



HOW MUCH COMMON GROUND?

March 2004

A discussion between

**Rt. Hon. Lord Tebbit, CH
and
John Bercow, MP**

About The Bow Group

The Bow Group has three aims:

- To create new and thought-provoking research for the Conservative Party;
- To provide a forum for its members to meet each other socially
- To provide opportunities for its members to meet senior Conservative Party figures to discuss the issues of the day.

The Group has no corporate view, which allows it to approach each issue on its merits and with an open mind. Accordingly, the views expressed in Bow Group publications are those of the authors, and do not represent a statement of Conservative party policy, or the views of other members of the Group.

This paper is published by Bow Publications Ltd, 1a Heath Hurst Road, London NW3 2RU, tel 020 7431 6400, website www.bowgroup.org.

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About the Authors and Editor

Lord Tebbit was a cornerstone of Margaret Thatcher's government. In the early 1980s, as Secretary of State for Employment and then Secretary of State for Trade and Industry, he steered through many of the key reforms. As Chairman of the Party, he took the Conservatives to electoral victory and a historical third term.

John Bercow has been MP for Buckingham since 1997, and has already won a reputation as a leading orator. After time on the front benches (Education and Employment, Home Affairs, Shadow Chief Secretary, Work and Pensions), he resigned as a spokesman over Party policy of the day. He has recently been promoted to Shadow Secretary of State for International Development.

This publication was edited by **Dr Lee Rotherham**, candidate St Helens South in the 2001 election, and longstanding adviser to the front bench on EU affairs, as well as to David Heathcoat-Amory MP on the European Convention. He has recently been mobilised for service in Iraq.

INTRODUCTION

The format of this pamphlet is straightforward. For each of five subjects the interlocutors prepared a short essay setting out their key ideas. They subsequently met to discuss the issues and identify where there was common ground between them.

The subject matters were chosen to reflect key contemporary political topics:

- The Economy
- National identity and how to integrate newcomers to the UK
- Britain's relationship with the EU
- Public service reform; and finally
- Welfare state.

We believe that this pamphlet should be of interest to all who want a Conservative future.

Chris Philp
Research Secretary

Dr Lee Rotherham
Editor

CHAPTER ONE Reinigorating the Economy

1.1 John Bercow – Reinigorating the Economy

Britain is consuming more than she is producing. Growth forecasts have been downgraded. Business investment has plummeted. Productivity is rising at snail's pace. Inflation is creeping upwards. The savings ratio has slumped. The Government is spending £14,440 per second. Borrowing has soared. The Chancellor is taking an extra £135,000 million from us in taxes. Real disposable incomes are falling. To cap it all, companies are struggling to keep afloat in a sea of regulation that is deeper and more hazardous than ever before.

There is now a political opportunity for Conservatives. Taking advantage of it demands a ruthless self-discipline in the promises that we make on public finances, taxation and business regulation.

First, if we are to secure voters' trust, we need credibility in the markets. Any pledge to spend more in one area must be at least offset by spending less in another. As the champions of choice, enterprise and private initiative, we should look at every area of government activity, pledging to keep that which is necessary and discontinue that which is not. A determined attack on Britain's quangocracy could bring savings and prove popular.

Secondly, even with restraint on expenditure, our scope for tax cuts could be limited by weak public finances and the voters' scepticism about our tax cutting credentials – by a 2 to 1 margin swing voters reject the idea that taxes would be lower under us than under Labour. In these circumstances, the 80s penchant for cutting the basic rate of Income Tax, now relatively low, would be no more politically popular than it is economically efficient. A

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more discriminating approach is to demonstrate how Conservatives will simplify taxes and, where possible, cut them. Taxes on pensioners, savings, small businesses, the low paid and inheritance are competing candidates for a cut.

Thirdly, we Tories must crack the regulatory nut. So far, our appeal has been bedevilled by the patchy record of the last Conservative Government, the glaring lack of a philosophical framework and the failure to say which regulations would be changed, when or how. Furious denunciations of all regulation are inappropriate and counter productive. The task is to distinguish the enabling from the debilitating, and to weed out the latter.

We now have some guiding principles. Regulation must be proportionate to risk. The voluntary approach is usually preferable to the statutory. Crucially, we will never knowingly commit hari-kiri by imposing tougher regulation than our EU counterparts.

Top priorities for change should include window replacement rules, animal movement restrictions, the climate change levy, investigatory powers, stakeholder pensions, burdens on care homes, part time workers' law and EU directives on parental leave, abattoirs, nitrates and fridges which are all being applied at exorbitant cost. A Tory Party, seeking to reconnect with wealth creators, service deliverers and beleaguered tax payers, must spell out a timed programme of the real changes that we will make. Throughout, let us remember Nigel Lawson's wise dictum "The business of government is not the government of business."

1.2 Lord Tebbit – Reinvigorating the Economy

Economic policy must reject the delusion that governments create wealth, in favour of the liberal free market approach in which government is a facilitator, and where necessary a regulator preventing abuse.

There are pitifully few (if any) examples of successful centrally directed economies. There is, however, a generally clear correlation between low tax economies and successful ones. Those in which taxation takes more than 40 per cent of GDP are stacking the odds against success.

Low overall taxation is therefore an economic requirement. To Conservatives, however, there is also an ethical case against excessive taxation. Whilst the socialist presumption is that the citizen must make the case to retain his property or his income, the Conservative believes that they are his of right and the state should take only the minimum it needs to carry out its obligations.

Whilst Conservatives recognise that tax must be levied on the basis of ability to pay, with the wealthier paying more than the poorer citizen, they should reject the use of taxation as a means of redistributing wealth. At local level, there is a clear need to maximise the spread of the burden of taxation and to ensure that all users of services pay a fair proportion of the cost of provision, and none enjoy free what others provide.

The state should recognise that simplicity, transparency and a low cost of collection are highly desirable qualities in tax systems. So, too, are incentives to encourage the citizen to save in order to be independent of the state. The practice of double taxation, first on earnings and, secondly, on income generated by savings is ethically wrong and economically damning. A Conservative Government should progressively eliminate tax on such incomes starting with the oldest taxpayers until all pensioners become exempt from tax below a substantial threshold.

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In its role as regulator Government should refrain from the use of economic regulation as an instrument to deliver social change. It should be used primarily to correct market failures and to forbid abuses such as monopolistic practices. The Treasury should maintain a watch against the unreasonable use of health and safety regulations that raise production costs.

Having paid a heavy price for the misguided “prices and incomes” policies of the 1960s and ‘70s when inflation was blamed upon workers for demanding higher wages and industry for raising prices, Conservatives should reiterate that inflation (and deflation) are monetary phenomena prompted by government financial policies.

