people's pets, children and bins. And under

Labour Britain has the longest period of detention without charge in the world.

Labour's approach is perhaps best demonstrated by their legislative record. This government has created nearly 3,500 new criminal offences,⁵⁴ more than any government in history, rendering illegal a huge number of things that previously did not attract criminal sanctions from selling a grey squirrel to impersonating a traffic warden.

They have been able to do this because so much unaccountable political power is concentrated in their hands. I have already spelt out the need for drastic political reform and decentralisation in earlier sections, but it is just as important in relation to the protection of our historic civil liberties. To make freedom irreversible, we need to change the very fabric of the way this country is governed, to remove or reverse the political forces that drive politicians to turn against freedom once in office.

Remember, Labour ministers who led some of the worst infringements of our liberties over the last 12 years, from the introduction of ID cards to detention without trial, were the same people who marched with, campaigned with or even worked for the human rights organisation Liberty in the 1980s and 1990s. Those who campaigned for years for Britain to have a Human Rights Act are the same people now at the forefront of campaigns to get it watered down. In my view, it is only by changing the power structures of our political system that we can prevent this reversal from happening to every generation of liberty campaigners once they make it into office.

The way to stop freedom being taken away from us is to bind – permanently – the hands of ministers and officials with a written constitution that permanently enshrines our human and civil rights. They cannot take what they cannot touch. Constitutional reform, the details of which I spelt out above, has to be right at the heart of any attempt to reclaim civil liberties in this country: the only way to stop the government infringing liberty is to clip its wings for good.

The third element to our security I want to address is in relation to Britain's position in the world. The international

threats we face vary from tackling cross-border crime to stabilising rogue or failed states. This pamphlet is clearly not the place to conduct a full analysis of Labour's foreign policy and set out the alternative Liberal Democrat approach. However, I will seek to demonstrate that Labour's lukewarm commitment to international cooperation has undermined many of its efforts to protect British and world security – as well as thwarting attempts to secure climate change treaties and better banking regulation, as I demonstrated above.

First, and most obviously, there is our involvement with the illegal invasion of Iraq. By circumventing the United Nations and supporting the pre-emptive action of the United States, Britain has seriously undermined her position on the world stage and dealt a hammer blow to the hopes of progressives the world over for the ongoing development of real, binding international law. The action in Iraq has been compounded by recent accusations that the Government had in place a policy on interrogation of terror detainees that broke the UN Convention Against Torture. Further revelations include the use of British territory by the United States for state kidnapping. The Government was slow to criticise the US for its facility at Guantanamo Bay, which operated without any respect for the Geneva Conventions. And, on a separate matter, we have shown little regard for international anti-corruption measures by cancelling the investigations into alleged corruption over the Al Yammamah arms deal with Saudi Arabia.

Liberals believe in international law as a way of reducing the capacity of an individual nation state to do harm to others, and as a mechanism for cooperation to deliver progressive ends. Labour claimed to hold those beliefs, too, but their record suggests they failed to understand that limiting the power of the nation state through international law only means anything if nation states stick with it even when it is uncomfortable or expensive to do so. We will never persuade other nations to abide by international law when we disregard it ourselves so casually.

What is it that undermined Labour's commitments to internationalism? Historically the Labour party has had an

uncomfortable relationship with liberal internationalism and its institutions, none more so than in its attitude to the European Union. For the Labour movement, its socialist tradition has never sat easily with an institution that has used trade and markets to drive political integration. Indeed, both Blair and Brown entered parliament in 1983 on a pledge to take Britain out of the then EEC – a ‘capitalist club’ to Labour activists.

