The Case for Conservatism

Rebuilding our economy, restoring our community

Gavin Rice

Nick Timothy

Foreword by Rt Hon Michael Gove

FUTURE OF ➢
CONSERVATISM

About Onward

Onward's mission is to develop bold and practical ideas to boost economic opportunity, build national resilience, and strengthen communities across all parts of the United Kingdom.

We are not affiliated to any party but believe in mainstream conservatism. Our vision is to address the needs of the whole country: young and old, urban and rural, for all communities across the UK – particularly places that have too often felt neglected or ignored by Westminster.

We believe in an optimistic conservatism that is truly national – one that recognises the value of markets, supported by a streamlined state that is active not absent. We are unapologetic about standing up to vested interests, putting power closer to people, and supporting the hardworking and aspirational.

Thanks

Onward is a small non-profit that relies on the generosity of our donors and patrons to do our work. We are indebted, in particular, to our Founding Patrons: Martyn Rose, Michael Spencer, David Meller, Bjorn Saven, Richard Oldfield, Robert Walters, Tim Sanderson, James Alexandroff, Jason Dalby, Graham Edwards, John Nash and Theodore Agnew. Without this philanthropic support, our work would not be possible.

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About the project

In March 2023 Onward launched its commission on the Future of Conservatism. In the last five years since we were founded, Britain has faced the constitutional rupture of Brexit, the once-in-a-century devastation of the Covid pandemic, a severe energy crunch and inflation crisis, and a prolonged period of political turbulence. As successive Conservative governments have grappled with the hurdles of the moment, long-term challenges facing our country have continued to build.

While the Conservative Party faces the immediate pressures of government, we believe that conservatives also need fresh thinking about these longer-term questions and the wider future of British conservatism. This commission was formed to ask precisely these deep questions, and to seek answers.

The challenges of the next decade and beyond are not those of the beginning of the twenty-first century. Technological and social transformation, globalisation, the rise of China and the great Western slowdown in economic growth are profound changes any government will have to address in the coming years. These challenges cannot be easily or rapidly overcome by any government, Conservative or otherwise. But the search for solutions must begin now, not later, and these answers exist within the British conservative tradition of thought. There is a potential for a stable future voting coalition for the party, should it want to embrace it.

The project's steering group has been formed from across the centre-right, bringing together parliamentarians, respected journalists, pollsters and others to guide our work. Their expertise and ideas have informed our approach.

This report lays the intellectual foundation of the commission, identifying the sources of the present discontents and offering a set of principles for addressing them, drawing on the conservative canon of thought. It will be followed by two more detailed reports, which will address economic and cultural policy.

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Foreword



The world is changing around us at break-neck speed, and our politics must follow. As we enter the middle of the twenty-first century, parties of both left and right must adapt to meet new challenges. Structural weaknesses in our economy and our society need addressing as existing models run out of road. As the position of Britain in the world changes, alongside other developed democracies, conservatism will need to change too.

British Conservatives have much to be proud of. Our party transformed a stagnating, sclerotic economy into a dynamic, prosperous one in the 1980s. We re-asserted British power during and after the Cold War. We restored fiscal balance and responsibility after the 2008 crisis, have led the way on the environment, pioneered vital educational reforms, overhauled our welfare system, and led the world in standing strong beside Ukraine. After the momentous vote to Leave the EU in 2016, only a Conservative government with an overall majority proved willing and able to implement the democratic will of the British people, taking us out of the European political project with a bespoke Free Trade Agreement.

But conservatism is about pragmatic change in the national interest and new times call for new approaches. There are long-term domestic and global challenges Britain must face - challenges we see across the West.

The aftermath of deindustrialisation and ultra-globalisation has left Britain highly dependent on a narrow range of sectors. Global offshoring has disrupted communities and increased regional divides. Voters in these communities deserve better.

The compact between social classes is also under strain. Younger people need support to get on the housing ladder. Economic growth needs to be spread more equitably. Migration brings benefits, but the pace of cultural change can disorientate, while also increasing pressure on public services and pushing down wages for lower earners.

These are pressures facing every developed nation - but we need to show the United Kingdom can continue to be the best country in the world when it comes to shaping a more genuinely inclusive future.

That means improving labour productivity, stimulating wage growth and showing strategic leadership in industrial and economic modernisation.

It also means sensible family policy - providing the new homes, higher-paying jobs, safer high streets and answers to social care which enable families to flourish and bring up children in security.

Respect for the values and experience of all our citizens also means tackling those ideological actors who seek to divide our society. That means upholding pride in the places people love and confidence in our inclusive culture.

As conservatives we know history does not march in one direction. Whether in political history or global economics, choice is possible - this is the gift of democracy. Neither an over-mighty state nor the undemocratic dominance of markets should determine our fate, but the sovereign decision-making of the British people, via their representatives, acting in their social and economic interest.

Britain has significant underlying strengths. We retain a leading role in advanced manufacturing, life sciences, research and innovation. We have globally competitive service industries. We are a country people want to come to live and work in, enjoying a level of freedom and security others can only dream of. We have a history of which we can be proud. We champion the beliefs of freedom, tolerance and liberal democracy, rooted in the bonds of nationhood, community and the common good.

Our nation state does not need to wither before impersonal global forces, or be out-competed by hostile trading partners and aggressive powers. It is possible to achieve both faster growth and a fairer social contract. Individual freedom can only find its fulfilment in the bonds of community. A state that is active, not absent, need not lead to the stagnation of welfarism. Rather, it can enable the kinds of private sector growth that will lead to better jobs and prosperity across all regions, communities and classes.

We believe conservatism has the intellectual resources and the strategic pragmatism to embrace change and provide new answers. Our well-tested beliefs, applied to new contexts and challenges, will prevail. Prosperity and fairness can co-exist. Individual, community and nation depend upon one another.

In this report, the first in Onward's Future of Conservatism Project, we lay the intellectual case for a reformed, modern conservatism placing these values at its heart. We hope and believe it will lay the foundations for a brighter, better politics of tomorrow.



Rt Hon Michael Gove MP

Secretary of State for Levelling Up, Housing and Communities

Executive summary



This report makes the intellectual case for British conservatism to rediscover its roots, so that it can meet the fresh challenges of the mid twenty-first century. It argues for a fresh, pragmatic approach going beyond narrow ideology in the service of the British people - families, communities and nation. It outlines the case for drawing on the conservative tradition of thought to improve and advance the prosperity and flourishing of our national community in a changing world. It makes the case for a British renewal.

The Prime Minister has called for long-term decision making in the national interest, and the need to move on from decades of consensus politics that have run out of road. He is right. In this report we argue for a direction of travel for the centre-right which moves beyond that consensus.

We call for conservatism to build upon its existing achievements and embrace new approaches. These approaches, we argue, are not only consistent with conservative political tradition, but flow from it. As research by Onward shows, they would also command the support of a future voting coalition capable of delivering a strong parliamentary majority.

We argue that a future conservative political platform for tackling Britain's long-term challenges would contain the following core elements:

A state that is active, not absent. Conservatives embrace a state that is not overbearing but facilitative. We are not ideologically committed to limiting government in all circumstances. Good government can generate a stronger society and a faster growing economy, reducing the need for redistribution. Better incentives are needed to increase business investment.

