



AUTUMN ADDRESS

Property and Poverty an agenda for the mid-80s

Ferdinand Mount



CENTRE FOR POLICY STUDIES



AUTUMN ADDRESS

Property and Poverty an agenda for the mid-80s

Ferdinand Mount

CENTRE FOR POLICY STUDIES

8 Wilfred Street, London SW1E 6 PL
1984

Property and Poverty – an agenda for the mid-80s

This is the text of the address delivered by Ferdinand Mount in the Metropole Hotel in Brighton on 11 October 1984, on the occasion of the Conservative Party Conference and under the aegis of the Centre for Policy Studies. Responsibility for his views and arguments rests with the author alone. The Centre never expresses a corporate opinion in its publications.

ISBN 0-905880-70-6
Centre for Policy Studies, November 1984

Printed in England by G Donald & Co Ltd Osiers Road London SW18

FERDINAND MOUNT is a political columnist for the *Daily Telegraph* and Literary Editor of the *Spectator*. In 1982-3, he was head of the Prime Minister's Policy Unit. His books include *The Subversive Family* and *The Theatre of Politics*.

LET US START WITH A LITTLE VIGNETTE. The scene is the Cabinet Room. The date is 18 October 1945. The new Labour government is less than three months old. And the Cabinet is meeting to hear Mr Bevan's proposals to take the hospitals into public ownership. Nothing so odd about that, you may say. We all knew that Labour nationalised health.

But in fact, there develops quite an argument round the table. One senior minister confesses his doubts; there was nothing about nationalising the hospitals in the Labour Party's election manifesto, nothing in *A National Service for Health* – the party pamphlet which preceded the manifesto. Besides, this senior minister goes on, we should be cautious before taking any step that will weaken local government or the voluntary charitable bodies. We must remember that people take a great deal of pride in their hospitals.

What is probably unknown to the Cabinet is that not merely are the proposals not to be found in any party document; they do not emanate from the Labour Party at all. They were suggested to Nye Bevan by a civil servant in the Ministry of Health, John Hawton. It was also Hawton who had written the White Paper for the wartime Coalition Minister of Health, Sir Henry Willink, a Conservative.

In his entry in *Who's Who*, Sir John Hawton, as he later deservedly became, tacked on, almost as an afterthought, to the end of his list of 'various duties in the Ministry of Health': 'also inception and running of the National Health Service'. And well he might.

And who was the senior minister who spoke up for keeping the hospitals in the ownership of local and voluntary bodies? It was none other than Herbert Morrison – the father of the public corporation, the onlie beggetter of the nationalised industry as we know it.

As we know, Morrison lost on this occasion. A majority agreed that nationalised hospitals would be more technically efficient, more up-to-date, better run. Attlee – with his implacable, tidy, limited mind – steamrolled through Mr Bevan's proposal – or should we say Mr Hawton's proposal – and the hospitals were transported *en masse* into the public sector, wrenched from local and private roots and control.

Now you will find the main elements of this little vignette repeated, more or less, in almost every enlargement of state ownership in the past century and more. You find the same arguments about efficiency, the same prominent role played by the Civil Service, and the same doubts expressed by those few politicians who have the rare gift of political imagination. And

you find the same irony too that it is these very politicians who are painted by the crude brush of posterity as the authors of 'reform' – by which people usually mean an increase in state power and control.

When state education was still a half-formed thought, it was Mr Gladstone who warned 'that the day you sanction compulsory rating for the purpose of education you sign the death warrant of voluntary exertions . . .' (Education Debate, House of Commons, 1856).

And if Mr Gladstone came to be regarded as the father of state intervention on the Liberal side, Lord Shaftesbury is his counterpart on the Tory side. Yet it was Shaftesbury who issued virtually the same warning about Forster's Elementary Education Act of 1870: that compulsory state education would 'if gradually, still completely destroy our whole voluntary system'. (Hansard, 25 July 1870.)

These great men – and I strongly believe that Morrison belongs among them – were dedicated to using state power, in Gladstone's words, to 'strengthen, invigorate and enlarge' voluntary effort; but they implored their colleagues, again in Gladstone's words: 'always recollect that you depend upon influences of which you get the benefit but which are not at your command – influences which you may, perchance, on an unhappy day, extinguish, but which you can never create'.