Despite a long and painful readjustment towards a more credible European policy, the Labour party retains strong euro-sceptic sentiments. Gordon Brown’s recent cry of – ‘British Jobs for British Workers’ was a crude flirtation with this, a hint at an economic nationalism more associated with the Labour of the 1980s. Gordon Brown spent his years as Chancellor showing an arrogant disdain towards his European counterparts, where they would be subjected to long lectures on the miracle of the British economy. He ensured that debate on the long-term merits of membership of the Euro was excised from political debate. Furthermore, Brown’s handling of the ceremonial signing of the Lisbon Treaty, signing the document alone and away from the celebrations, speaks volumes about the place of Europe in his worldview. Though the Conservatives and the sceptic media may display it more openly, Labour still retains a romantic notion that Britain’s long history as an important power somehow means we can go it alone even in a globalised world. The debate over the Lisbon Treaty during which Brown set out his ‘red lines’ on EU cooperation on foreign policy, defence and justice and home affairs demonstrated how far Labour had retrenched over the decade. All these areas of natural British leadership were presented as unwanted encroachments on sovereignty, as threats rather than opportunities for Britain to extend its influence.

Beyond Europe, the New Labour approach to supranational organisations has been to grandstand when there is a popular interest, such as in the run-up to the G8 in Gleneagles, but to neglect the patient, solid work of negotiating and building relationships over the long term and implementing agreements once secured.

Only liberals in British politics, it seems, truly understand both the forces that are driving globalisation and the interna-

tional governance required to control them. By engaging Britain more fully in supranational organisations – starting with a full commitment to put our country where it belongs, at the heart of Europe – a liberal government would stretch our influence more effectively beyond our borders, increasing our security as well as enabling us to deliver on other progressive ends like fighting climate change and stabilising the world economy.

Conclusion

I want to conclude with an appeal. An appeal to all those people who believe that growing inequality in Britain is not inevitable, that the looming climate change catastrophe can still be averted, that politics can still do good, that standing tall in Europe is right, that no child's life chances should be blighted by the circumstances of their birth, that individual liberties are precious, and that an old country like Britain can still renew itself again. In short, all those people who believe that progress is always possible. Many of you will have rallied to Tony Blair in 1997, hopeful of a new beginning then. Many of you may even be tempted to believe that David Cameron's Conservatives offer a new beginning now.

I urge you to consider the values, the beliefs and policies I have set out in this pamphlet. They offer something very different to the failed statism of Labour, or the synthetic charms of today's Conservative party. They flow from the simple view that power has been concentrated in the wrong places in Britain for too long – and that if we disperse power more widely and fairly, Britain could be a more prosperous, socially just, greener and better governed country.

But that will only happen if we do things differently. I simply do not believe that a tired Labour party or an ideologically hollow Conservative party possess the convictions necessary to steer the country forward in the coming years. On so many issues the clock is ticking fast: a generation of young people at risk of being lost to unemployment; looming climate change catastrophe; the rise of the East, of China and India, on the international stage; growing public despair at Westminster politics; a gaping hole in our public finances; a rapidly ageing population. As a nation, we will not be able to address these

challenges unless we do things differently. 'Business as usual' will condemn us to failure.

The dilemma is particularly acute for people who consider themselves to be progressive. There is self evidently little progressive hope in a Conservative party which talks about 'broken Britain' but wants to give tax breaks to the very rich, that claims it cares about the environment but clubs together with climate change deniers in Europe, that professes an interest in political reform but will not alter the warped way money and votes are distributed to parties. Crucially, there is no hope either in hoping that Labour will rediscover its progressive purpose any time soon. Labour has been hollowed out by twelve years in government, and will need years to recover, if it recovers at all.

This is the liberal moment, a realignment of progressive politics with the Liberal Democrats at its heart. This will inevitably be regarded as a self serving claim from a Leader of the Liberal Democrats. But what I have sought to set out in this pamphlet is that it is a claim rooted in history, in values and in policy too.

Power has been hoarded in the wrong hands for too long in Britain. We are paying the price in the recession of today, the climate crisis, the collapse of our politics, our lack of security and the ongoing injustice of social division and inequality. But the consequences of allowing progressive ideas to disappear from the British political stage because of Labour's decline would be even more devastating. Progressive politics is the best hope for Britain, but it needs to be a new kind of progressive politics, built on empowerment, freedom, and diversity. That is what the Liberal Democrats have always stood for, and it is why we are progressives' best and only hope today.