An economic strategy placing Britain's interests first. Conservatives should seek to advance the economic interests of the nation as governments should serve the interests of their citizens. This means taking a robust stance towards hostile global actors and a critical approach to unfettered globalisation. Securing strategic industries, supply chain integrity, reducing the UK trade deficit and guaranteeing access to key resources and manufactures are vital goals.

A fairer social contract. Inequality is rising in the UK, but without the growth rate that might make this more acceptable. Wealth is concentrated in the hands of too few, with younger people priced out of home ownership. Real wages have

not risen for over a decade and unstable work is more widespread. It is possible to achieve faster growth, less inequality and a better deal for workers.

Rebalancing the country. Identifying the scale of Britain's regional divides and the urgency of correcting them has been a major achievement of recent Conservative governments. Active regional policy is needed to redress this imbalance, which overheats the South East while much of the country is left behind. By growing more of our regions, we will reduce the need for Britain's huge transfer union.

Sustainable immigration. Any modern developed economy will need a certain level of economic migration. But current levels have gone too far, placing undue pressure on housing and public services, causing rapid community change and undermining the economic position of British workers. We should not have an economic model based on supplying low-wage labour to businesses.

Seizing the opportunities of innovation and technology. The UK must invest much more in science and create the commercial spaces for universities and businesses to conduct research. We must also adopt a proactive strategy for scaling up and commercialising British patents so we retain the economic benefits of our innovation.

Planning reform and housebuilding. Significant supply-side change is needed to generate the conditions for private sector-driven growth. We need far more houses so voters can become property owners, and the local infrastructure to underpin it.

Sustainable energy supply. The UK needs to ensure a reliable supply of affordable energy with the aim of transitioning to a cheap and abundant future energy mix. We must be less exposed to international supply shocks and never allow the cost of energy to cause a loss of industrial capacity.

Supporting families. British families have fewer children than they would like and the UK is unusual in its lack of recognition for families in the tax and benefits system. We need a much more pro-family policy framework that rewards commitment and values parenting, while enabling the choices parents want to make.

Actively defending institutions and culture. Socially and economically elite minorities in both the private and public sectors are moving our national cultural norms away from the views, values and interests of the average voter. Conservatives must stand up for the majority who do not consent to this unwanted rapid cultural change, and seek to rebalance our institutions away from radical ideologies.

Law and order. There is a growing perception of rising lawlessness in Britain, with higher rates of anti-social behaviour and embedded gang and street crime. Conservatives must protect the law-abiding majority by taking a much tougher approach to preventing and tackling crime of all kinds, especially drug-related and organised crime.

Responsible stewardship of our environment. As Conservatives we must exercise responsible custodianship of the environment, taking proportionate and practical measures to mitigate climate change, while also regulating effectively to protect biodiversity, air quality, water quality and natural habitats.

By prioritising these objectives and being committed to ends rather than means, Conservatives can meet the challenges of economic decline and social alienation that threaten the UK in the medium term. We do not believe in an unreformed, ever-expanding state. Rather, by addressing the root causes of high public spending we can make more of our society self-reliant.

Britain is a nation of high subsidies - we subsidise our economy with unlimited immigration and regional transfers, and we subsidise our weak society through our welfare state. To reduce the long-term demand for redistributive government, we must first embrace active government to fix what is wrong.

The American social scientist Robert Putnam recounts the legacy of President Teddy Roosevelt and the Progressive era. The mid-twentieth century saw the United States move towards becoming a higher-growth, more equal, higher-trust, more patriotic, more cohesive and more “we”-focused society - an “upswing” in almost all social and economic measures.

Britain should learn from this analysis. By seeking to restore our national community, together with the little platoons of family and place it encompasses, the Conservatives can become a truly national party once again.

Britain is overdue its own upswing. A British renewal is possible.

What we believe



This paper makes the case for a renewed and revitalised conservatism: a form of conservatism that takes long-established insights and principles and applies them to very modern challenges and problems. It argues for a conservatism that is popular and democratic, seeking to serve the whole nation.

We are conservatives and we are clear about what it is we want to conserve. We do not seek to conserve the economic consensus that has, over the course of decades, led us to an age of deindustrialisation, trade deficits, high debt, low growth and the ever greater concentration of wealth in the hands of a few. Nor do we seek to conserve an "anything goes" liberalism that has delivered mass immigration, divided communities, diminished social trust, a frayed social fabric and widespread anxiety. We seek to conserve what is good, to revive what can be saved, and to build anew, so that we may restore our sense of local and national community, rediscover the duties of citizenship, and rebuild the shared identity and solidarity that make for a strong society and prosperous economy.

We believe in popular sovereignty and democratic control. We put people and families over economic abstractions and ideological theory. We put strong leadership by elected and accountable national government over the quango-dominated state and managerial elites at home and supranational institutions abroad. We value the ability of Parliament to change our laws and consider fixed conventions of international law and de facto constitutions an inhibiting constraint on our ability to respond to real problems.

We want to bring control over the decisions that affect our lives closer to home. We embrace the decentralisation of political power. But we believe in the integrity of our uncodified constitution and fairness between the communities that comprise our country. We believe in individual freedom and the aspiration that drives us to succeed, but we also believe in our shared life together, and a conception of society based on the common good. We believe in those timeless conservative values of commitment and community.

Most of all, we believe that an economy built on strong foundations, and principles of fairness and opportunity, must provide the conditions for the good life - our individual lives made meaningful by community, family and nation - that we as conservatives know people want to lead.

Beyond "Left" and "Right"

We argue that Conservatives should move beyond restrictive ideology. This is because pragmatism is core to true conservatism. But primarily it is because we believe this country should work for a wider range of people, so all can benefit from a stronger and fairer economy. The alternatives presented to the public, from left to right, tend to be reheated versions of old policies: social democracy (and even socialism) on the one hand, and neo-Thatcherism on the other. Instead, we argue for a conservatism that embraces muscular state action to rebuild productive capacity, unlock private sector growth in poorer parts of the country, encourage family life, reduce crime, increase housebuilding and lower immigration. This will involve moving beyond the tribalism of "Left" and "Right".

In Anglophone democracies such as the UK, US, Canada, Australia and New Zealand, centre-right parties tend to align (like all parties) along a simple, two-dimensional spectrum. Those that are more conservative on social issues like immigration, crime and culture are frequently also associated with free market, libertarian economic policies. Meanwhile, social liberals tend to be more economically interventionist. We argue there is no logical reason for British Conservatives to feel they have to align in this way.

In fact, these political factions that form suffer from internal contradictions. The economic consensus of the past 40 years has left us with entrenched low growth, stagnant pay and chronic insecurity. And the model has not proved conducive to conservative cultural objectives such as stronger families, rooted and stable communities and a prospering, secure nation.