The build up of personal, corporate and government debt will inevitably lead to higher interest rates and economic slowdown. If debt is allowed to build too high, it forces an ugly choice between unleashing inflation to reduce its real level, or risking an economic slowdown which might generate a deflationary spiral. The memory of the adverse effect of inflation and the spectacle of Japanese deflation argue for restraint on public expenditure at least until economic growth has reduced its share of GDP.

In its role as a facilitator of economic growth, government needs to minimise the financial disincentives to work created by a complex fraud-prone welfare system and an absurdly low tax threshold. The re-growth of union power to impose restrictive practices and the compensation culture that has permeated industrial tribunals needs to be reversed.

The failure of the education system to deliver an educated workforce familiar with the need for discipline and aware of the link between cause and effect has now become a serious problem for commerce and industry. Even worse, it has become a major cause of the inability of young people from disadvantaged backgrounds to achieve prosperity.

1.3 Dialogue – Reinvigorating the Economy

EDITOR: What do you think the fiscal priorities of the next Conservative Government should be?

LORD TEBBIT: Restoring the national finances. That comes before anything else. We don't know how long it will be before we have a Conservative Chancellor; we don't know how badly things will have gone, how deeply in debt the Treasury will be or the rate of borrowing will be.

JOHN BERCOW: I agree, and that means cutting debt. It means establishing in your first budget a programme for reducing the PSBR. If I were permitted a second priority, it would be to make a start on simplifying the tax system and reducing its element of stealth.

LORD TEBBIT: Yes. Some of the stealth taxes are quite extraordinarily convoluted. Some of them are expensive to collect. They distort peoples' decisions in business. They should go. We should get back to Nigel Lawson's principal that in every budget you should abolish at least one tax.

JOHN BERCOW: Of course, in abolishing one tax you also have to make it clear that you are not creating another, and for a Conservative government I hope that that would go without saying. I agree Conservatives should aim to remove net one tax per budget.

EDITOR: Can we move on to a subject that affects me somewhat as a TA reservist? There have been defence cutbacks, which have been ongoing for several years. Can we afford as a country to give defence the priority it needs?

LORD TEBBIT: The first priority of a government, which if it is not fulfilled means that the state will cease to exist, is to defend the territory of the state. So that has to take precedence over anything else. The amount we spend will vary according to the nature of the threat. But if anyone believes that the threat against the integrity of our state, the United Kingdom, is less now than it was twenty years ago, they must be a fool.

JOHN BERCOW: I think that is quite an important point to emphasise. A lot of people mistakenly and naively think that because the Cold War has ended, the world is a safer place. I have long felt that the source of the

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threat to our security has changed, but the fact of it has not. In many ways, actually, the threat is greater now than it was. It may sound like an awful thing to say, but the “balance of terror” during the cold war between the Warsaw Pact countries and NATO was very often a guarantor of security. The disappearance of that “balance of terror”, and the diffusion of power to countries that are wholly ill-equipped and cannot be trusted responsibly to use it, makes us much more vulnerable than we were. Although we cannot promise willy-nilly to spend what the defence industry and its lobbies will always demand, for a Tory proper defence spending must always be a key priority.

LORD TEBBIT: The good news, of course, is that although as John says it's a more dangerous world in that during the Cold War when we knew that neither the men in the Kremlin nor the men in the Pentagon were mad, and we now have the difficulty in dealing with people who are quite clearly often clinically insane, that does not mean we need to spend huge amounts of money on regiment after regiment of tanks or squadron after squadron of very expensive and sophisticated aeroplanes; it may mean that we should be spending less on those and much more on human resources to improve intelligence and the ability to strike clinically at the “vineyards where the grapes of wrath are stored”.

JOHN BERCOW: It is impossible to improve on that! So I will not try.

EDITOR: A key failure in the system of government has been the development of the quangocracy. How can we fix that?

JOHN BERCOW: There is a tension between on the one hand Conservatives believing in devolution of power, and on the other hand wanting to stop madcap activities that represent appalling value for money. It seems to me that, in a free society, it is probably not possible and almost certainly not desirable for government to try to ban local councils from employing, for example, gender equality awareness officers, or experts in vegetarian diet. What you can do I suppose as a government is say, ‘Well, if a council has a track record of spending its money in this way, we will have to take that into account in the money we from the centre give for it to use locally.’ In other words, if it is a council that generally pursues bad

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objectives through rather eccentric and spurious means, let it be responsible for raising the money to finance those sorts of activities locally.

LORD TEBBIT: I think that's broadly true, but if you look at the problem of local authorities and their spending, you can go at it from a slightly different angle. One: we take education funding away from local authorities by introducing per capita funding via the pupils to all schools, all of which would be direct funded. Now that's a big hit. We could take policing funding and give people the opportunity to elect a police authority and commissioner with a direct right to levy a police tax. It might be collected through the local authority but it would have to be absolutely explicit that that was the police tax that was being collected and had been authorised by the Police Commissioner for the area.

JOHN BERCOW: I agree.

LORD TEBBIT: So once these things were dealt with separately, people would be able to see much more clearly that the local council was spending huge sums of money on some extraordinary things. So I think in that sense we can cut away the really essential things, make sure they are properly funded, and leave the local authorities explaining to their electorate what they are spending their money on.

CHAPTER TWO Immigration, Asylum and Integration of Minorities

2.1 Lord Tebbit – Immigration, Asylum and Integration

Man is a social animal – indeed a pack and a territorial animal. He is also far more than that. But deep in his very soul (or, as we say in this Godless world, his DNA) is his identity as a member of his pack.

Our particular pack, or tribe, has long benefited from living on a secure island base. It has rarely had to fight on its own soil and though insular it has been outward looking, curious and knowledgeable about other places and other tribes. It is tolerant, even welcoming, of members of other tribes who see our islands and our ways as more attractive than their own and come seeking adoption into British society.

Having been a nation – or perhaps three or four – for around a thousand years of almost unbroken improvement in our material and social condition, we have developed some firmly held views that, despite transient political conflicts, we almost all share. Having traded and settled around the world, we have a collective knowledge of the ways of other tribes and we maintain a healthy interest in world affairs.

We count ourselves lucky to have been born British, heirs to such a rich history and culture.

That is the background which must inform and influence our policy towards immigration and asylum. The concept of asylum dates back centuries and remains valid. But our legal commitments date back to a world totally unlike that of today. They are out of date and must be repudiated along with the nonsense of European human rights entitlement. At the same time we should reassert that we will continue to offer sanctuary but only to those

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whose lives are genuinely at risk at the hands of repressive regimes. The current situation in which anyone (even non-asylum seekers) can come to the UK and benefit from our medical system is manifestly absurd. The NHS is not the World Health Service and should not be treated as though it were.

