



How the Conservative Party should be positioned to win the next General Election

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INTRODUCTION

POLITICS CAN BE UNPREDICTABLE as I discovered last March. David Miliband rather than Gordon Brown, may well be the next leader of the Labour Party; inflation might return as a problem. Nevertheless, the new leader of the Conservative Party will need to plan and organise meticulously to win the next General Election once he has his feet under the table.

Arguably, Governments lose elections more than Oppositions win them. But to win decisively, when a Government is in losing mode, an Opposition must have sufficient appeal to attract positive as well as merely protest votes. This means that a winning Opposition cannot be seen, politically, as a Government look-alike. An effective Opposition needs not only to do a good demolition job on a failing Government: it must also communicate, well in advance of an Election, the handful of commitments, political values and principles for which it wants to be recognised by voters. The problem here is that no more than a handful will stick; a carefully considered exercise is needed, well in advance to identify the essential, reputation issues – the “iconic policies” – for which the Conservative Party wishes to be recognised. Then a convincing “marketing plan” must be implemented to get across to voters an acceptance and recognition of the essential Conservative values, principles and commitments.

The Party also faces an organisational challenge. It needs a thorough review to assess what resources are needed, how to organise them and how to finance them, in order to have the advantage in terms of effective political campaigning.

Last but not least, is the task of addressing specific areas of recent Conservative political failure. The most obvious here has been the sharp decline in the proportion of women’s votes secured by the Conservative Party. Bold action is needed here.

THE ECONOMY

More than anything else, the Conservative Party needs to win back its reputation and credentials as the better manager of the economy. It was largely its reputation for sound economic management which sustained the Party in power for most of the second half of the 20th century – and which may also have been the main factor which secured regularly a majority of women’s votes. That the Labour Party was 23% ahead of the Conservatives at the last General Election, on the issue of economic competence, was the main reason why the Conservatives did not do better. On virtually all other issues the Labour Government was unpopular. Labour fought and won the election almost entirely on its self-acclaimed economic credentials which were, in practice, their only real political asset.

As is already apparent, and the next few years are likely to make more so, Labour’s economic claims are not justified and can be expected to dissipate. The Conservative leadership was mistaken not to have attacked Labour on the economy in the General Election campaign. Gordon Brown’s propaganda effectively won the economic argument by default. All this at a time, moreover, when economic confidence was beginning to decline, and disposable incomes were falling as Brown’s tax increases began to bite.

Labour had the political benefit of low inflation and interest rates and positive growth throughout the 1997-2005 period. But Brown’s management of the economy was not the main reason for this. As time will tell, many of his measures were damaging. Labour’s reputation was little more than the result of the golden economic legacy it inherited – particularly the favourable results of the supply-side reforms of the 1980s, globalisation and the completion of the process, started by Norman Lamont, of handing over monetary policy to the Bank of England.



PERSPECTIVE

In the territories left to Gordon Brown, what he did was mostly unhelpful. He complicated the tax system unnecessarily; and most of his fiscal micro-management provisions have failed to deliver their objectives. His tax credits initiatives have been an organisational shambles and no matter how well-intended, his pension credits have disincentivised half the population from saving for retirement.

Gordon Brown has also presided over falling productivity growth and a decline from fourth to eleventh in Britain's international competitiveness. Both are largely, the result of transferring around 5% of national resources from the private to the public sector.

Brown's record of managing public expenditure has also been dire. In money terms, between 1997 and 2005 he increased public spending by over 70% but achieved only a 16% increase in services delivered. The Office for National Statistics data show that 84% of all the extra spending was lost in rising public sector inflation – up from 1.6% pa to 10% pa. Most of the extra spending went in a combination of higher pay and unproductive, increased public sector employment. Public sector pay, layer by layer, is now some 20% higher than private sector pay (this does not include the substantially more valuable public sector pension provisions). Of nearly a million additional people employed directly and indirectly in the public sector, only an additional 150,000 are in front line service delivery – teachers, doctors, nurses and police. Not surprisingly public sector productivity has fallen by 10%.