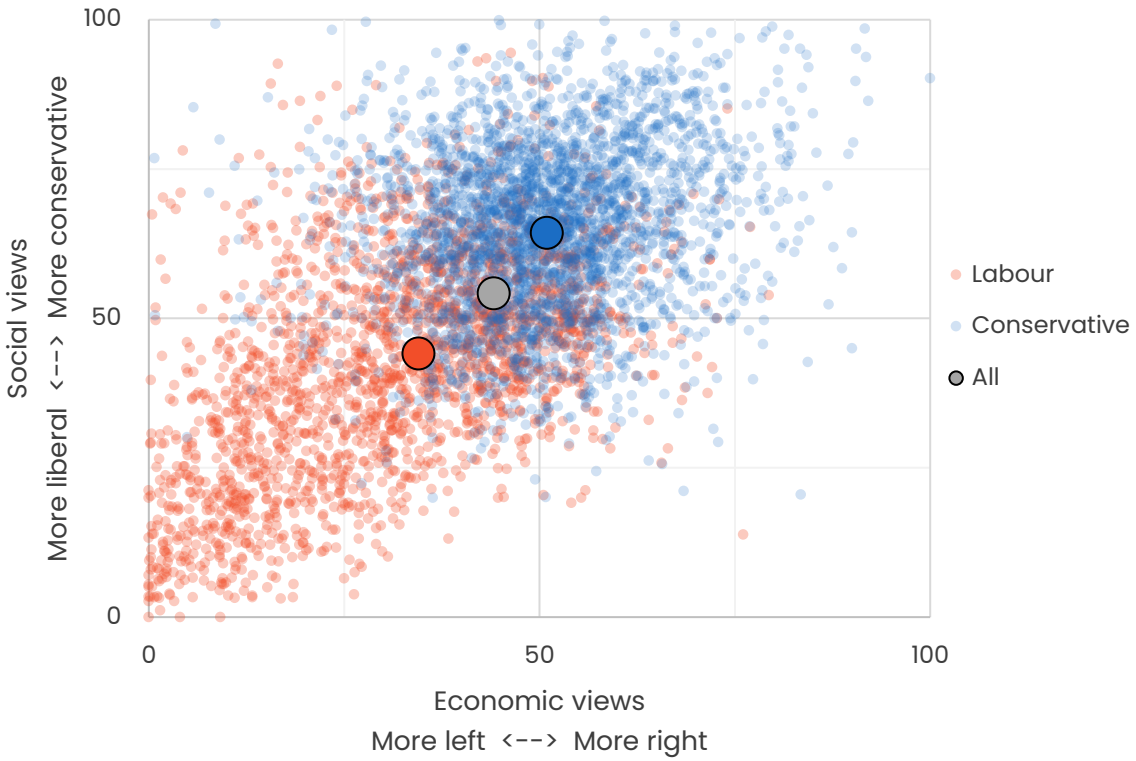
For want of a people's party

The simplistic political spectrum impoverishes our political discourse by encouraging an irrational, two-dimensional partisanship, denying voters a political home that reflects their own values. As research by Onward has consistently shown, the least popular quadrant of a two-dimensional political spectrum is the "libertarian" (socially liberal, economically free market) one, yet this position tends to be over-represented in our political system, while the views of the median voter remain under-represented.

On a standard political spectrum, it can be seen that the least popular of all four political quadrants is that which represents both social and economic liberalism. Indeed, polling for Onward suggests that this political outlook represents just 5% of voters.

Figure 1: Political compass, by 2019 vote

Source: Onward (2020) No Turning Back



Yet this bottom right quadrant is where politicians tend to crowd. Sir Tony Blair, for example, extolled the virtues of the "centre ground", meaning moving socially to the left and economically to the right. But the average voter today is broadly socially to the right and economically to the left (depending on how this is defined) of how New Labour governed.[1]

Figure 2: Economic values of MPs, party members, and voters, Labour and Conservative, 2020

Source: UK in a Changing Europe (2020) Mind the values gap

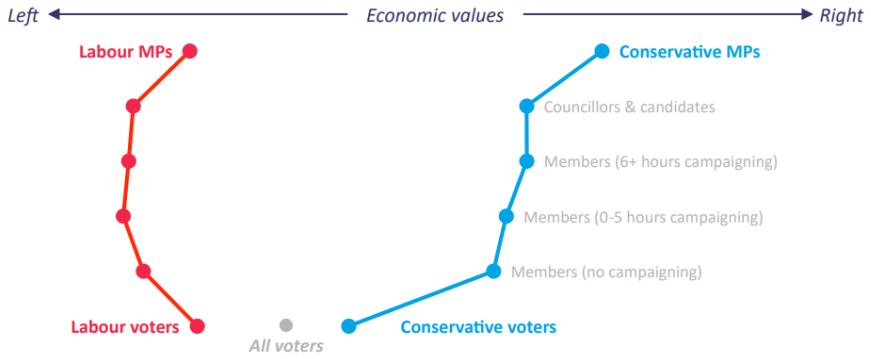
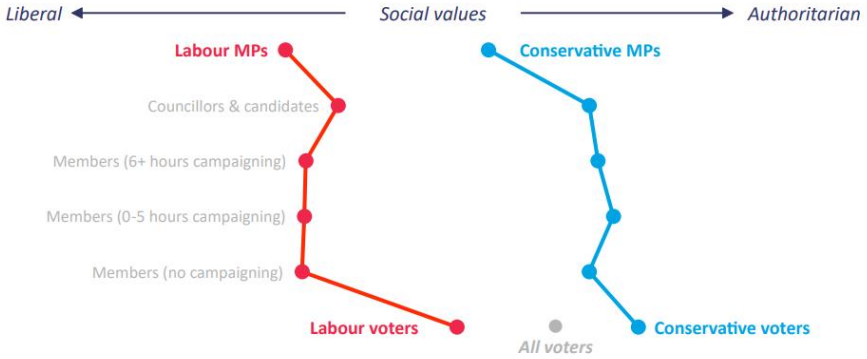


Figure 3: Social values of MPs, party members, and voters, Labour and Conservative, 2020

Source: UK in a Changing Europe (2020) Mind the values gap



There is significant political advantage to be gained in a political party moving towards the real centre-ground. A more culturally conservative policy platform would bring the Tory Party nearer to Conservative voters' social values. Mirroring this, an economic policy platform emphasising greater fairness and security, rather than deregulation and individualism, would bring it closer to the economic values of both Conservative and Labour voters.

This does not mean a return to welfarism or Brown-era redistribution; a faster growing, more balanced economy with a more even spread of private sector-driven growth would reduce demand for welfare, not increase it. But it does mean embracing the role an active state can play in delivering higher growth, more fairly distributed prosperity and more security for workers.

New solutions for new challenges

It is of critical importance that we recognise that the challenges of the twenty-first century are not those of the twentieth, and those of 2023 are not those of either 1945 or 1979. Policies that worked for the era of nationalised industries, union militancy, the Cold War and the explosion of financial services are not the right ones for today. Our era is one of Chinese expansion, AI, new cold wars over batteries and microchips, energy shortages and competition for natural resources, corporate espionage, mass immigration, offshoring of industry and aggressive neo-mercantalism by hostile states - and, increasingly, our friendly trading partners too. It is an era of housing shortages, inadequate infrastructure and weak public and private investment.

A key theme throughout this commission will be finding the right British response to the realities of globalisation. We must deepen what is good and recognise what cannot be undone. But we must be frank about globalisation's downsides, too - whether in reducing the UK's security through over-extended supply chains and offshoring strategically important industries, or through negative distributional impacts on British society.