Notes

- 1 JS Mill, *On Liberty* (Harlan Davidson: 1947), p9.
- 2 Ibid., p117.
- 3 For the argument for a class-based Liberal Party, see P. Clarke, *Lancashire and the New Liberalism*, (Cambridge: Cambridge University Press, 1971); R. McKibbin, *The Evolution of the Labour Party* (Oxford: Clarendon Press, 1974) for the argument that Labour's breakthrough was already very likely before 1914.
- 4 D. Tanner, *Political change and the Labour party: 1900-1918* (Cambridge: Cambridge University Press, 1990), *passim* and pp. 419-26 for a summary.
- 5 A. Sykes, *The Rise and Fall of British Liberalism: 1776-1988* (London: Longman, 1997) and P. Thane, 'The Working Class and State 'Welfare' in Britain, 1880-1914' in *The Historical Journal*, 27/4 (1984), 877-900 for working class state-scepticism; Tanner, *Political change*, pp. 162-96 for Labour's growth in Tory seats.
- 6 B. Murray, *The People's Budget 1909/10: Lloyd George and Liberal Politics* (Oxford: Clarendon Press, 1980), esp. pp. 112-7, for the details of the Budget.
- 7 Ibid., pp. 164-204.
- 8 Sykes, *Rise and Fall*, pp. 198-215.
- 9 Ibid., pp. 208-32; Tanner, *Political change*, pp. 406-17.

- 10 Clarke, *Liberals and Social Democrats*, pp. 164-204; Tanner, *Political change*, pp. 432-7.
- 11 M. Worley, *Labour Inside the Gate: A History of the British Labour Party between the wars* (London: I.B. Tauris, 2005), pp. 30-33 and *passim*.
- 12 Ibid.
- 13 Sykes, *Rise and Fall*, pp. 234-5.
- 14 *International Migration* (0063 vol. 44 (1) 2006)
[http://www.iom.int/jahia/webdav/site/myjahiasite/shared/shared/main/site/published_docs/serial_publications/im_44\(1\).pdf](http://www.iom.int/jahia/webdav/site/myjahiasite/shared/shared/main/site/published_docs/serial_publications/im_44(1).pdf).
- 15 Gordon Brown, Mansion House speech to the City of London, 17 June 2004, http://www.hm-treasury.gov.uk/speech_chx_180603.htm.
- 16 Ibid.
- 17 Households Below Average Income, DWP, http://research.dwp.gov.uk/asd/hbai_arc.asp.
- 18 HMRC and Budget 2007, <http://www.hmrc.gov.uk/Budget2007/index.htm>.
- 19 For work quality, see Long, R.J. (1978a) 'The effects of employee ownership on organizational identification, employee job attitudes, and organizational performance: A tentative framework and empirical findings. *Human Relations*. 31 (1). Pp.29- 48. For productivity gains, see Robinson, A. M. and Wilson, N. (2006) 'Employee Participation, Ownership and Productivity: An Empirical Re-Appraisal, *British Journal of Industrial Relations*. 44(1):31-50.

- 20 Michie, J. (2007.10) 'The economic case for HM Treasury to support the employee owned business sector through tax breaks and the reform of the treatment of employee trusts' Unpublished paper for the Employee Ownership Association.
- 21 T. Blair, 'A Letter to Kathryn' in *Daily Express*, (3 Jan 1996).
- 22 Ipsos MORI, 'Trust in Professions' (12 Feb 2009)
<http://www.ipsos-mori.com/researchpublications/researcharchive/poll.aspx?oItemId=15&view=wide>.
- 23 Ipsos MORI, 'MPs' motives 1994-2009' (2 June 2009)
<http://www.ipsos-mori.com/researchpublications/researcharchive/poll.aspx?oItemId=2443&view=wide>.
- 24 Rt Hon Hazel Blears, Evidence to Communities and Local Government Select Committee, (12 Jan 2009), Q595.
- 25 Communities and Local Government Select Committee, *The Balance of Power: Central and Local Government*, HC33-I, (12 May 2009), p. 11.
- 26 T. Blair, *My Vision of a Young Country*, (London: Fourth Estate, 1996), p. 70.
- 27 Communities and Local Government Select Committee, *The Balance of Power: Central and Local Government*, HC33-I, (12 May 2009), p. 7.
- 28 See, for example, 'The New Shape of Britain?' in *The Independent on Sunday*, (8 Jan 1995), p. 17.
- 29 T. Barker, I. Byrne, A. Veall, *Ruling By Task Force: Politico's Guide to Labour's New Elite* (London: Politicos, 1999).
- 30 S. Weir, *Political Power and Democratic Control in Britain*, (London: Routledge, 1999), p. 252.