Well-educated and skilled immigrants can be an asset to Britain, but Britain as a rich country owes an obligation to poor countries to refrain from denuding them of skilled people (especially medical staff) trained at the expense of poorer countries. Any immigrant, whether an economic migrant seeking a better life or one granted asylum, owes a duty to Britain as the host country to live by British standards and to seek to integrate fully into British society. Equally Britain owes a duty to foreigners granted asylum or citizenship to ease their path into full integration.

A state is defined by its territory; a nation not so much by its ethnicity as its culture. Multi-cultural societies across the world are unstable societies. We must not allow a system of voluntary apartheid with ghettos or Bantustans in our territory. Equally we should recognise that the degradation of society in many of our urban areas constitutes a poor incentive for immigrants to integrate. That problem requires to be resolved for the mutual benefit of the indigenous population and the newcomers alike.

Integration does not conflict with respect for minority religions, but it does require respect for the values of British civil society. Ultimately whilst it is natural that those of immigrant stock should be aware of their inheritance from their countries of origin, they should be comfortable in recognising their common inheritance of British history and culture. That is the very spirit of "One Nation" Conservatism.

2.2 John Bercow – Immigration, Asylum and Integration

A sound asylum and immigration policy is urgently needed because the present chaos creates resentment at home and makes us look a basket case abroad. There have long been twin strands in public opinion on this subject. People are proud that the UK offers sanctuary to those fleeing persecution but they do not want a completely open door for economic migrants.

Thousands come here with no rightful claim. We need robust action now, including:

- Secure borders, achieved by 24 hour surveillance of ports of entry, including universal machine-checking of vehicles
- Entry of a reservation against Article 3 of the European Convention on Human Rights so that we can deport those foreign nationals judged to be a risk to our security
- The processing of all asylum applications in small one-stop shop accommodation centres which should ordinarily be sited in urban areas
- Reinstatement of the 1995-1997 bilateral agreement with France that allowed us to return asylum seekers who had arrived from France within 24 hours
- Adoption of a new regime in which the UK accepts an orderly quota of genuine refugees identified overseas, far lower than the number of asylum seekers currently entering
- Ensuring that more of the money spent on asylum serves genuine refugees, freeing some funds for effective use for other purposes

Yet in condemning Labour for its failures we must painstakingly re-evaluate our own approach to the ethnic minorities. A rump of extreme rightists seeks to vilify all asylum seekers and immigrants as if they were hell bent on killing, maiming, defrauding, corrupting or even destroying our country. This is bigoted nonsense and we should be quick to rebut it.

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- We should celebrate the diversity of multi-racial Britain and argue for a fair deal for all its citizens
- We should clamp down on illegal immigration but welcome all those who legally come here
- We should readily accept that the UK still needs race relations legislation and a Commission to monitor adherence to it
- We should trumpet the record of Conservative councils in tackling discrimination in education, housing and employment and in offering a fair deal for ethnic minority citizens

The Conservative Party needs more parliamentary representatives from the ethnic minorities. Real progress has been made recently, with the notable selections of Adam Afriyie in Windsor and Sandip Verma in Wolverhampton South West, to name but two examples. The Party should continue to identify the best of its aspiring MPs from minority communities and enable them to be selected for the best seats when MPs retire next time. There will always be howls of protest from those who reject any special efforts to make our Party more representative, but such efforts send an unmistakable signal that the Tories want to look more like the country they wish to lead.

2.3 Dialogue – Immigration, Asylum and Integration

EDITOR: How would you define integration? Is it passing the cricket test? Is it language? Is it dress? Is it intermarriage? Or is it engagement in the mainstream political process?

LORD TEBBIT: I think it's a bit of all of them, except dress – I think dress would be rather difficult. I think that an integrated citizen is one of those things difficult to define, but when you see it, you know it. I think it is most certainly not ethnicity – I think it's very important we separate ethnicity from what is essentially culture. So it's a mixture of all of them. Language is enormously important, because language can be used to create a ghetto. The Welsh language has been used by Welsh nationalists to separate Welsh people from English people. It's always a weapon of those who want to break up communities.

JOHN BERCOW: I suspect that integration will always be helped by intermarriage. But there is a great difference between identifying something you know is conducive to integration on the one hand, and prescribing it on the other. I think that intermarriage is something that happens over a period – it is already happening, though probably not on an enormous scale. It is not something for governments to promote, but of course it helps to break down barriers. Dress is a no-no. I think that is a non-starter. Engagement in the mainstream political process is really the yardstick of progress. If you see minority communities feeling an identity with the political system and a basic affiliation to the state, you are halfway to achieving integration. Where from time to time you encounter people who are almost exclusively preoccupied with political battles that are outside of the United Kingdom, you know you have got a job to do to interest them in the British process. But the important question is: are those people interested in the British political system, do they feel able to involve themselves with mainstream political parties, with the democratic decision-making process? Do they think that it has something to offer them? That seems to me to be the criterion of whether those people are becoming integrated into British society, or feel alienated from it.

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EDITOR: And how do we draw them into the Conservative Party? Is there anything more we could be doing?

LORD TEBBIT: Well, by making plain that we stand still by that classic advertisement of some years ago – “Labour says he’s black; we say he’s British”. That attitude is what we need. And we need to set out to people in minority communities that the Conservative Party is open to them on the same terms as to anybody else, and that we’ve got a lot to say which is of interest to them. I was in Ilford the other night. Ilford Conservative Association is 50% Asian, 50% ethnic British, functioning extremely well because the Asians were all Conservatives, and their interest in joining the association was not to establish an “Indian beachhead” in the House of Commons or something. It was to get *Conservatives* into the House of Commons, and I hope that some of those will be Asians.

JOHN BERCOW: Well, I think it would be a start if the Conservative Party, building upon the work of its Ethnic Minorities Unit at Central Office, went out much more into the ethnic minority communities than at the moment it does. We receive far too little electoral support from black and Asian citizens. We must ask ourselves why and work to improve the situation. Very large numbers of those communities believe in free enterprise and prove it practically in the running of their businesses. Very large numbers of them support choice, discipline, and the pursuit of excellence in schools. Indeed, there is a premium attached to educational advance in many – not all – of the ethnic minority communities from which very often white Britons could learn. Very large numbers of them support our national institutions - our armed forces, our parliament, our monarchy. Very large numbers of them are strongly committed to freedom under the law, and to a robust law and order policy. So quite a lot of that seems to amount to a Conservative credo. You would think that a lot of them would identify with us, particularly when they think about some of the tenets of modern Labour thinking and Liberal Democrat thinking. Yet overwhelmingly they do not vote for us, and it does seem to me to be at least in part because over a period of probably three or four decades – perhaps even slightly longer – they have come to regard us as a party as indifferent or hostile to them. I do not think that that will change simply by saying, “Labour say he is black; we say he is British”. I think it was Cecil Parkinson at the time who was responsible for that

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advertisement and it was well intentioned. I very much doubt that it played well with the majority of the ethnic minority communities. I suspect that Labour was able to convey to them the impression that we were demanding that they make a choice between being black and being British – a false choice. I would have thought that the Tory Party should devote quite a large resource to getting out into those communities, using all the modern technologies available, and getting to know not just their business representatives but local community organisations. Local Tory candidates, be they for district or for county councils or for Parliament, would do well to invest time in going to meeting those groups, talking to them, and hearing from them. And of course they have got all sorts of different views. We need to hear from them.