Within the EU, Britain has experienced the worst relative deterioration in its public finances, swinging from a 3% surplus to a 3% structural deficit. As some economists have already observed, the “economic miracle” claimed by Gordon Brown's propaganda constituted little more than a prolonged Keynesian consumer boom – fuelled by increased private and public sector borrowing. Household demand, as a proportion of GDP, has risen by 3% since 1997 and now represents over 64% of GDP.

Brown's much-vaunted fiscal rules have also proven to be a chimera. The criticisms are not just the obvious “fiddling” – extending economic cycles backwards with no particular justification so the data fits the Golden Rule; or the fact that the

Golden Rule has the fundamental defect that it entails no constraints on either the total level of public spending or the total tax burden. The fundamental flaws are that Brown's rules have accommodated a transformation of the overall budget balance from surplus to large-scale deficit and borrowing; all this during a period of steady economic growth, and as the economy has moved towards full capacity. In addition, they have accommodated the very opposite of common sense management of fiscal deficits. Governments should borrow when there is economic slack to stimulate the taking up of under-utilised resources. But when economies are at, or close to, full capacity, the public finances should be in balance or surplus. Labour was running surpluses when there was slack capacity, but now the economy is close to full capacity Gordon Brown has built up a structural deficit of at least £35 billion. The Golden Rule's central proposition, that for other than capital spending, the public finances should be in balance over a full economic cycle, only makes sense on the basis that over the cycle there are deficits when there is spare capacity in the economy, but surpluses when the economy is at full capacity. Brown's management has done the reverse.

Looking forward, it is clear that the UK has run out of scope to improve short-term economic growth by any further increase in the public sector deficit, or by any increase in the numbers of public sector employees or by any further increases in consumer borrowing levels. The issue will be how to get rid of the structural deficit without the risk of inducing a recession. For the time being, consumers clearly feel they have reached their borrowing limits and, if anything, are looking to de-gear to protect themselves against possible higher inflation and higher interest rates.

The ironic reality is that the prospects for the German economy may be starting to recover, with a near 10% reduction in German unit labour costs over the past seven years, and with the prospect of some supply-side reforms; in contrast, Labour's management of the UK economy has reduced Britain's competitiveness, reduced our productivity growth and reduced our overall potential economic growth. The business community has already made this point publicly.



PERSPECTIVE

The Conservative leadership should be banging home this message remorselessly. From opposition, the main ability to build its own economic credentials has to come from effective and justified criticism of the Government – albeit that it also needs to communicate positive policies. Here, the message should be based on traditional Conservative principles. The public sector needs to be managed more efficiently and effectively, and much less wastefully; both the size of government and excessive regulation need to be downsized and government needs to consume relatively less, and not more, of the national income; and to reduce, rather than continue to increase, the tax burden. While this is territory may have been out of fashion for a decade, this could change come the next General Election. Now is the time to bolster and certainly not to water down the Party’s historic reputation and recognition for economic competence in this fundamental territory.

LIBERTY AND RESPONSIBILITY

There are two other territories where the Party needs to make clear where it stands. Notwithstanding the threats from Islamic Fundamentalists, the Party needs to reinforce its reputation as the Party of personal freedom, as well as of economic freedom. It needs to get across the dangers of writing into law anti-libertarian provisions, motivated to make life easier for the police in dealing with terrorists, but which run the danger of being misused in other circumstances – as so ironically illustrated by the treatment of the elderly heckler at the Labour Party conference. Voters should perceive the Conservatives as the party which is the guardian of their liberties.

The second, and perhaps even more important, territory is the Party’s moral values. Beneath the surface, one of the Party’s problems – particularly with younger voters – is that it is perceived as being too materialistic and lacking in moral values. In old-fashioned language, Conservatives have “a sense of duty”, and believe in the concept of “duty”. This embodies the simple concepts of believing in right and wrong, of acting decently to those around you – your family, those you work with, your local community; of doing the right thing; of helping those around you who need help; of doing any job which you have to do well, and “not walking by on the other side”. We cannot be a decent and moral society on the basis of just leaving it to “the State” to address all the problems and issues – something

which the State cannot do, and certainly cannot do well. While Conservatives believe passionately that they can manage the economy better than Labour, equally they understand implicitly that “man cannot live by bread alone”. This is a territory where Conservative individuals frequently set a personal example, but where as a Party, it has failed to communicate its values – in part because it is embarrassed to do so.