Another recurring theme is that the march of history need not continue in only one direction. British and world history are littered with examples of pathways not taken and of bad decisions reversed. The more damaging aspects of globalisation need not be considered unstoppable, any more than radical social change at odds with voters' values.

Realities of the realignment

In Western nations political revolutions have occurred partly in reaction to the ravages of globalisation. Britons' vote to leave the EU in 2016 was, we argue, more than just a vote for independence and sovereignty. Close examination of the characteristics and priorities of many heavily Leave-voting communities

suggests it was a rejection of hyper-globalisation, too. Questions provoked by Brexit regarding our wider economic model must not be ignored.

Conservatives' response to the "globalisation question" must be unashamedly to put the national interest first, prioritising defence and security, access to resources, a sustainable new trade balance and more economic fairness for British voters. The answer will not lie in exposing ourselves even further to global forces that stand to hollow out our economic production, nor in pulling up the metaphorical drawbridge, but in acknowledging the existence of trade-offs and the costs as well as benefits of policy to date, and finding a new balance. This may involve some tough questions for Conservatives.

The chief cause of the post-2016 political realignment is that old models have not been working for the majority since at least 2008, and the roots of our structural weaknesses predate even this. Questions of growth are essential, and so are questions of fairness. In fact the trade-off between the two is often misunderstood. Only an economy in which people from all social backgrounds and geographies can succeed will deliver the growth we need. If the Conservatives are truly the national party, they must look first to the interests of our whole national community.

Economics and culture are intertwined

This paper makes the case for a conservative politics of community rather than individualism. This, we argue, is consistent rather than in tension with the goal of greater prosperity. A key aspect of our argument is that economic and cultural considerations cannot be treated in silos, since they are fundamentally entwined. Economic conditions affect the strength and fairness of our society, and social trends affect the performance of our economy.

Immigration, for example, is a policy area with important cultural as well as economic dimensions. Debates about its economic impact can ignore the fact that if uncontrolled it can disrupt communities and cultural cohesion. Likewise, debates purely focusing on the cultural aspect ignore the impact on wages and productivity.

Most Conservatives say they support the family, but prevailing economic conditions deter family formation. The cost of housing causes parents to delay having children and have fewer than they would like. Housing pressures lower

living standards and create long commutes. Low wages and an overloaded childcare sector make combining work and parenting very difficult.

Britain's large trade deficit may feel like a purely economic question. But the domestic impact of offshoring and poor regional economic performance is often damaging to communities, with yet more incentives to move south.

Employment contract regulation may seem purely economic. But unstable work undermines family life, and over-mighty employers can force cultural change by limiting freedom of expression.

Conservatives must think of economic and social policy in the round, rather than believing economic policy can be divorced from its social impact, and vice versa. Instead of focusing on the means ("does this policy conform to market principles?") we should focus on ends ("what kind of societal outcomes would we like to achieve?").

Community and the national principle

As conservatives we believe community, family and nation are the most important social entities. While individuals matter, they exist primarily in connection with one another. In fact, they cannot exist and fulfill their potential outside these structures. While family life and local communities may be possible without a national identity, it is that identity - formed through norms, language, traditions, shared stories and places in common - that allows us to recognise familiarity in strangers, which in turn creates social trust, solidarity and an expectation of reciprocity. The national interest is therefore vital, and we cannot allow its erosion by selfish individualism, identity politics or indeed a blind adherence to market forces.

Conservatives believe we share a common, universal humanity and that we should co-operate with other nations in pursuit of the common good. However, conservatives also believe that as citizens of a nation state we have additional, particular attachments and obligations to our own country, and to those with whom we share it. This is why governments must govern first and foremost in the national interest.

Just as attachment and obligation are naturally higher to a relative than to a stranger, so the duty of government to its people - and of citizens to their fellow citizens - transcends any other duty to any other party.

Conservatives do not primarily represent the interests of capital or of labour. The most important political entity is not the state, the market or the individual. Rather, it is the national community, and the many little platoons that compose it.

The present discontents



The Conservative Party has increased its national vote share in six successive elections.[2] After ousting New Labour in 2010, the party won an overall majority in 2015. Its vote share was not converted into seats in 2017 and its majority was lost, only for it to secure a landslide in 2019 on the promise of getting Brexit done. It has been in power for over half the 21st century so far and for the majority of the postwar period.

The good

Modern Conservative governments have major achievements to their names. The successive Thatcher governments ended the horror of 1970s stagflation, excessive union power and punitive levels of taxation.[3] It ended the unsustainable matrix of nationalised industries, expanded share and property ownership, defended British power and territory overseas and explicitly encouraged a culture of aspiration. It liberalised financial services, making finance one of Britain's primary industries and key exports. The government of Sir John Major left the UK economy is a strong condition in 1997.

Since 2010 Conservatives have introduced radical reform to education, empowering parent choice and reducing the power of Whitehall over schools. They have reformed the social security system to reduce welfare dependency. They have decentralised power, rebalancing the country's political and economic geography. And though austerity undoubtedly has had long-term scarring effects, the UK's public finances were brought under control by David Cameron and George Osborne. Following the vote to leave the EU in 2016, this enormous constitutional renegotiation was ultimately delivered.

However, we must be honest about the state of the present discontents in Britain.

The bad

The reasons for these discontents are many. Britain follows many developed economies in suffering from demographic challenges, with an ageing population and proportionately shrinking tax base. Britain's relative position in the world is inevitably challenged by the rise of China and other Asian economies.

The UK is experiencing a period of little to no growth, with no rise in real wages since 2005. Living standards are 30% below where they would be if pre-2008 trend growth had continued. Inequality has risen and home ownership has become prohibitively expensive. Our archaic planning system stifles both housebuilding and the infrastructure required for growth. Public services need to be funded from an economy that is not as large as it should be. For the first time since the Great Depression, the present generation risks being less well off than their parents.

Widening trade deficits have left the UK hugely import-dependent for essential resources such as energy, and for key manufactures. The UK's huge current account deficit signifies the offshoring of productive industry, financed by the sale of UK assets. The country does not make or do enough of what the world wants to buy, and is overly reliant purely on financial services. Regional divides have widened, with only London and the South East above the UK average in GDP per capita. Globalisation has until recently kept many imports cheap, but it has also damaged former producer communities.

Meanwhile, Britain's cultural cohesion and the strength of its social fabric have been eroded with a decline in community ties, civil society, social trust and shared cultural norms. Net migration in the hundreds of thousands has brought disruptive change to communities and warped our labour market.

The ugly

The UK is exposed to hostile powers and the impact of aggressive neo-mercantilism abroad. It is at risk of stagnation and a diminished status in the company of nations. Laissez-faire approaches to industry have left the economy without depth, and with a new economics of insecurity.

At home, social fragmentation is causing social tension. Political alienation is on the rise; three in four Britons think the UK is becoming a worse place to live.[4] Active democratic participation beyond voting has fallen over the last fifty years, as has trust in government and other national institutions.[5]

Some of these problems are cultural and historical and cannot be blamed on policymakers (though that does not mean they do not require a response). We go further, arguing that many of our challenges arise from long-term policy failure across the party political divide. We argue that while some of the hurdles

ahead must be 'priced in', plenty could be taken on with the right policy agenda from a government seriously committed to securing Britain's long-term future.