LORD TEBBIT: I think, John, that there are two other aspects of the life of certainly the Asian community which we have greatly in common with them. They certainly don't enjoy paying high rates of tax ...

JOHN BERCOW: Absolutely.

LORD TEBBIT: ... And they do place a great deal upon the strength of their family units. And they are not only willing to help look after their own family, but they regard it as a social obligation to do so in a way which all too often the ethnic British have now forgotten. I think the root of their distrust of us lies in the question of immigration, and that we have always had a harder line on immigration – on *numbers* – than has the Labour Party. I think that that is changing amongst many of them. Many of them now are themselves taking a quite hard line on immigration, so I think there's a great deal of opportunity for us there.

CHAPTER THREE A European Destiny

3.1 John Bercow – A European Destiny

Conservatives should speak for most Britons in opposing entry to the euro. The one-size fits all interest rate would be potentially catastrophic for our economy. After two years' living hell in the Extended Recession Mechanism, it beggars belief that Ministers should hanker after a permanent version of the ERM. As Kipling put it "the burnt fool's bandaged finger goes wobbling back to the fire!" Even more importantly, there seems no merit in giving up for ever powers for the running of our economy to the panjandrums of the ECB whom we do not elect, whom we cannot remove and whom it would be illegal to seek to persuade of our Parliament's view. If giving up our currency is the litmus test of belief in what is glibly called the European destiny, many of us are happy to fail it. So too probably are the Swedes though doubtless some EU big wigs will browbeat them to "correct" their decision.

Now we face the prospect of a written European Constitution, including a binding Charter of Fundamental Rights, an EU legal personality, a five year Presidency and an EU Foreign Minister. EU leaders thirst for common defence and foreign policies, together with fiscal harmonisation, criminal justice powers and clauses to permit a further erosion of national vetoes across a vast canvas of public policy. Given that subsidiarity has been an ignominious failure over 10 years, it is cold comfort to be offered a new Protocol on the subject which does not even force the EU to scrap inappropriate proposals. It is thin cover for the legislative imperialism of the European Union.

We have no interest in a common defence policy in the absence of a common identity. We have no interest in fiscal harmonisation when we

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want US style policies for enterprise, not the economic sclerosis that results from the European Social model.

We have no interest in giving the EU powers over criminal justice measures when our legal systems are very different.

The British people should be able to vote on this manifesto for European Statehood. Conservatives, in calling for a referendum, should freely admit our mistake in denying the people a vote on the wretched Maastricht Treaty.

The real priorities for the UK are a world away from the audacious power grab outlined by European leaders at Thessaloniki. First, let us strengthen our historical relationship with our natural ally, the United States, whose fight for freedom and against terrorism is our fight too.

Second, let us battle for global free trade, against EU fraud, and for the victims of famine and disease. Conservatives should join with others who believe that the EU is on course for economic failure and public resentment. One such critic, Vaclav Klaus, put it eloquently, "The current European unification process is not about opening up. It is about centralisation, about regulation and control, about redistribution and social transfers, about the ever-increasing role of an unelected and uncontrolled bureaucracy, about the retreat from classical parliamentarism." Conservatives should oppose it.

3.2 Lord Tebbit – A European Destiny

The bitterness of disputes amongst Conservatives about Britain's role in the European Union arises in large part from the deceptions and deceits used to advance the case for British membership. Most of us who have changed our position on the issue over the last thirty years or so have done so as we have realised the truth. Many like me supported British membership because we believed that the EEC was a liberal, free market,

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free trading, group of nations concerned solely with economic cooperation and the friendly resolution of mutual problems. Many others, especially on the Left, opposed our membership for precisely the same reasons.

As the truth has come out – that the European Union is a centralist, corporatist, undemocratic, leftist would-be state, hostile to the USA – so the Left has become “pro-Europe” and the Right increasingly sceptical or hostile to our membership.

The question which has now to be decided is whether a Europe of the kind foreshadowed by the new draft constitution is one into which the United Kingdom should be absorbed. Even if this attempt at changing the nature of the EU from one in which nation states by treaty mutually cede powers and assume obligations towards one another, to one in which the EU assumes a superior standing to the nation states who accept its superior constitution and that their own constitutions are inferior in that they may not conflict with that of the EU, should fail, there will be another and another until it is successful.

We have to agree that the present state of European governance is unstable. The creation of the Euro and the admission of the new entrants make it more so. The Euro cannot survive in the long term unless there is a single European Treasury and a single European Chancellor who levies Euro taxation to match the Central Bank. There will have to be massive transfer payments from rich provinces to poor ones. A single defence or foreign policy requires fair burden sharing.

If we are not prepared to accept yet more incremental steps in those directions the United Kingdom is destined to be a rogue state, the eternal dog in the federalist manger, or it must redefine its relationship with the federalist powers. That could range from a return to the independence we enjoyed until 1972 or a new treaty relationship (perhaps shared with some of the Scandinavians and Central Europeans), with the federalist powers who would be free to pursue complete integration with a better chance of success without us.

The Conservative Party should state boldly that we not only oppose the new constitution but that a Conservative Government would seek to disengage from it. We should now set about defining the shape of a possible new Treaty relationship with the federalist EU powers and examine the consequences of total withdrawal to be as free as Norway or Switzerland.

To pretend that there is no choice but supine acceptance of a seat on that Euro train to the Euro state is simply unacceptable.

3.3 Dialogue – A European Destiny

EDITOR: I note from your pieces that there is major agreement here. Is there a place for the EU to play a prominent role in the next Conservative Party manifesto?

JOHN BERCOW: There should certainly be a substantial reference to the European Union. The European Union is a fact of political and economic life. It is a big player, whether we like the way it is developing or not. Certainly, we should have a series of commitments. I do not think that the Conservative Party should retreat in any way from the position it has taken robustly over the last six years. That is: free trade, not federalism; cooperation, not coercion; a Europe of nation states, but certainly not a single European state. We should reiterate our fundamental opposition to Britain joining the Euro. We should argue for a renegotiation of the power relationship between the European Union on the one hand and member states on the other. And I think that in terms of the enormous regulatory burden that businesses find so suffocating, we should develop a distinctive policy for cutting it. That might mean, for example, saying that we will pursue a common level of compliance with EU directives and regulations, but no more than that. We are not prepared to go on ‘gold plating’ legislation to our commercial disadvantage and “playing by the Queensbury Rules” when other nations not only don’t do that but take pride in the fact that they do not do that.