- 31 See, for example, Professor George Jones OBE, Evidence to Communities and Local Government Select Committee in *Balance of Power: Central and Local Government*, HC 33-I (08/09), Q398.
- 32 Communities and Local Government Select Committee, *The Balance of Power: Central and Local Government*, HC33-I, (12 May 2009), p. 12.
- 33 Office for National Statistics, 'Environmental Accounts' (Autumn 2008) http://www.statistics.gov.uk/downloads/theme_environment/EADec2008.pdf.
- 34 BERR Energy Statistics 2008, figure is for 2007 <http://stats.berr.gov.uk/energystats/dukeso8.pdf>.
- 35 House of Commons, Written Answers to Questions, (5 Feb 2009) <http://www.publications.parliament.uk/pa/cm200809/cmhansrd/cm090205/text/90205w0001.htm#09020549000330>.
- 36 'UK road traffic rises 25% in 15 years', The Guardian, (25 Mar 2009) <http://www.guardian.co.uk/environment/2009/mar/18/road-emissions-traffic>.
- 37 The Electricity Journal, Volume 21, Issue 2 (Mar 2008), pp 27-38.
- 38 Ibid.
- 39 Jo Blanden, Paul Gregg and Stephen Machin Intergenerational Mobility in Europe and North America, London School of Economics, <http://cep.lse.ac.uk/about/news/IntergenerationalMobility.pdf>.
- 40 'Living Standards and Inequality', Institute for Fiscal Studies, (28 Mar 2007) http://www.ifs.org.uk/publications.php?publication_id=3933, slide 29.

- 41 'Effects of taxes and income on household budgets', Office for National Statistics, <http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=10336>.
- 42 Communities and Local Government, 'Table 208: House building: permanent dwellings, started by tenure and country' (13 June 2007) <http://www.communities.gov.uk/documents/housing/xls/323492.xls>.
- 43 Communities and Local Government, 'Table 623: Statutory homelessness: households in temporary accommodation, by type of accommodation, at the end of each quarter, England, 1997-2999' (26 Oct 2005) <http://www.communities.gov.uk/documents/housing/xls/141755.xls>.
- 44 National Pupil Database, <http://www.dcsf.gov.uk/rsgateway/DB/SFR/s000822/SFR322008-allKS2noNITables.xls>.
- 45 Ibid. National Pupil Database, <http://www.dcsf.gov.uk/rsgateway/DB/SFR/s000822/SFR322008-allKS4noNITables2.xls>.
- 46 Ibid.
- 47 Daily Express, (27 Sept 2007).
- 48 House of Commons, Written Answers: Column 557W (11 Mar 2009) Hansard, Commons Publications, <http://www.publications.parliament.uk/pa/cm200809/cmhansrd/cm090311/text/90311w0034.htm#09031197002715>.
- 49 BMJ, 30 April 2005, *Health inequalities and New Labour: how the promises compare with real progress*.
- 50 Home Office, 'Crime in England and Wales 2008/09', Home Office Official Statistical Bulletin, Vol 1 (July 2009) <http://www.homeoffice.gov.uk/rds/pdfs09/hosb1109vol1.pdf>.

- 51 Ministry of Justice, 'Population in custody monthly tables, June 2009, England and Wales', Ministry of Justice Statistics Bulletin (31 July 2009) <http://www.justice.gov.uk/publications/docs/population-in-custody-06-2009.pdf>.
- 52 Home Office, 'Re-offending of adults results from the 2004 cohort', Home Office Statistical Bulletin, (Mar 2007) <http://www.homeoffice.gov.uk/rds/pdfs07/hosbo607.pdf>.
- 53 Social Exclusion Unit, 'Reducing re-offending by ex-prisoners', (July 2002) <http://www.thelearningjourney.co.uk/file.2007-10-01.1714894439/download>.
- 54 Liberal Democrat Policy and Research Unit, 2008.