Our broken social contract - wages, growth, inequality

Conservative economic thinking since Thatcher has sought to justify inequality so long as the overall size of the economy is increasing. A growing gap between rich and poor is acceptable if real living standards are rising on average. Moreover, individuals can rely on their own resources to climb the economic ladder and benefit from growth.

The trends in the UK economy for the last 15 years, however, point to the end of that "popular capitalist" consensus. Inequality has risen, but living standards for the average household have not. This should be alarming for Conservatives, since when growth stalls, political debate becomes focused on distribution. The premise on which the post-Thatcher model was based is no longer true.

Phantom growth

The UK's prosperity is in jeopardy, with GDP growth rates struggling to rise above 3% since the 2008 crash, and frequently languishing below 2%.[6] This problem is not unique to this period of Conservative government; while growth was high at 4% in 1997 when Labour was elected, it ranged between 1.8% and 3.1% between 2000 and 2008.[7]

More tellingly, GDP per head is little higher than prior to the financial crisis,[8] with average real wages no higher than in 2005.[9] Real average weekly earnings are £35 per week lower than in 2008, and the same as they were in 2005.[10] British workers have been estimated to be around £11,000 per year worse off than if the UK had followed pre-2008 OECD trends (a deficit of over 30%).[11]

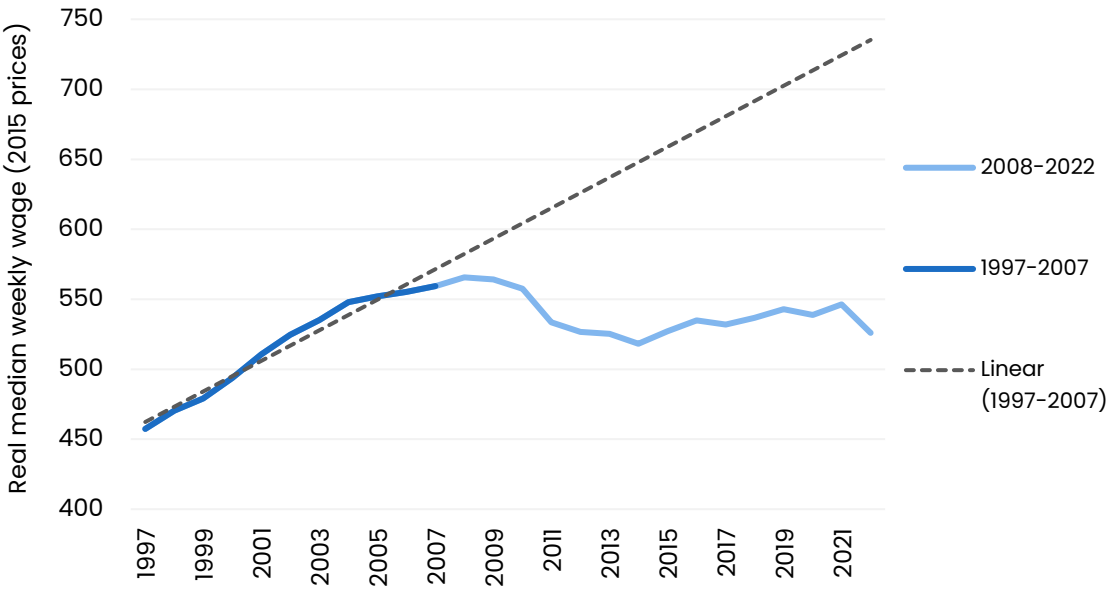
Revised GDP figures suggest the UK's real GDP may now be 0.6% above its pre-pandemic level.[12] This must however be viewed in context. The UK's recovery has been weaker than that of the United States, France, Italy, Canada, Japan or the Eurozone average.[13] It must also be set within the context of a 15-year trend of low growth. Average real GDP growth in the period 2008-2018 was just 1.3%.[14] Real GDP per capita over the same period grew by an annual average of just 0.5%.[15] A majority of GDP growth is therefore attributable to population growth rather than improvements to per capita living standards.

Margaret Thatcher famously claimed that "everyone" was better off in 1990 than they had been in 1979. This was not quite true, but painted an accurate picture of the impact of a decade of growth. In a world where there is precious little, growth as the justification for inequality becomes a harder argument to make.

A rising tide might raise all boats, but where is the tide?

Figure 5: Real median wage, 1997-2022

Source: Annual Survey of Hours and Earnings



Rising inequality

This brings us to the question of distribution. Former Prime Minister Liz Truss told the media that she did not believe that all economic and fiscal policy discussions should revolve around distribution questions (in short, who gets what). Rather, policy should focus on seeking to "grow the pie" - the economy overall.

Few Conservatives would disagree that growth should be prioritised over redistribution, but when growth has stalled, distributional questions matter

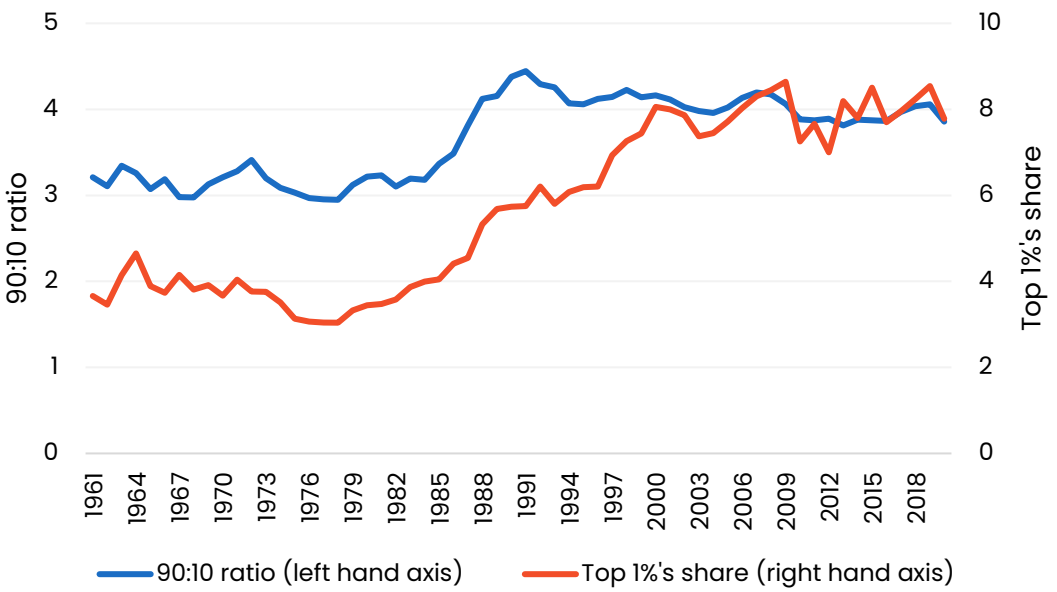
more. And rising inequality does matter for the social fabric and people's sense of fairness.

In fact, in developed economies greater equality is usually correlated with higher growth.[16] During the period between 1950 and 1973, often called the "Golden Age of Capitalism", per capita income in the US and Britain grew between 2 and 3% per year.[17] This was during a period where progressive taxation was increased. Clearly tax rates in excess of 80%, as Britain had in the 1980s, are damaging for economic growth. However, it is not true to say high trend growth is incompatible with progressive taxation and some level of redistribution.