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LORD TEBBIT: I take the view that it is possible to argue either way whether Britain's membership of the European Union as it currently is serves our best interests or not. But no Conservative could believe that it is in our best interest to be in a European Union under the Giscard Constitution, which the Government seem to want to impose upon us. It is highly likely that the present Government will have conceded that we should have that Constitution imposed upon us before the election. So we need to make it plain that we would renegotiate it, since it is an unacceptable and unfair treaty, not only as it stands but for all the powers for incremental steps towards further integration which it confers. The Chancellor has just woken up to the fact that it has there embryonically the power to control taxation. The MoD... I don't suppose it's *woken up* ... that would be too much to ask, but it's become dimly aware of the fact that responsibility for defence is gradually being transferred. At the moment, the European Defence Planning Section is very small – only 30 we are told, but getting bigger. So we need to say, "Look, we are not going to have this." And I think we should offer to get the British dog out of the federal manger. We are the dog in the manger as far as the French and the Germans are concerned. We should say that we believe that they should be free to go ahead, create their new federal European state. Those that didn't wish to join it would remain in the EU, but under a new treaty which would have different powers to the proposed Constitution, much more of the sort which John was describing.

EDITOR: Do you think we should seek a relationship with Europe more along the lines of NAFTA?

LORD TEBBIT: I would actually be prepared to have something closer than the North Atlantic Free Trade Area in Europe, because we share certain other problems which need to be dealt with by mutual consent within a treaty arrangement, for example the problems with pollution – the smoke from our power stations goes over Germany, and the rubbish that the Germans dump in the Rhine comes into the North Sea. These are mutual interests.

JOHN BERCOW: The Conservative Party should have an explicit commitment to do more than just oppose in this parliament. One of the

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biggest seeds of distrust that has been sown between governments and voters over the last 30 years results from people feeling that they have been misled, let down, and betrayed by the process of European Union development and treaty making. What I mean by that is that I have literally lost count of the number of people I have met over the years who have said to me, "Oh, Mr Bercow, when we joined the Common Market I thought it was for trade and cooperation; I had no idea that Mr Heath (as he then was) intended this monster to grow, and for Britain to be swallowed up by it". I think that the goal of a federal union, the European super-state, call it what you like, is not an ignoble goal. It is just very misguided. But I would have more respect for its advocates if they would make an honest case for it, instead of pretending that what they are trying to build is something other than what it is. Very few people in this country who support the European Constitution and favour greater centralisation of powers will admit that what they actually want is an emerging super-state in which we have much less national autonomy. The consequence of all this distrust is that for the Conservatives simply to say, "We are against this, and we are going to run the Government ragged in the House of Commons and we are going to vote against it and make eloquent speeches in Parliament," is not good enough. People will say, "Yes, that is all very well, and that is what you would do as politicians, but what is your *commitment*? How do we know the next Conservative government will do better, if I may say so, than previous Conservative governments in resisting *and reversing* the ratchet? That is the test, and although Norman is one of the great Conservative ministers of the Post-War period, I am sure that even he would accept looking back that few if any Conservative Ministers are free of blame in this matter.

LORD TEBBIT: John is absolutely right. We did make mistakes in the past. We were hoodwinked. I think that means that those of us who went through that experience – and I was one – and advocated our entry into the Common Market in the 1970's should put our hands up and say, "Yes, we were wrong." Life is about learning from experience, and not continuing to make the same mistakes.

EDITOR: Where do you think we should seek to build our European alliances?

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LORD TEBBIT: I think the people with whom we can ally on the continent are mostly from the former Warsaw Pact countries and the Baltic States, rather than elsewhere. The problem is that there are two delusions which we have about our friends in Europe. One is that there is a Conservative Party in European countries which is like ours. The Right on the continent is basically corporatist and inclined to be somewhat authoritarian. It is not free market, it is not liberal, in any of the senses that we are here. And so we cooperate with them really at our peril and on a false prospectus. The other thing that we need to understand is that whereas our history here was notably one of requiring our governments to obey the law, the experience on the continent has been different. Most people on the continent – certainly the politicians – do not expect governments to obey the law. Governments *make* the law; they don't have to *obey* it. We have seen this over the Growth and Stability Pact: an absolute, absolute obligation upon Germany and France to conduct their economic affairs in a certain way. When it doesn't suit them, they announce that they are not going to do it. Now, I wouldn't object if they sought to change the law, but they don't even bother to do that. We got past that stage back 500 years ago. Henry VIII didn't do things that were illegal: he changed the law to legalise things he wanted to do. They haven't even got to *that* stage yet.

JOHN BERCOW: I endorse all that. I would just like, if I may, to make one other point, Lee, and that is that we do have to decide where decisions should be taken, and not allow ourselves to think that democratising the process is the be all and end all. It is an Aunt Sally being introduced into this debate to say, "Well, alright, the European decision-making process is perhaps not quite as transparent as it should be. Perhaps it should be a little more open. Perhaps the institutions should be more accountable. The way we do this is by giving more powers to those democratically-elected Members of the European Parliament." I think that is a thoroughly bad idea, and it is not a substitute for the real debate that we need to have, which is about whether decisions should be taken at supranational or at national level. There has been an arrogation of powers outwith the UK for far too long and on far too big a scale, and simply saying, "Ah, well, let us involve the European Parliament a bit more," will not do. It does seem to me that, in a democracy, you have to have a *demos*. It is not obvious to me

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that there is a *demos* called the European People. So increasing the powers of the European Parliament is, as far as I am concerned, a non-starter. It might satisfy the professional ambitions of a particular cadre, but it isn't the answer as far as the Conservative Party is concerned.

LORD TEBBIT: John repeats the famous words of Enoch, who said, "There can be no European democracy, for there is no European *demos*." And if you think of what are the interests and the habits and the ways and the thoughts of a Finn and an Italian, or a Greek and a Briton, the case is made completely. It won't work. And of course what has happened here, with every respect to John as a leading parliamentarian of his day in this place, the House of Commons has simply been hollowed out as it's lost power and has become irrelevant, knows that it's irrelevant, and behaves as though it's irrelevant. We need to reverse that.

EDITOR: We have to move on.

JOHN BERCOW: Such a pity as I was enjoying this.

LORD TEBBIT: We could do this for hours. Perhaps we should have a road show.

CHAPTER FOUR Public Service Reform

4.1 Lord Tebbit – Public Service Reform

The definition of public services is fuzzy. In this context I take it as services to or for the public supplied by state or quasi-state authorities, of which those causing greatest concern are the Health and Education services, public transport, emergency services, police, judiciary and prisons.