Stealing from the poor

Massive reforms of this kind carry all before them. They create their own propaganda wave. Excited ministers and bureaucrats, usually themselves from comfortable middle-class homes, intent on constructing their own personal monuments, fail to notice what they have consigned to the rubble as their bulldozers sweep through the poorer districts. How many people today are aware, for example, of the full extent of the Friendly Societies in their heyday? By the turn of the century, the overwhelming majority of the working population had begun to insure themselves and their families. When the National Insurance Bill came forward fifty years later, there were more than 300 MPs pledged to ensure a role for the Friendly Societies in the new system. Lord Beveridge himself was a firm believer in the voluntary principle. But by then, Friendly Societies had become old hat; they would be an anomaly in the shining new streamlined system; history had passed them by; a nation fit for returning heroes had to be swept clean of old lumber.

It is, I am afraid, a fairly universal experience that war loosens respect for property rights; when even the great house has been requisitioned, who can be bothered about the property rights of the people in the lodge at the park gates? As Mr Bevan said in 1945: 'Just as when an airfield was needed in the war there were no protracted negotiations with landowners, so we

will have no protracted negotiations with landlords for getting houses'. War accumulates power in the hands of the government and gives its servants a taste for action and empire-building.

The habit of empire itself encourages the creation of great new bureaucratic systems for the benefit of the natives. It is remarkable how many of the great architects of the British Welfare State were children of the Raj – Rab Butler, Lord Beveridge, R. H. Tawney – and how many of our great government systems were first tried out in India – the income tax, a Civil Service recruited by competitive examination. If there was no longer a future in the Empire out there, there was an Empire to be governed within the British Isles – the empire of the poor. What might be called 'domestic imperialism' played a considerable part in the thinking of Fabian and Tory reformers alike.

It sometimes seems as if in a democracy the only people who can be effectively dispossessed are the poor. For the rich, nationalisation usually substitutes the comforting regularity of Treasury stock for the chancy dividends to be drawn from the old coal and steel companies. The rich can escape – to the Channel Islands or to the London Clinic; the poor are captive. The rich can protect their independence. The poor must take what they are given in exchange for what was their own.

Burke taunted the French revolutionaries with the claim that in his day 'the tenant-right of a cabbage-garden, a year's interest in a hovel, the good will of an ale-house or a baker's shop, the very shadow of a constructive property, are more ceremoniously treated in our Parliament than with you the oldest and most valuable landed possessions'. Have modern British governments been so tender with the property rights of their poorer citizens? Would you say that the line of a new motorway is drawn with as much thought for the peace and privacy of every terraced house or bungalow as it is for the integrity of a nobleman's park? If property is theft, it is from the poor that governments usually steal it.

You remember that exchange between Ernest Hemingway and Scott Fitzgerald. Fitzgerald said: 'you know, the rich are *different* from us, Ernest'. And Hemingway replied: 'Yes, they have more money.' Hemingway was right; and that is what is different about the poor too; they have less money. But they are poor in another way: poor in the possibility of choice, poor in the chance of responsibility and achievement. And that kind of impoverishment is unnecessary; it springs mostly from the egotism and heedlessness of politicians and civil servants, and from their lack of respect for the rights and achievements of the people they purport to help. Decade by decade, British governments of both parties with the best intentions have cut off the poor from a large part of their heritage; they have indeed extinguished possibilities and made it more difficult for an older person to look back on his or her life and say 'this is what I have achieved'. Whatever

fancy words one may choose to use for it – alienation, anomie, dissociation – it is not, I think, fanciful to attribute some feelings of dissatisfaction with modern life to the suppression of the personal responsibility which goes with personal property.

Before the war, only the reasonably well-to-do paid income tax; today, the overwhelming majority of employed people pay it – and have it deducted at source too; everyone pays indirect tax. The state can never be sure of enriching even the deserving poor without at the same time impoverishing them, often in unintended and unexpected fashion. We are long familiar with the way in which the most benevolent intentions can backfire. More than 100 years ago, James Hole, in his book *The Houses of the Working Classes*, pointed to the now familiar dangers of public ‘improvement’: ‘Is it ordinary commercial enterprise that sweeps away thousands of the dwellings of the poorest classes to make way for public improvement, such as railways, or the new palace of justice, and drives their inhabitants to overcrowd other districts already fully peopled?’ (1866, p.101.)