Income inequality in the UK has not increased drastically since the 1990s, but is significantly higher than in the 1960s and 1970s. Income inequality after housing costs has risen since the 1990s,[18] meaning the degree to which high housing costs have driven inequality of disposable income has increased. However, the proportion of national income earned by the top 1% has risen to nearly 8% (for most of the 1960s and 1970s it was below 4%, and during the 1980s below 6%).[19]

Figure 6: Inequality in net households income in the UK

Source: IFS

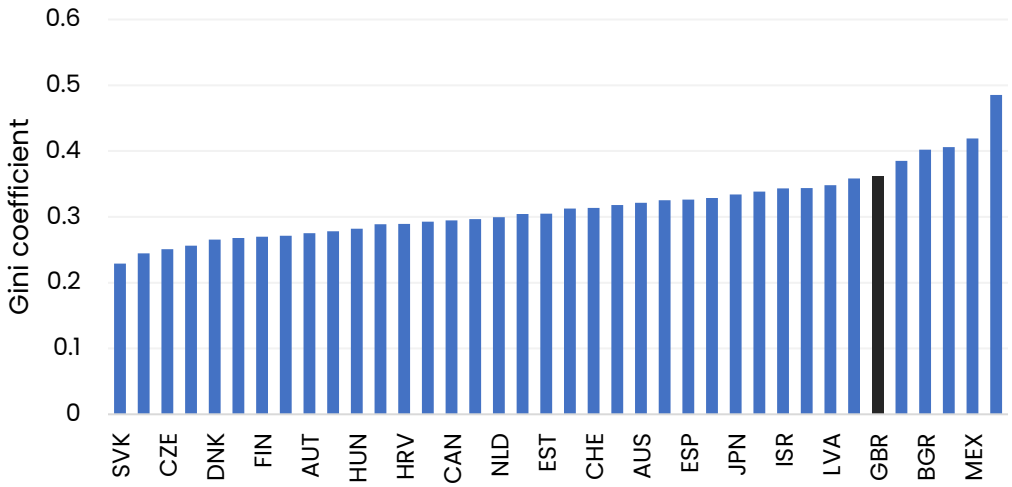


Although the trend is relatively stable, household income inequality as measured by the Gini Coefficient is higher in the UK than in the Netherlands, Belgium, Germany, Sweden, Poland, France, Canada, Greece, Italy, Portugal, Spain, Switzerland, Hungary, Sweden, Austria or Norway. It is also higher than Anglo-Saxon economies such as Australia and New Zealand. The UK in fact lags within the OECD only behind Costa Rica, Chile, the US, Mexico, Turkey and Lithuania on inequality.[20]

The picture we see, therefore, is a steady rise in household income inequality from the 1980s onwards, with a greater share of income going to the very richest.

Figure 7: Gini coefficient of income inequality, average of 2018-2022

Source: OECD



The UK also exhibits high levels of wealth inequality. The top income decile owns 38.7% of national wealth, whereas the bottom 50% own just 20.4%. This is a less unequal distribution of wealth than Britain had at the beginning of the 20th century. But it is a greater level of wealth inequality than we had before the Second World War.

The percentage of total wealth owned by the bottom half of the income distribution has not moved significantly since the mid-1920s; the real change has happened in the accumulation of wealth within the top 10%; the top decile owned less than 30% of the wealth in 1980 and it has been on an upwards trend

since then.[21] Wealth has been increasing at a much faster rate than income, contributing to wealth inequality.[22]

The UK fares about averagely compared to the OECD on wealth inequality (Gini Coefficient 74.6%), though arguably this is symptomatic of a wider problem of elite wealth accumulation across the developed world.

Part of the picture here is the rapid inflation of asset prices leading to the entrenchment of accrued wealth.[23] This compounds the reality of stagnant real pay, reflective of the UK's poor productivity. There is a further dimension, too: the reduction of worker bargaining power, caused by labour market deregulation and large-scale net migration.

Wages have fallen as a proportion of GDP, with the labour share of income far lower than during the post-war period.[24] The lack of growth in real pay is therefore not only a productivity question, but also a question of worker bargaining power and labour representation. Even if real GDP per capita were to be increased, there is no guarantee these gains would be passed on to workers given current trends. The minimum wage helps to mitigate this at the bottom of the income spectrum, but does nothing to protect the real incomes of workers earning any more than this.

Intergenerational inequality

The UK suffers from problems of intense intergenerational inequality, too. 60% of those born in the 1960s were home-owners by the age of 30, but the number has fallen to 36% for those born in the 1980s.[25] With the extensive period of house price inflation the economy has experienced over recent decades (2008 notwithstanding), combined with Britain's poor record on wage growth, more are finding themselves locked out of the property market.

Only 36% of those born in the 1980s were homeowners by age 30, compared to 55% born in the 1970s and over 60% born in the 1960s. Half of middle-income adults in paid work are renting. The gap in home ownership rates between the median and top quintiles of the income distribution is the highest since such data became available.[26]

With stagnating levels of income combined with rising levels of accrued wealth, inherited wealth is becoming ever more important in determining economic

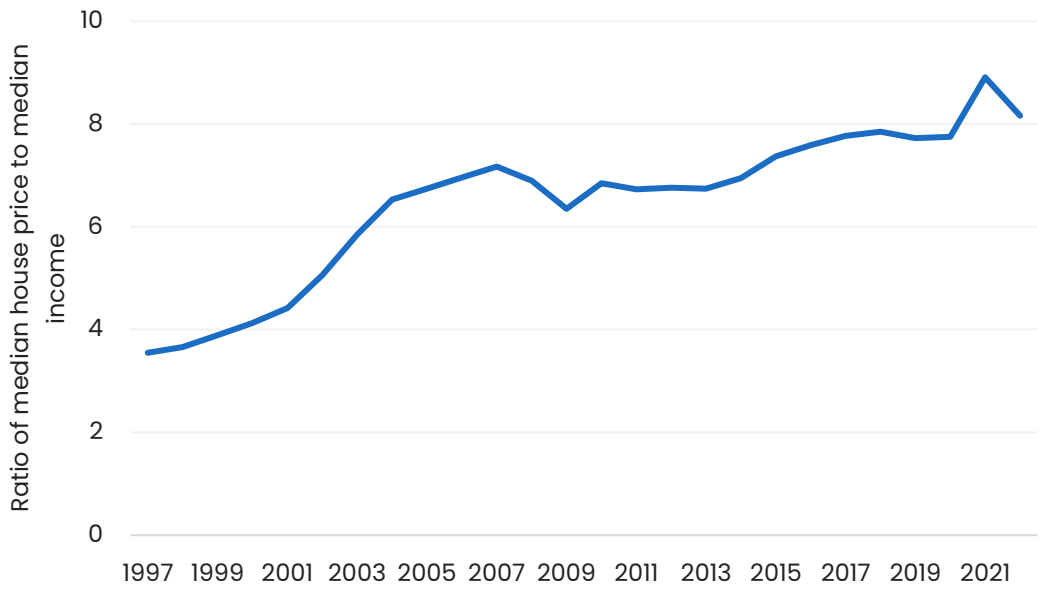
outcomes, especially property ownership.[27] This not only creates a more unequal society; it also means that a higher percentage of wealth is stored in passive assets (houses) rather than potentially productive investments (such as equities). The over-65s now own a record level of net housing wealth (£2.7 trillion),[28] and the over-50s own 78% of all privately held housing wealth in the UK.[29]

Between 2010 and 2020, house prices rose on average by an astonishing 207%.[30] In 2021, the average house cost 65 times the average house in 1970, but wages were only 35.8 times higher.[31] The average age of a first time buyer is now 34.[32] Analysis by the Centre for Policy Studies indicates that almost all of the UK's housing shortfall since 2003 can be accounted for by increased immigration (reflecting an increase in demand of 1.2 million).[33] And the degree to which demand outrips supply is uneven across the country, with disproportionately high demand in high-density, high-migration hubs like London.