Demos – Licence to Publish

The work (as defined below) is provided under the terms of this licence ('licence'). The work is protected by copyright and/or other applicable law. Any use of the work other than as authorized under this licence is prohibited. By exercising any rights to the work provided here, you accept and agree to be bound by the terms of this licence. Demos grants you the rights contained here in consideration of your acceptance of such terms and conditions.

1 Definitions

- A **'Collective Work'** means a work, such as a periodical issue, anthology or encyclopedia, in which the Work in its entirety in unmodified form, along with a number of other contributions, constituting separate and independent works in themselves, are assembled into a collective whole. A work that constitutes a Collective Work will not be considered a Derivative Work (as defined below) for the purposes of this Licence.
- B **'Derivative Work'** means a work based upon the Work or upon the Work and other pre-existing works, such as a musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgment, condensation, or any other form in which the Work may be recast, transformed, or adapted, except that a work that constitutes a Collective Work or a translation from English into another language will not be considered a Derivative Work for the purpose of this Licence.
- C **'Licensor'** means the individual or entity that offers the Work under the terms of this Licence.
- D **'Original Author'** means the individual or entity who created the Work.
- E **'Work'** means the copyrightable work of authorship offered under the terms of this Licence.
- F **'You'** means an individual or entity exercising rights under this Licence who has not previously violated the terms of this Licence with respect to the Work, or who has received express permission from Demos to exercise rights under this Licence despite a previous violation.

2 Fair Use Rights

Nothing in this licence is intended to reduce, limit, or restrict any rights arising from fair use, first sale or other limitations on the exclusive rights of the copyright owner under copyright law or other applicable laws.

3 Licence Grant

Subject to the terms and conditions of this Licence, Licensor hereby grants You a worldwide, royalty-free, non-exclusive, perpetual (for the duration of the applicable copyright) licence to exercise the rights in the Work as stated below:

- A to reproduce the Work, to incorporate the Work into one or more Collective Works, and to reproduce the Work as incorporated in the Collective Works;
- B to distribute copies or phonorecords of, display publicly, perform publicly, and perform publicly by means of a digital audio transmission the Work including as incorporated in Collective Works; The above rights may be exercised in all media and formats whether now known or hereafter devised. The above rights include the right to make such modifications as are technically necessary to exercise the rights in other media and formats. All rights not expressly granted by Licensor are hereby reserved.

4 Restrictions

The licence granted in Section 3 above is expressly made subject to and limited by the following restrictions:

- A You may distribute, publicly display, publicly perform, or publicly digitally perform the Work only under the terms of this Licence, and You must include a copy of, or the Uniform Resource Identifier for, this Licence with every copy or phonorecord of the Work You distribute, publicly display, publicly perform, or publicly digitally perform. You may not offer or impose any terms on the Work that alter or restrict the terms of this Licence or the recipients' exercise of the rights granted hereunder. You may not sublicense the Work. You must keep intact all notices that refer to this Licence and to the disclaimer of warranties. You may not distribute, publicly display, publicly perform, or publicly digitally perform the Work with any technological measures that control access or use of the Work in a manner inconsistent with the terms of this Licence Agreement. The above applies to the Work as incorporated in a Collective Work, but this does not require the Collective Work apart from the Work itself to be made subject to the terms of this Licence. If You create a Collective Work, upon notice from any Licensor You must, to the extent practicable, remove from the Collective Work any reference to such Licensor or the Original Author, as requested.
- B You may not exercise any of the rights granted to You in Section 3 above in any manner that is primarily intended for or directed toward commercial advantage or private monetary

licence to publish

compensation. The exchange of the Work for other copyrighted works by means of digital file sharing or otherwise shall not be considered to be intended for or directed toward commercial advantage or private monetary compensation, provided there is no payment of any monetary compensation in connection with the exchange of copyrighted works.

- c If you distribute, publicly display, publicly perform, or publicly digitally perform the Work or any Collective Works, You must keep intact all copyright notices for the Work and give the Original Author credit reasonable to the medium or means You are utilizing by conveying the name (or pseudonym if applicable) of the Original Author if supplied; the title of the Work if supplied. Such credit may be implemented in any reasonable manner; provided, however, that in the case of a Collective Work, at a minimum such credit will appear where any other comparable authorship credit appears and in a manner at least as prominent as such other comparable authorship credit.