Health and Education require similar treatment. First an acknowledgement that they are both subject to an excess of management and administration remote from the surgery, hospital or classroom which is expensive, adds no value, imposes excessive costs on the operational level and distorts operational priorities. The complex NHS structures should be largely abolished as should the LEAs.

All schools should become self-managing and independent, financed by Government grant per pupil, varying according to age, with premiums for those in deprived areas, with linguistic difficulties or disabilities. There should be open enrolment, no artificial constraints against expansion, contraction, closure or takeover. LEAs would have residual responsibility to ensure adequate provision for children with disabilities, but not for the management of schools.

Similar arrangements should be made in the provision of health services. If schools and medical services are taken out of direct political control and the users have choice, their choices will determine where money goes. Eventually it would allow the distinctions between private, commercial, charitable and state provision to become increasingly blurred.

Emergency services such as ambulances, fire and rescue, do not easily lend themselves to user balanced finance, Neither national services, nor

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local provision through local authorities is ideal, but on balance a national service directly accountable to a Minister seems preferable.

Public transport requires a multi-faceted approach. Trunk roads clearly require a national strategy that can be delivered only by government. There is a strong case for a greater use of charges either by tolls or fuel tax, within the present total taxation levels on road use. Whatever system is used, however, there is a strong case for road improvements to the known congestion hot spots.

Subsidy of local public transport should be primarily a local responsibility. There is an urgent need to unscramble the botched rail privatisation by breaking Network Rail into four separate businesses; GWR, LMS, LNER and Southern Railway. As operating franchises fall in, and where appropriate by takeover, the railway companies should steadily take over the provision of trains as well as tracks, signals and stations until the pre-nationalisation structure is restored. Interim subsidy is essential. Long term subsidy should be steadily diminished.

The police, judiciary and prisons are too complex subjects for this short paper. The most urgent reform is to re-establish a police college to do for the police what Sandhurst does for the Army. The contrast between commissioned Army officers and the police opposite numbers makes that case beyond contradiction.

4.2 John Bercow – Public Service Reform

Is the “education system” working? For the top brains, schools probably work. But for those in the middle or at the bottom of the academic pile the system is far worse than it could or should be.

One in five adults cannot read or write. 30% of children leave school with no formal qualifications. For my part, I never cease to be flabbergasted by the number of Oxbridge students who write to me “Dear Mr John Bercow

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MP” and whose letters contain a bewildering variety of simple errors. Schools suffer from too many targets, too little autonomy and too much “politically correct, child centred, everyone is equal, none must fail” teaching. Despite Conservative and Labour reforms, the consumer, ie the parent, pupil or student is largely elbowed out of the way by the producer.

What is to be done?

- Impose fewer targets, and focus largely on literacy and numeracy.
- Let schools determine their own discipline policy
- Give all parents vouchers to spend at primary and secondary schools of their choice.
- Encourage choice, diversity and competition by allowing schools to choose between GCSEs and O Levels, and between the Baccalaureat, AS Levels or A Levels.
- Offer 14 year olds who are turned off academic education the use of vouchers to purchase full time training or apprenticeships for two years, reporting to the school

In higher education, Ministers are hell bent on achieving their arbitrary target of 50% participation. Yet the need for the target is not educationally obvious and it could damage the quality of provision. Tories should scrap the target and direct some of the savings into vocational education and in work training. Nevertheless, we must ask ourselves whether universities will need additional resources to provide staff, courses and research opportunities to compete with the best in the world. Starving our universities and allowing their decline would be a chronic betrayal of the national interest.

The NHS is a high spending, and over centralised near monopoly, but its results are far inferior to the best in Europe. There are more administrators than beds. People have to wait far too long for treatment. Politically driven targets have distorted clinically desirable priorities.

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The NHS should contract with the independent sector, to allow some of the 500,000 people awaiting simple operations to have their needs met by specialist treatment centres dealing in high volumes.

Freedom for a few hospitals should be rapidly replaced by a foundation status for all. Operating under independent boards, hospitals could set their own conditions and develop services to reflect local needs.

Similar freedom should extend to primary care purchasers, allowing them to buy tailored packages of care for patients.

Conservatives should empower patients through “passports” which enable them to choose their preferred provider and location.

4.3 Dialogue – Public Service Reform

EDITOR: Lets start with education. Should we have an 11+?

LORD TEBBIT: I think what you're really saying there is, 'Should we have different styles of education for different children?' My view is yes, indeed we should. We all have different skills – I would have made an appallingly bad plumber, for example and I think the question is: how do we route children, by what method do we do it, and at what age do we do it. Traditionally we did it by the 11+ . I think actually it worked reasonably well. The problem with the 11+ was that it was part of a tripartite school system of Grammar, Secondary Modern and Technical, and the Technical schools were never given any priority, they were never given funds, they were never given standards, and they were reduced really to taking the pupils whom nobody else wanted and teaching not much more than woodwork and basic metalwork. Imagine what we could have had if we'd really developed those technical schools to the stage where now kids would want to go there to study, for example, computing and things of that kind. And engineering. That's what they should have been, they should have led to universities as surely as the Grammar schools.

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JOHN BERCOW: There is no doubt that the Technical schools were massively under-funded, and there is historically quite a resentment of that. Sadly, it has tended to undermine support for the selective system, because the critics say, "Well, you are not really concerned about the kids at the bottom of the pile, you are concerned about promoting the interests of the kids at the top." I think that is a great pity because I do not think that there is anything in principle wrong with a selective approach to education, and I think that there is a great deal wrong with the old style, monolithic Comprehensive ideal ...

LORD TEBBIT: "Bog-standard" if I ...

JOHN BERCOW: "Bog standard" was the term used and it was very far from ideal, and I do speak actually as someone who has been through that old style, monolithic, "bog standard" Comprehensive model. I went to a state Comprehensive in North London myself. I do not say it was one of the worst, but I very much doubt it was one of the best. There was very little streaming or setting. Kids were lumped together irrespective of ability in most subjects. I felt slowed down and bored by the time taken with the kids who were not as good at English and some of the Humanities as I was. Equally, I must have been a nuisance to some of the brighter kids in the maths class, because I was slowing progress there. Now, since then, we have moved some way from the old-style Comprehensive model, which has been discredited. I think there is a lot to be said for selective education. There is a very good selective system in my county of Buckinghamshire. It could not survive if it were only the thirteen Grammar schools in Buckinghamshire that were doing well. It could survive and thrive only if most of what we call in our county the "upper schools" were also doing well, and they are. I am against having a national blueprint or a centrally-imposed theory for education, so just to pick you up on the language "What should we do about ...", I am not sure that the *government* has to prescribe. I think there has been perhaps rather too much prescription. But if there is a weak link it is certainly at vocational level. I think that there are lots of kids at fourteen who are completely turned off and demotivated in school. They are not learning anything; very often they are stopping other children learning something. And at their worst, they start on the cycle of misbehaviour, petty crime, drug addiction, serious

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crime, prison, out of prison, in prison all over again. And so that must mean that it is worth looking at what we do for kids who are wholly unacademic and are not going usefully to spend their last two years in compulsory education in a formal academic setting, but might well benefit from going on an apprenticeship, tied to a reporting structure to their school with a local and respected company. This is but a sketch, but there is scope for real improvement in vocational provision. Doing the *best* for every child does not mean doing the *same* for every child. Trying to ensure that everyone fulfils his or her potential does not mean you have got to get every child to jump over the same fences. In this respect, the Government still has basically a sort of socialistic, egalitarian view. For example, 'Higher Education should be the goal for everybody and we are devaluing kids if we don't give them the chance to enjoy it.' That is snobbish nonsense.