Even at the time of Lloyd George’s Housing Act of 1919 (which first laid a housing duty upon local authorities), the dangers of municipal imperialism were already visible; while Dr Addison, the author of the Act, exulted in the prospect that it would ‘transform the face of our country from one end of it to the other’ (House of Commons, April 1919), Lord Robert Cecil was already voicing Tory fears that this ‘deadening, sterilising state control’ was ‘strangling us at every turn of our lives’; and he asserted that, as with all other subsidies given to the working classes, it will ‘ultimately come out of the wages of the working classes’. (House of Commons, 21 November 1919.)

By the time the first of the great new council estates had been built the disadvantages were already manifest. George Orwell wrote in the late 1930s: ‘It is a great achievement to get slum-dwellers into decent houses, but it is unfortunate that, owing to the peculiar temper of our time, it is also considered necessary to rob them of the last vestiges of their liberty.’ (*The Road to Wigan Pier*, Penguin ed., 1962, p.64.)

Let me be quite clear. Of course, the standard of medical care presently provided by the NHS is infinitely higher than it was before the war; the same with housing and education and pensions and almost every material measure of life. But from Gladstone to Morrison, the greatest of our politicians have generally believed that it would have been possible to make these improvements – and more – available to all, without sweeping away the local institutions and private rights which were a source of pride to those who supported and enjoyed them.

It would have been possible to make comprehensive hospital and education services available to all without taking over the schools and

hospitals. It would have been possible for public authorities to build cheap homes for all and then sell or lease them, as happened under nineteenth-century legislation, such as the Artisans’ Dwelling Act, instead of accumulating six million homes under municipal ownership with all the dire social consequences we know of. It would have been possible to encourage the Friendly Societies to cover every family in the country. I am convinced too that these natural developments would have been practicable, because this – or something like it – is what has happened in other English-speaking countries as well as in Northern Europe. Only in Britain in the free world has there been such obsessive adherence to the belief that the state needs to *own* a service in order to make sure that everyone is properly provided for. It is a fallacy about hospitals and houses as it is a fallacy about transport; it is just as untrue of the education of children as it is of the supply of electricity.

The revolt against property

Of course, the illusions about public ownership and control were genuinely felt, however poignant and strange they may sound today. Even George Orwell, for example, believed that ‘from the moment that all productive goods have been declared the property of the state, the common people will feel, as they cannot feel now, that the state is themselves’ (*Collected Essays*, eds S. Orwell and I. Angus, 1968, Vol II, p.97). Sir Ernest Barker, that great classical pedagogue, wrote in 1927 that ‘A State school . . . guided by its teachers, and co-operating with the parents of its children, may make a new generation of which older men may say “Now lettest Thou Thy servant depart in peace, for our eyes have seen Thy salvation”’. (*National Character*, 1927.)

This belief, that the removal of private ownership would remove conflict and division and produce harmony and enthusiasm, is as old as Plato. You recall that in Plato’s *Republic*, ‘the guardians were not to have houses or lands or any other property; their pay was to be their food, which they were to receive from the other citizens, and they were to have no private expenses; for we intended them to preserve their true characters of guardians’. (V, 464) In other words, while bossing the citizens about, they were to live on council expenses – much as Ken Livingstone and Ted Knight live today.

It is not hard to understand this dislike of property. It springs, naturally and humanly, from the sight of the evils that can follow when property and power are concentrated in huge quantities in a single pair of hands. Yet the logical answer to concentration is dispersion, not confiscation, not the transfer of that property or that power to some different single pair of hands.

There is too a difference – crucial if not always easy to pinpoint – between large property and small property. For small property is essentially defensive, an embodiment of freedom *from* something or somebody; while large property runs always the risk of being invasive and grasping, embodying therefore freedom *to do* something to somebody. The dispersion of property tends to increase the total quantity of personal independence enjoyed in a nation; concentration of property in a few hands – however expert and well-intentioned – to increase the total quantity of dependence.

There is also an argument which should surely have special appeal to Marxists – although they appear curiously reluctant to contemplate it: namely, that if the malaise of our times is that modern industrial man feels ‘alienated’ from the product of his labour, the simplest remedy is for him to ‘appropriate’ it – in the exact sense of ‘make it his own’. If the modern world is so huge, anonymous and frightening, then to secure a patch of it for one’s own exclusive use and tending is the best refuge and anchor.