5 Representations, Warranties and Disclaimer

- A By offering the Work for public release under this Licence, Licensor represents and warrants that, to the best of Licensor's knowledge after reasonable inquiry:
 - i Licensor has secured all rights in the Work necessary to grant the licence rights hereunder and to permit the lawful exercise of the rights granted hereunder without You having any obligation to pay any royalties, compulsory licence fees, residuals or any other payments;
 - ii The Work does not infringe the copyright, trademark, publicity rights, common law rights or any other right of any third party or constitute defamation, invasion of privacy or other tortious injury to any third party.
- B except as expressly stated in this licence or otherwise agreed in writing or required by applicable law, the work is licenced on an 'as is' basis, without warranties of any kind, either express or implied including, without limitation, any warranties regarding the contents or accuracy of the work.

6 Limitation on Liability

Except to the extent required by applicable law, and except for damages arising from liability to a third party resulting from breach of the warranties in section 5, in no event will licensor be liable to you on any legal theory for any special, incidental, consequential, punitive or exemplary damages arising out of this licence or the use of the work, even if licensor has been advised of the possibility of such damages.

7 Termination

- A This Licence and the rights granted hereunder will terminate automatically upon any breach by You of the terms of this Licence. Individuals or entities who have received Collective Works from You under this Licence, however, will not have their licences terminated provided such individuals or entities remain in full compliance with those licences. Sections 1, 2, 5, 6, 7, and 8 will survive any termination of this Licence.
- B Subject to the above terms and conditions, the licence granted here is perpetual (for the duration of the applicable copyright in the Work). Notwithstanding the above, Licensor reserves the right to release the Work under different licence terms or to stop distributing the Work at any time; provided, however that any such election will not serve to withdraw this Licence (or any other licence that has been, or is required to be, granted under the terms of this Licence), and this Licence will continue in full force and effect unless terminated as stated above.

8 Miscellaneous

- A Each time You distribute or publicly digitally perform the Work or a Collective Work, Demos offers to the recipient a licence to the Work on the same terms and conditions as the licence granted to You under this Licence.
- B If any provision of this Licence is invalid or unenforceable under applicable law, it shall not affect the validity or enforceability of the remainder of the terms of this Licence, and without further action by the parties to this agreement, such provision shall be reformed to the minimum extent necessary to make such provision valid and enforceable.
- C No term or provision of this Licence shall be deemed waived and no breach consented to unless such waiver or consent shall be in writing and signed by the party to be charged with such waiver or consent.
- D This Licence constitutes the entire agreement between the parties with respect to the Work licensed here. There are no understandings, agreements or representations with respect to the Work not specified here. Licensor shall not be bound by any additional provisions that may appear in any communication from You. This Licence may not be modified without the mutual written agreement of Demos and You.

Progressive politics is at a critical juncture. A generation of progressive voters has been betrayed by Labour's disregard for civil liberties, failures on inequality and addiction to central government. They will find little refuge in a Conservative party whose claim to the progressive mantle rings hollow.

Just as progressives deserted the Liberals for Labour after the First World War, today those orphaned by Labour's failures will find a better progressive home in liberal values of fairness, sustainability, civil rights and internationalism. The contrast is starkest in their different approaches to power. While Labour hoards at the centre, liberals believe that power must be dispersed away from government – downwards to individuals and communities and upwards to the international institutions needed to tackle our collective problems.

State-centred, top-down solutions are wholly out of step with the demands of our age. Devising a fairer tax system, protecting civil liberties, reforming our clapped-out politics, breaking up monopolistic banks, devolving public services and developing a new concept of green citizenship and internationalism – all require the radical dispersal of power that liberals champion.

The red-blue pendulum of British politics has lost its momentum. As the sun sets on Labour's claim to progressive leadership, this pamphlet calls on progressives everywhere to seize the liberal moment.

Nick Clegg is leader of the Liberal Democrat Party.

ISBN 978-1-906693-24-4 £10

© Demos 2009