LORD TEBBIT: I think we have to start from the proposition that the present system is as ludicrous as if we said that how well people are served when they go out shopping would be improved if we apply the approach of the current system of Education to the grocery industry. So whether you could go to Tesco's or Sainsbury's would be decided by your postcode, and if Tesco's was doing rather well and wanted to expand, it would be told it couldn't – you might have a long waiting list to get into Tesco's. Now, would that improve the grocery trade? Of course it wouldn't. So the heart of it is that we have to trust people with the education of their children to the same extent that we have to trust them with feeding and clothing their children. Now of course that means that some would not be as well-educated as they might, and some are not as well-fed and clothed as they might. But it would mean that the great majority would be better educated. So we have to go to the system of making the schools self-managing, independent financial units. We have to go to the concept that the child has pinned to his lapel the cheque for his education. We might or might not allow that cheque to be used outside the state/charitable school sector, I don't have strong feelings about that. But what it does mean is that we could also pin larger cheques to the lapels of kids whose first language wasn't English, who were disabled, who had learning difficulties, who were in inner city areas with grave social problems, so that those schools in those areas could attract and retain more teachers, better

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teachers. It gives the opportunity for the state to intervene by equalising the ability to buy education. It would mean that some schools would expand, some would fail – they might be taken over by the school down the road. One thing that they *could not* do would be to sell the freehold of their land out, or we'd have too many schools closing with that object in mind. But it is possible to devise a system of that kind which would give a great deal of choice. We would then find out what parents and pupils really wanted. Some would want to go to musical school, some would want to study to be plumbers, or house builders, or motor mechanics. It would change the whole thing completely.

JOHN BERCOW: If we diversify supply, it is logical to offer a diversity of examinations too. It has long seemed to me that it is one of the more unattractive features of the *national* model that the State says that when you get to sixteen you will do something called GCSEs, and when you get to eighteen you will do something called A levels, or indeed AS levels. There is no other choice, you are entered for it, or not entered for it. I would have thought that there is a lot to be said, both in practical terms and in the name of Conservative thinking, for saying to schools, "Let there be a thousand points of light: if you want kids at your school to take GCSEs, then train them according to that syllabus. If you want them to do a baccalaureat, let them do that." I do not see why there has to be a bureaucrat's model that is imposed by someone from the Department of Education and Skills. It seems to me that there is scope for something rather wider than that. There is just one other point which is almost impossible to duck, and that is what breeds good literacy and what leads to poor levels of literacy. Teaching methods, and in particular the teaching of reading, are fundamental. Now, I am not comfortable with the idea of imposing a national model, but I am comfortable with the idea of increasing the amount of information that is available to parents about the results of teaching methods. I can speak only from my own experience. I always found the traditional phonics method of teaching reading to be highly effective. I also found those structured whole class teaching methods both stimulating and effective.

LORD TEBBIT: That's right.

CHAPTER FIVE The Welfare State

5.1 John Bercow – The Welfare State

The welfare state should help those who cannot help themselves, encourage independence over dependence and ensure that in assisting the jobless, it does not prop up the job shy.

At present, the benefit system is far too complex, offers too little incentive to work or save and becomes progressively more expensive every year.

Jobseeker's Allowance is supposed to be paid only to people who look for work and accept reasonable offers. Gordon Brown pledged that those who unreasonably refused work would be docked benefit. It has not happened under Labour and we must pledge that it will under us.

It is grotesquely unjust that while the benefit system considers all family income, the tax system views everyone as an atomised individual irrespective of his or her family obligations. The perverse result is that if one partner does not work but cares for children or elderly parents, he or she loses the tax allowance and pays more than two working individuals on the same joint income but without dependants. Conservatives should consider introducing transferable personal allowances so that the Exchequer stops caning those who are caring.

For all the Chancellor's genuine efforts to help make work pay, millions of people on low incomes still pay tax with one hand and receive benefits with the other. Conservatives should consider raising tax thresholds sharply so that the poorest individuals and families do not pay tax at all.

David Willetts has frequently highlighted the sheer complexity of the system, the way in which it deters take up and the injustices that it creates.

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We must establish a simpler process for determining entitlement to a unitary benefit or guaranteed income. This would be efficient, fair and popular with vast numbers of actual or potential claimants demoralised by the unintelligibility of present arrangements.

More people are living longer and most of us are saving far less than we need to enjoy a comfortable lifestyle in retirement. This is the nub of the so-called pensions crisis, and it is exacerbated by the fact that most citizens, including highly educated people, think little and understand less about their pensions until it is too late.

The following measures would help to address this problem:

- Citizenship classes in schools could usefully emphasise that young people should learn how to save effectively at the start of their working lives, rather than towards the end of them.
- We should establish Lifetime Savings Accounts which allow people to build up their own personal pot of savings to draw on as they choose.
- Companies should be allowed to presume that their staff are members of a pension scheme unless they declare that they wish to opt out.
- Low income families could be encouraged to save for retirement through the offer of a tax credit by the Government whether they are working or not.
- The pensions tax has done grave damage. Conservatives must pursue policies that foster independence and increase the savings ratio.

5.2 Lord Tebbit – The Welfare State

I hold by Churchill's vision of the ladder on which we are all free to climb, and a safety net to catch those who fall, rather than a society like a mattress, too soft on which to stand. That vision was shared by Beveridge, widely regarded as the inspiration of the post-Second World War welfare state.

Alas, the wise counsel of Beveridge – that benefits such as those for unemployment and disability should be financed by a contributory insurance scheme and not out of general taxation – has been discarded. It needs to be restored. Beveridge recognised the resentment caused by means testing as it “appears to penalise what people have come to regard as the duty and pleasure of thrift, or putting pennies away for a rainy day. Management of one's income is an essential part of a citizen's freedom”. In his words, “The plan ... that the state should take this burden off insurance in order to keep the contribution down, is wrong in principle”.