Whether we think of Karl Marx in Regents Park Road or Tony Benn in Holland Park, it is hard to forget the private means – the ‘independence’ to use the old fashioned phrase – more precarious in Marx’s case than in Mr Benn’s – which give them room to think and write and agitate. And who would begrudge Mr Callaghan his farm in Sussex? Or Nye Bevan his Jersey herd and 50 acres in Hertfordshire – bought for £9,000 in the mid 50s – at about the time Mr Benn was buying his London house for £4,500? Those were indeed the days. One would only ask, in the most hesitant way possible, whether those millions who voted for these great men, year in and year out, might not also be allowed to cherish the dream of a ‘stake in the country’, however modest.

Yet politicians and philosophers continue to deny the evidence of their own actions and feelings and go on preaching against property. Those who have given up claiming that property is actually harmful assert that it is a trivial or irrelevant factor in modern society. The theory of the ‘Managerial Revolution’, propounded by James Burnham and popularised by economists like J.K. Galbraith, claimed that, in the huge organisations of today it is not the shareholders or the voters who count but the managers who effectively rule. Tony Crosland even entitled a chapter in *The future of Socialism*: ‘The growing irrelevance of the ownership of the means of production’.

For a time that theory may seem to hold true; managers may insulate themselves from their proprietors; but sooner or later, one way or another, the proprietors tend to reassert themselves, whether in a large industrial company, or a national newspaper or even in a political party.

Property rights can never be wholly unqualified. Property is not the most important or the only thing in politics or in life. I do not deny nor undervalue the shared affections, loyalties and beliefs which both help to

make us what we are and constitute much of what makes life worth living. Nor should my argument be caricatured as a fixed hostility to all state and municipal activities.

All I want to say is that property matters. It matters much more than most people in politics over the past forty years have been prepared to contemplate. And it is going to matter a great deal over the next forty years. Property matters to individuals, and it matters to groups; it matters to commercial organisations but it also matters to charitable and religious foundations too. And property matters to the poor just as much as it matters to the rich.

And I would like to be clear about what is meant by ‘property’. I do not mean ‘participation’, or ‘democratic representation’, or ‘consultation’, or ‘consumer advisory bodies’; these are all second or third bests, substitutes for real ownership and the control and responsibility that go with ownership. They are imitations, sometimes necessary imitations, but they are pale shadows of the real thing. And people know that they are pale shadows.

We must understand what the defence and promotion of property involve. They do not offer a licence for greed, or callousness or neglect of the weak; they certainly do not imply free rein for the powerful to exploit and abuse their power. On the contrary, if we are serious about levelling up income and standard of living, we must be serious too about levelling up property rights. For almost every long-lasting, stable and peaceful society that we know of is characterised not just by the robust protection of private property but also by its wide distribution.

Are the Tories so wonderful?

At this point, one may detect a certain shuffling at the back of the hall. Surely, stout Conservatives will be muttering, the man must realise we know all this already? What does he think we’ve been going on about since the year dot? The Tories have always stood four-square behind the cause of private property.

Would that it were so. I wish I could say that one party at least had stuck to what ought to have been its guns, particularly after the Liberals – or the majority of them – abandoned their old positions. If the Conservatives had stood firm for the cause of private property and the dispersion of power, the recent history of this country would have been very different. Yet it can certainly be argued that it was the defection of *this* party that really did the damage: firstly, because Conservative governments and Conservative-dominated coalitions have been in power for so much of this century; secondly, because the lazy unthinking complaisance of Conservatives has

done much to make anti-property arguments respectable, so that the task of Labour governments has been made that much easier. Wherever you look – the airways, the coalfields, the BBC, the schools, the hospitals – it may sometimes have been the Labour government which performed the topping-out ceremony of public ownership but it was usually the Conservatives who laid the first bricks.

And that attitude is far from dead today. If there are few Conservatives who believe that the gentleman in Whitehall knows best, there are still plenty who believe that gentlemen know best.

Let me give you a few examples of what I mean. All the following are assertions or comments which I have heard made recently by people who regard themselves as sound Conservatives:

- ‘a private monopoly is worse than a public monopoly’;
- ‘to give workers shares in their firms is just socialism by the back door’;
- ‘if people could take their full pension rights with them when they leave a company, that would be unfair to the employee who stays loyal. In any case, most people would just give their contributions to an insurance company to manage, so what would be the difference?’;
- ‘there’s no point in any of your fancy schemes for state schools, because working-class parents just don’t care about education’;
- ‘you won’t sell any more council houses, because the tenants who are left in them are too inadequate to take on the responsibility’.