While demand has risen, the UK has failed to build anything like enough houses. This supply constriction has combined with a long period of loose monetary policy to create intense inflation in the housing market. The UK is now widely reported to have a housing crisis.

Figure 7: Housing affordability, 1997-2022

Source: ONS: House price to workplace-based earnings ratio



With house prices continuously rising above wages, the prospect of property ownership for non-owners has grown ever more remote, placing the traditionally Conservative aspiration of home ownership beyond reach for many younger voters.

Regional divides

The UK has been found to be the most regionally unequal economy among comparable countries in the OECD.[34] The divide in economic performance between UK regions is stark and is continuing to rise over time. Only London and the South East of England outperform the UK average in GVA per capita as a measure for productivity.[35]

There are numerous factors driving regional inequality. Poor infrastructure and transport are important, as are regional divides in educational performance and skills. Many smaller towns suffer from dilapidation in their built environment and housing quality.

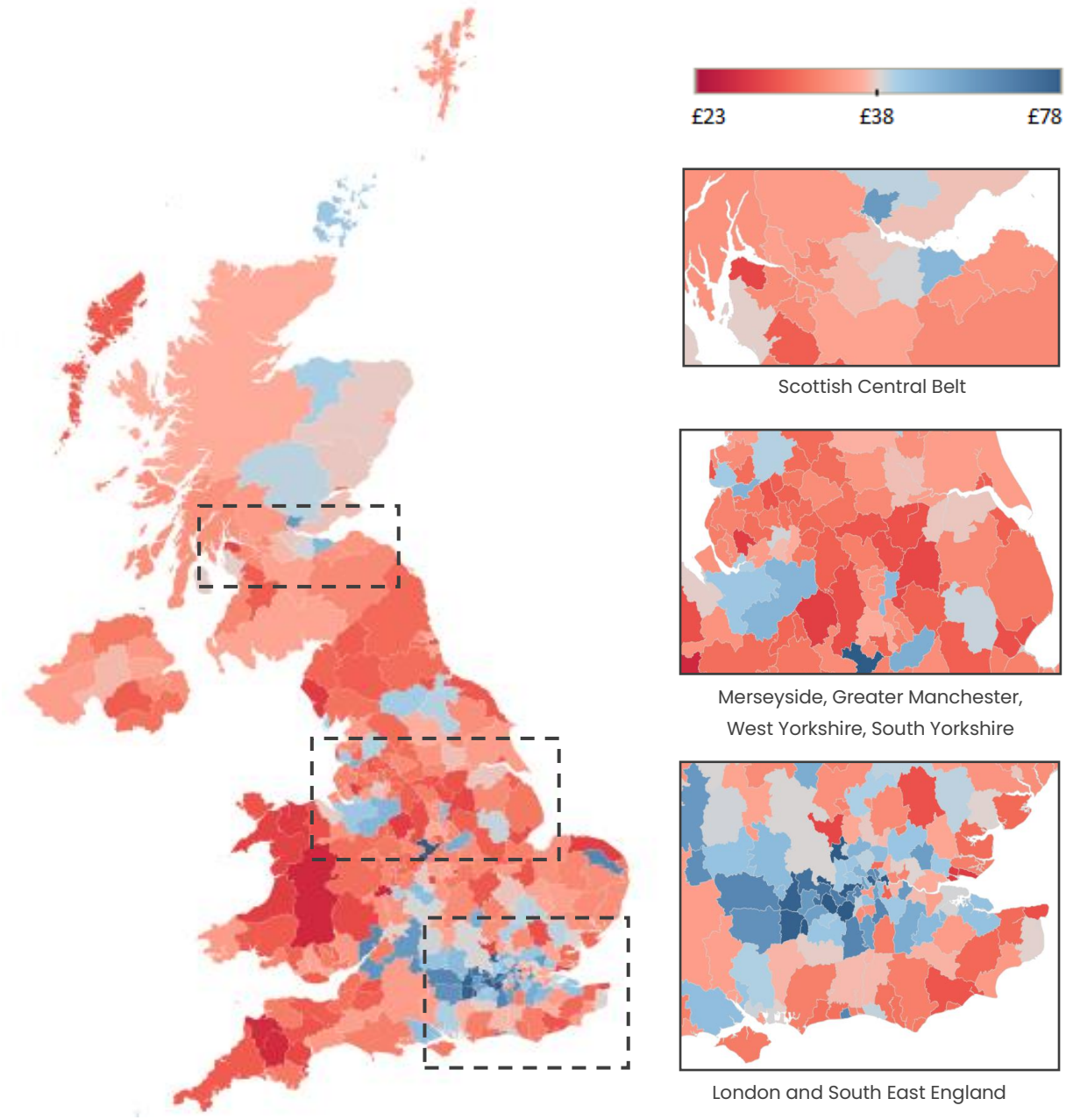
But there is a deeper underlying problem: the lack of private sector investment and productivity growth in too many UK regions. Stagnant productivity growth leads to lower wages and living standards, with lower returns for capital and a less dynamic business environment. Overwhelmingly, local authorities with higher than average GVA per capita are concentrated in the South East.[36]

Tellingly, the areas outside the South East which retain a stronger performance in productivity tend to be areas with concentrated manufacturing industry. In the whole North East, only Stockton-on-Tees surpasses the UK average; this is an area with strong iron, steel, shipbuilding and car manufacturing. South Derbyshire is unusually productive for the Midlands, most likely due to its automotive and aviation industries.

The poorest performing parts of the UK are frequently compared to East Germany. In fact, in terms of productivity they are closer to places like southern Italy or Spain.[37]

Figure 8: GVA per hour worked (£) by local authority district

Source: ONS, Onward analysis



Some economists have referred to the UK as akin to a rich city with a poor country attached.[38] The scale of the UK's structural regional divide is well explained in the Government's Levelling Up white paper, though current interventions do not come close to addressing existing trends.

An economy as lopsided as the UK's will inevitably experience serious social and economic problems. The suction effect of London and the South East contributes to the housing crisis, as well as contributing to a "brain drain" effect.[39]

This level of geographical inequality places extra pressure on the South East and on public spending. The UK operates a very large transfer union, meaning fiscal policy is used to subsidise the less productive regions. Only three UK regions contribute more to the Exchequer than they receive.[40] This also occurs less visibly through public sector pay (outside the South East public sector salaries are usually better than private sector ones).