Over sixty years ago Beveridge foresaw that an ageing population would require a later retirement and was an exponent of what we now call workfare. “Men and women who have been unemployed for a certain period would be required as a condition of benefit to attend a work or training centre.”

Chancellor Brown's mismanagement of the economy, his antipathy to company profits and his blatant £5 billion a year tax on pension funds have severely damaged what was until 1997 the outstanding success of private sector fully-funded occupational pension schemes. It is bizarre that government policies have put house prices out of reach of young average earners, smashed the value of pension savings and created a mass of asset rich, income poor elderly people. Clearly these policies need to be reversed, to encourage savings from income to provide for retirement through occupational schemes and personal schemes with a safety net basic income from a compulsory state saving scheme.

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Health care costs have not, as Beveridge hoped, reduced but the principle of the universal availability of health care must be maintained. Reluctantly our political opponents have been forced to accept that centrally directed economies are poverty stricken economies, but they persist in their perverse archaic belief that only centrally directed health care provision can work. This Neanderthal fantasy fails to recognise that the vast NHS bureaucracy consumes cash, hampers the practise of medicine, and adds no value to the work done by health care workers. The flow of tax-financed cash to the health providers must, however, be reversed. Instead of filtering down from the Treasury through bureaucratic structures, it should come up via the patient, restoring patient choice and medical independence from arbitrary state instruction.

The welfare state sought to overcome poverty and ill health. The enterprise economy can finance that ambition but only if it is allowed to flourish and if individuals (other than those who have never been able to work) are required to practise the habit of thrift in order to enjoy its benefits.

5.3 Dialogue – The Welfare State

EDITOR: What are the main problems with the welfare state as it is?

LORD TEBBIT: One thing that is wrong with the welfare system at the moment is that we have a vast number of people who are paying tax and receiving welfare subsidies, a vast churning over the course of which a lot of the money is lost in bureaucratic frictions, if that's the right expression. So one task is going to be to reduce that churning. I think it's possible to do. There will always be rough edges to any system. There are many rough edges in the present system. And I think if we attempt to achieve perfection we will always get this lumbering great beast with enormous overheads. So far as pensions go, which of course are now the great issue, one goes back to 1979, when things were beginning to change, and people began to see the merits of saving again, and our pension industry was really expanding. We come forward to 1997 when we had a pensions system in the employment sector, the private sector, which was the envy of

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everyone else in Europe. We've now wrecked it. *Seventy percent* of the FTSE 100 companies have now closed their final salary schemes, one of the great achievements of the Government. We can reverse that straightaway, and it perhaps has a high priority in the budget, by ceasing to steal five billion pounds a year from those pension funds, because that's a cumulative hit which is going on and on and on, every year that this Government is in office. We can do more to rejig the tax system to ensure that people are not taxed both on money when they earn it, and on the income from it if they have saved it. We should start progressively from the oldest groups – I confess I'm 72 – eliminating one age band after another from paying tax from its income on savings. Now that would be a real incentive to save at the bottom, and would have a very, very marked effect. It is a several-Parliaments project, but it can be done. We might even ask Frank Field to 'think the unthinkable' for us, with an understanding that he wouldn't be sacked if he did.

JOHN BERCOW: The five billion a year tax on savings has certainly done great damage. We complained about it a lot in the last Parliament, and not surprisingly, lots of voters have asked us 'What would you do about it?' We have resisted any commitment because of the cost. When the tax was imposed, it was not understood by very large numbers of people; it was understood by the *industry*, but it was not understood by the country as a whole. It was in that sense, classically, a stealth tax. And it was probably the single meanest and most damaging tax measure the Chancellor introduced in the whole of the last Parliament. I do not think most people even now realise that unless they contribute two, three hundred pounds a year more to their pension funds than they are doing, they will end up with a depleted sum on retirement. A lot of people do not realise it, but they will be substantially poorer when they stop work, unless they contribute more, and that is the consequence of Gordon Brown.

LORD TEBBIT: And at present the system is such that, with the combination of welfare and tax, some people may be better off not to save at all, because they get hit so hard by the tax on those savings. They would be better off spending their money and then waiting for state assistance in old age.

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JOHN BERCOW: And the means-testing benefits phenomenon is getting worse and worse and worse. It was not insignificant when we left office, but I think it was something around two fifths of the retired people in this country who were dependent on means-tested benefits, but it is nearer three fifths now. Now, that is quite a hike in only six years.

LORD TEBBIT: I think the most important thing that those responsible for shaping our policy should do now is to go to the library, get out a copy of the Beveridge Report, and read it. Almost all that has gone wrong with the Health Service and with the Welfare system, in the last fifty, sixty years, is because Beveridge's cautions and his prescriptions were *not* followed. On many occasions in the past, I have amused myself at public meetings by reading into my speech a slab of the Beveridge Report, and as the screams and the shouts and the protests rise, I say, "Well, hold on a moment, this is what Beveridge said, and it was the father of the Welfare State." His advice was *sound*, in *almost every respect*. We should reread it.

JOHN BERCOW: Norman's absolutely right about Beveridge. Beveridge has been chronically misrepresented by those who have come after him, rather in the way that Keynes has been.

CHAPTER SIX Common Ground

EDITOR: From this discussion today, can you identify common ground that unites Conservatives of different hues of Blue as yourselves?

LORD TEBBIT: I think I would say that it's very simple. Between John and I, who are often held out as opposite ends of the poles of the Conservative Party, there is broad agreement on most of what I would call areas of "whipped policy," and any differences are really confined to those matters (mostly social issues) which are best not whipped. Even there – in particular in the Civil Partnerships Bill – I think that we might find common ground. I do not think we need the Bill, but if it comes, then I would not want to create inequalities between homosexuals and heterosexuals. I hope John would agree that it should allow same sex heterosexuals living together to pass property and other entitlements between them on the death of either without tax.

JOHN BERCOW: Without doubt, Norman is a great man. He is always described as a formidable bruiser. Yet that is only a part of him. He was an outstanding member of the Cabinet who took forward the Thatcherite reforms – Reform of the Trade Union laws and privatisation of British Telecom were milestone achievements of the 1980s. As a strategist, propagandist and campaigner, he has proved to be one of the most astute of the post-War period. He is also a principled and thoughtful Eurosceptic. But the Conservative party must also now come to terms with the changing mores of society. Our challenge is to apply Disraeli's philosophy of One Nation to today. This means that the Tory Party should represent all our citizens – black as well as white, poor as well as rich, urban as well as rural, gay as well as straight. We should be absolutely explicit that we support equality before the law and oppose discrimination on grounds of race, colour, creed, sex, disability or orientation. Critics sometimes suggest that this is simply to attract votes from these groups. For a start, there is nothing wrong with that. However, the bigger point is that we must be, and appear to be, a modern, forward looking, decent, centre-right Party that offers a credible and attractive alternative to the Government.