Comments like these betray an attitude which is both snobbish and fatalistic, for it implies a belief that we are stuck with a permanent underclass which will never be able to take on the responsibilities which *we* regard as a normal part of life.

It is because these unthinking assumptions of superiority continue to hold sway over so many Conservatives that we do need to set out a practical agenda for a genuine property-owning democracy.

The shape of an agenda

The things I am going to suggest are designed to have certain features in common. And while they are mostly free-standing and do not depend upon each other for success, they are intended to compose a recognisable whole – so that it would be possible to say that the Britain of the 1990s was different in specific ways from the Britain of the 1950s – more independent in its outlook, clearer in the division of duties and responsibilities between the state and the citizen, more responsive to poverty, sickness and unemployment and more effective in their relief. In some cases, the policies represent continuation and development of existing government policies – more of the same – in others, I am suggesting new directions.

But to both sorts of policy, the same ground rules are to be applied: that a similar policy should be operating successfully in some other country in Western Europe or the English-speaking world, and that it should be practicable within the resources that this country now possesses – not ‘*might* possess if we did awfully well over the next few years’. We should know, in short, that the thing works and that we have got the money to do it.

It may seem odd to some that I should regard the encouragement of private property and the relief of poverty as so closely linked together; they are, after all, subjects which are traditionally handled in separate compartments. I think this is a pernicious tradition, for it has fostered the belief that the two goals are in some sense opposites and that poverty can be effectively relieved only if the better-off are also enmeshed in the state welfare system and so made to feel responsible for the system since they too are beneficiaries of it.

This strikes me as dubious logic. First of all, by bringing every family within the net, you confront yourself with huge costs and hence with the disagreeable alternatives of mediocre standards of provision or horrendously high levels of taxation. Sweden has chosen the latter and is finding the going harder and harder as the years go by; in Britain, we have on the whole attempted a trade-off between the alternatives which has left the Health Service in particular perennially complaining that it is short of funds.

Since 1979, the government has begun, not always explicitly, to discard what Francis Pym is right to call the ‘questionable assumption: that it is the government’s duty not only to ensure the existence of good social services but actually to provide those services itself’. (*Sunday Times*, 24 June 1984.) We all should have a ticket to ride but it doesn’t mean the government has to own the bus.

Private ownership is, on the whole, likely to produce better and cheaper service and higher standards of maintenance and performance. I believe that this applies both where the ownership is for one’s own benefit and where the owner or owners are providing services for others; both, shall we say, to a former council house which has been sold to its tenant and to a school which has become voluntary aided. I lump together here, therefore, both types of reform, because I believe that ownership and self-interest are not always the same thing and that the advantages of ‘private property’ reach wider to embrace and improve ‘service to others’. An altruist does not have to be a salaried employee, still less need he be an employee of the state.

Let me run quickly through my agenda. There is no time to discuss the items in detail. Indeed, to do that would be a distraction from the main purpose, which is to convey the shape of an agenda.

(i) Zero Inflation

First and fundamentally comes zero inflation. We all know how inflation had become one of the government's main taxes over the past twenty years and how particularly cruel its effects had been upon savers, especially small savers. We think less often perhaps of the ways in which inflation destroys respect for property generally, by undermining the role of money as a stable store of value. There is an unmistakable link between low inflation and economic and social stability: and five per cent inflation is not low enough, both because it doubles prices in only fourteen years and because it can so easily become 10 per cent inflation – which doubles prices in seven years.

(ii) No income tax on the poor

There remains no more widely resented demand of government than the deduction from the pay packet at low levels of income. It seems to most people so clearly contrary to sense to take away with one hand and give back with the other; it is also demeaning in cases where the deductions are not for collective purposes like defence or law and order but for items like the rent, which low-income families could perfectly well deal with themselves if they were not paying income tax.

I pose as my next goal the removal from income tax of the poorest 25 per cent of families. How would the money be raised instead? There are a variety of sources to be tapped: the highly distorting tax reliefs on pensions and mortgage interest, the excesses of housing benefit and the extension of the coverage of VAT and, if need be, a modest increase in its rate.

(iii) 70 per cent home ownership

Then we move on to the area where property usually starts in people's minds, where Anthony Eden started and where Margaret Thatcher started – with housing.