MERITOCRACY

There is one other area which is of great importance. For the second half of the 20th century the Conservative Party was rightly perceived as the main supporter of meritocracy. It was the Conservatives who opened up Britain’s excellent independent schools to everybody through the direct grant arrangements and, subsequently, the assisted places scheme. It was mostly Conservative Governments which gave people the opportunity, subject to meeting appropriate standards, to go to university.

Under the Labour Government, sadly, social mobility in Britain has declined. The Conservative Party should offer tangible and clear commitments to increase meritocratic social mobility. This might start with a commitment, again, to provide the funding for anyone capable of meeting the standards to be able to go to independent schools, on merit. It is wrong, both morally and socially, that only those who can afford to pay can now go to independent schools. Surely the citizens of the suburbs of Manchester for example, London or Birmingham would be more interested in the Conservatives as a political party if, again it promised to enable any bright child living in greater Manchester, London or greater Birmingham to be able to go, respectively, to Manchester Grammar School, St Paul’s and King Edwards, Birmingham, irrespective of means.

WOMEN

The biggest voting challenge is to re-engage with women. This is one of the few areas where it would be worth spending money on focus group research, to find out where and why both younger and older women have come to be less supportive of the Conservative Party.

Following women’s enfranchisement, the Conservatives secured a majority of women’s votes – indeed this was a fundamental reason why the Party was in power for most of the 20th century.



PERSPECTIVE

But at the last general election it had only 25% of the votes of women under 55, and Labour had a 6% overall lead in the percentage of women voters – double their overall 3% lead.

Positive action to increase the number of women Conservative MPs may also be necessary. Simply, there are far too few Conservative women MPs. More female Parliamentary candidates must be recruited: to this end, 50/50 male/female short lists may be required. On specific political issues related to women, the key areas which need greater fairness are pensions and the tax treatment of childcare costs for working women. More widely, Conservative policies for health care and education reforms need to be, and ought to be, supported by women.

ORGANISATION

Improving the Party's internal organisation is crucially important: the 3% voting advantage it can achieve could well make all the difference between winning and not winning the next General Election. Work is already in hand in this territory. A new, and state of the art, computer system is needed; as are the resources and plans to campaign more effectively in marginal seats. In addition, the message must be effectively marketed (advertising is merely one of the tools which achieves effective marketing). The Party machine need sound financial and people management, and the organisation of a sufficient and regular income to finance these needs. The Conservative Party has become far too exposed to the coming and going of politicians, "performing on the stage." It again needs the continuity of

sound management, finance and direction "behind the stage".

There is much else to be done if the Conservative Party is to make the most of its chances of winning the next General Election. There is, however, much which will be determined by factors outside its control. Here there is room for optimism, since what has been described in the US as "the tipping factor" may have already been reached. Political parties, like consumer tastes, are subject to changes of fashion for reasons often not understood until after the changes have occurred; and sometimes for extremely obscure and unexpected reasons. For example, the reputation of the Conservative Party was badly damaged in the 1990s by TV series such as *The House of Cards*, Alan Bastard's role in *The New Statesman*, and Harry Enfield's *Tory Boy*. These were viciously amusing, but portrayed Conservative MPs as "nasty pieces of work". This soaked into people's subconscious. For reasons that can be hard to understand, there seems to have already been a major change of mood towards the Conservative Party. This year's Blackpool Conference, where all four candidates for the leadership came across well to the public, illustrated this. People again seem to be interested in the Conservative Party, after a decade in which it has been difficult to drum up much interest beyond loyal supporters. The Party has ceased to be "Brand X" and now needs to understand how already, voters' perceptions of it have changed.

Above all, the Conservative Party must again communicate what it stands for with conviction and with confidence.

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