Here our target ought to be simple to define: it should be to achieve the highest levels of home ownership which have been achieved in our fellow democracies. In Australia and New Zealand, 70 per cent of people own their own home. Even in the highly mobile population of the USA, the figure is 65 per cent. I believe that 70 per cent is a reasonable target for home ownership for this country. This means building more houses at affordable prices and that can be done only if a great deal more land is made available for building – roughly enough to provide an extra 50,000 building plots a year. And it also means selling another million council houses – and more. Can't be done, we shall be told. That is what the government was told when it began to sell the first million!

(iv) The ownership of schools and hospitals

The extra sense of pride and responsibility which comes from owning your

own home is widely recognised, even by members of the Labour Party. But the extension of this argument for independent ownership to institutions, such as schools and hospitals, is not accepted so readily. Yet we know from experience how often a voluntary aided school has about it a quite different atmosphere from a county school with comparable facilities; we know too how many people working in the National Health Service have noticed a loss of – what shall we call it? – pride in a shared enterprise, comradeship, fraternity if you like, as bureaucratic reorganisation succeeds reorganisation. Despite the continued dedication and technical expertise, this is the spirit that Herbert Morrison feared would be lost. Gradual, piecemeal dispersal of ownership is possible without endangering principles either of free schooling or of free hospital treatment; in schools, the spread of the voluntary aided principle is fully allowed for in the 1944 Act; the same applies to treatment of NHS patients in non-NHS hospitals under the National Health Service Act of 1946. Diversity of ownership – whether by religious and charitable bodies or by profit-making firms – happens both in this country and elsewhere in almost every area of health and education, but in a limited, almost shamefaced fashion. Yet the more of it there is, the more we are likely to see an atmosphere of emulation and a dedication to improvement.

(v) Industrial ownership

One of the most spectacular failures of modern Conservative governments is wider share ownership. Indeed, if there had been a Narrower Share Ownership Council, it would have had more to boast about.

It is equally important to encourage people to take a share of the firm for which they work. Less conflict in industry; more enthusiasm; more efficiency – we need no convincing of the arguments either of prudence or of justice. From the John Lewis Partnership on to the National Freight Corporation, the benefits of co-ownership, co-operation, partnership, call it what you will – are unmistakable.

Just as obvious, to me at any rate, is the superiority of employee ownership to employee representation; the directives and proposals from the European Community miss the point. For representation, whether through trade unions or elected representatives of the entire workforce, is voice without responsibility, and incentive to complain, not to co-operate. Yet that is still the instinctive preference of most trade unions. And I believe they can be weaned from it only by a forceful and dramatic shift in opinion, which, in turn, can be brought about only by legislation.

I differ from many Tories, therefore, in urging the government to think about *imposing* a minimum scheme for employee share ownership on all firms with, say, more than 500 employees; the scheme might, for example, require all such firms to see to it that at least 10 per cent of their

issued capital was in the hands of their employees within five years, but would allow them to choose between a variety of models based on schemes which are already operating successfully in industry. Smaller firms might prefer to go fully co-operative – and the government could work up for them a partnership package.

To those who regard such ideas as suitable only for obsessive philanthropists, I would point out that the number of co-operative firms has doubled in the past year and has now passed the thousand mark.

(vi) Pensions

But it is fanciful to expect partnership, employee share ownership and indeed entrepreneurship generally to flourish so long as such a preponderant proportion of the funds which people have available for saving are earmarked by the state either for its own National Insurance fund or for the large institutions. Pensions must be made portable; as soon as they become portable, they thereby become individual too, even if the majority of savers still prefer their savings to be managed by large institutions; better still, of course, if they are managed by their individual owners; but even the first step is far from negligible. Yet this alone will not be enough. For if the State Earnings-Related Pension Scheme reaches the full grandeur which was originally intended, it will be scooping very nearly one-quarter of the average pay packet each week. At present, the full implications have been contained by relating the benefits to prices and not to earnings, but that limitation may not endure. Now is the moment to consider the underlying question: is it any part of the state's duty to preserve in retirement the pay differentials which have grown up over people's working lives? What the state does have a duty to do is to eliminate absolute poverty in old age. And that can be done only by flat-rate taxable state pensions with graduated contributions – in other words, a social security tax.

(vii) The long-term unemployed – The Third Million

We may flatter ourselves that some combination of the measures I have so far mentioned would increase opportunity and relieve poverty for most of the poorer families in the country. But there remains one category for whom so far we have had little to offer: the long-term unemployed, whose numbers have inexorably crept up beyond the million mark and will be neither easily nor quickly reduced again.

Over the past five years and more, governments have elaborated programmes, like the Youth Training Scheme and the concealed early retirement provisions, which have effectively introduced a new flexibility about both the age at which people enter and the age at which they leave the work-force. But there remain the million-plus who are neither young nor nearing retirement age. It is these million people who, I believe, constitute

the central question, for it may be said of the other two million who are registered as unemployed, that a million or more are in reality changing jobs in a labour market which has a far higher turnover than in previous decades; and that it is not unduly optimistic to imagine that economic growth and improvements in the operation of that labour market might together offer prospects of work for the second million. But there remain the 'third million', who are likely to dominate the economic and political debate for the rest of the 1980s unless the government makes a dramatic effort of the will.

A solution for the Third Million would have to be drawn on the experience of the Youth Training Scheme, the Enterprise Allowance and, above all, the Community Programme: it would have to be a partnership between government, industry, local authorities and voluntary bodies. It would have to offer genuine training or genuine work to all who want it, in return for Benefit-Plus, that is to say, the existing dole level plus a sum which would be enough to make the job worthwhile, without involving the government in prohibitive extra expenditure.

One solution might be an Enterprise Disregard for employees, similar to the Enterprise Allowance for self-employed persons. Someone who had been out of work for a year or more could be allowed to earn up to a certain limit without losing dole entitlement for the following twelve months – thus making it worthwhile for him to take on part-time or low-paid jobs.

The problems are already familiar to us from the youth schemes. What is to stop employers using the scheme as a source of cheap substitute labour? How long would scheme places run for? Would there not be a danger of creating a permanent sub-class of 'Schemies', moving from one semi-job to the next? Where would all the places come from? How could we make sure that they were not all pointless make-work tasks which humiliate rather than dignify those who perform them?

Yet answers to these problems can be found. The experiences of Sweden and Japan suggest that there are ways of keeping levels of registered unemployment much lower without either reckless inflation or unmanageable government expenditure. To put it at its crudest, if only one quarter of the public money now spent each year on subsidising coal, steel and public transport were spent on a scheme for the long-term unemployed something remarkable could be achieved.

If we do not do this, the plight of the Third Million will increasingly overshadow the political scene, leaving less and less room for even the most admirable Conservative Chancellor to run a zero-inflation, high-growth policy. It is, I think, a moral precondition of an effective policy for a property-owning democracy that the propertyless should be accorded dignity and opportunity; to leave them out is to leave the case vulnerable to the old myth that you cannot encourage opportunity without at the same time provoking injustice.

The role of the state

What the government has been attacking over the past five years is an overblown, dropsical state, a gorged and sluggish Leviathan. The first task has been to nurse it back to health by slimming it down; by privatisation, by the control of public expenditure, by simplification of the tax system. The aim has been to increase the power of people and families over their own lives and to restore a sense of individual and corporate responsibility, both by altering the balance between the individual and the state and by clarifying the relationship between the two. That, I think, is well understood by both the government's opponents and its supporters.

What, I think, is less well understood, what Conservatives have been less good at explaining is the next part of the argument: that only by this method will the state perform its duties vigorously, justly and efficiently. Whether you are talking about the relief of poverty, the regeneration of industry, the protection of the environment or the improvement of standards in health and education, the state is likely to do its best only if its role and responsibilities are both reduced and clarified. Let me mention only a few examples: the prosecution of fraud, the inspection of schools, hospital budgeting. These are all duties which government has been supposed to perform since I was a child; yet they have been understaffed and underfinanced for years, and those involved have understandably come to expect less and less of themselves.

It is crucial not to accept the Opposition's terms of argument; there is not always a choice between self-reliance and social responsibility. It is wrong to think of responsibility as a zero-sum game; less sense of family responsibility means more sense of civic duty and vice versa. On the contrary, a property-owning democracy is a society in which the total quantity of responsibility, both personal and social, is increased.

Conservatives of the traditional sort rightly argue that their party has never hesitated to use the power of the state to remedy injustice and protect the weak; but that argument is not a sufficient answer to the growing demand for personal freedom and personal responsibility. For it has been equally part of the Conservative and Liberal tradition that intervention by the state must be limited and cautious and effective; there must be no intervening for intervening's sake; and we must act always in full consciousness of our historical situation; we must know where we are, before we decide where to go next. And if we look around us, there is no doubt either about our situation or about our task: judged by the standards of our neighbours, our allies and our rivals, we are still a society which is too overburdened and too dominated by the state, and we must go for Liberty, Property and Responsibility.