The UK has taken a laissez-faire approach towards regional industrial development and has been sanguine about the offshoring of productive industries. This approach reflects a political reverence for global markets, but has high domestic social costs. The scale demand for regional subsidies reflects the decline many UK regions have experienced - if productivity in these regions could be increased, the demand for our present levels of fiscal transfer would fall.

Productivity puzzle

We have seen that the UK suffers from a severe productivity gap between its component regions. But Britain struggles with productivity growth more generally, too. Tragically, since the financial crisis of 2008 UK productivity growth has been almost zero.[41] While employment and hours worked have continued to rise, the same is not true of output per hour worked. British workers are working longer hours but not more productively. Overall GDP and GVA have risen, but to a large extent through rising population; individual families are not getting richer. There does not seem to be a relationship between GDP per capita and population growth.[42]

Economists debate the cause of Britain's productivity problem, and this will be explored in more detail in our second report. For now, it is sufficient to say that

strong candidates include the UK's national investment deficit, our difficulties commercialising the R&D produced by our universities, scaling up SMEs, and our over-dependence on low value-added services.

The decline of manufacturing is likely to be important. Manufacturing is in general more productive than equivalent services (other than high-value services like finance and law). It also has more capacity for productivity growth. This is less possible in businesses such as bars and restaurants. It is not clear what rising productivity in those sectors would even look like.[43]

As Professor Richard Jones has argued, many of the sources of pre-crisis growth have gone and cannot necessarily return. North Sea oil and gas production peaked around the millennium, for example, and the financial services-driven growth we experienced prior to 2008 proved unsustainable. Since the crash we have entered a "new normal" defined primarily by a lack of total factor productivity growth - that is, increases in output not due to more capital or more labour but due to innovation.

It is crucial to grasp that it is total factor productivity improvements that ultimately lead to per capita growth and to higher real wages. Successive governments have been right to talk about growth, and to identify that a lack of it lies at the heart of many of our economic woes. Yet UK labour productivity growth since the 2008 crisis has been extremely weak relative to the rest of the OECD.

Figure 9: Labour Productivity, 1971-2022

Source: ONS, Labour productivity time series

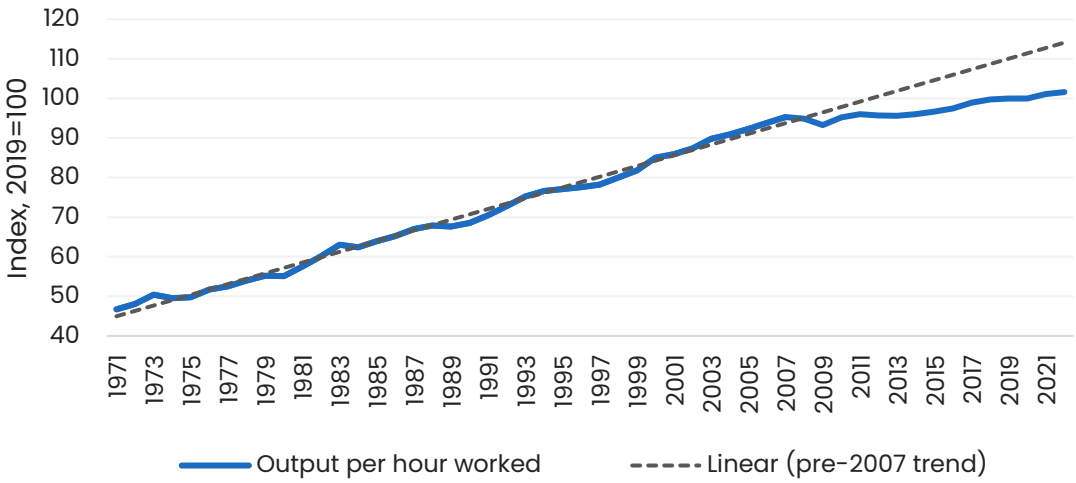
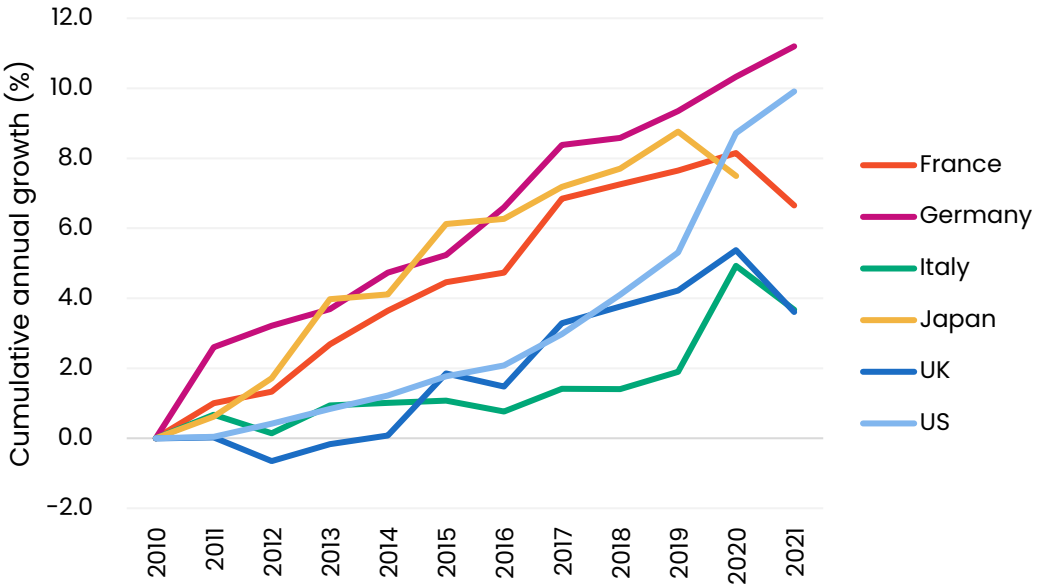


Figure 10: International comparisons of labour productivity, 2010-2021

Source: ONS, *International comparisons of productivity*



Tax and growth

A popular view among some on the centre-right is that the main barrier to growth is big government. But the academic literature is divided on whether a larger government is positively or negatively correlated with higher growth.[44] The evidence is not strong that income tax cuts straightforwardly generate economic growth or higher tax revenues - especially if they are not being cut from a high level, as they were in the 1980s.

It is often assumed that the revenues returned to companies and individuals from cuts to corporation tax or income tax go primarily back into productive investment (rather than dormant assets and consumption), but this is not necessarily true. The relationship between tax and growth is therefore not straightforward. Notably, cuts to public capital investment almost always have a negative impact on growth.[45]

The UK has a rising tax burden, with tax as a percentage of GDP exceeding 35.5% this year, and being expected to rise to over 37% by 2026-7.[46] According

to the Resolution Foundation a further £76 billion in social spending on the elderly will need to be found by the end of the decade, with the tax burden rising above 40%.[47] The UK tax burden has only risen since the 1980s in line with our ageing population; demographic factors are driving the rising burden, not the state doing new things.

Our burden of taxation is lower than the average of OECD economies, and lower than in countries such as Germany, Sweden, Denmark, Norway, New Zealand and the Netherlands.[48] And this is before taking into account the fact that all healthcare is funded from general taxation in Britain, while in European economies a proportion of health funding comes from private insurance contracts. The tax burden across the OECD has risen over time in line with demographic change. The size of the state in the UK is therefore not especially large relative to comparator economies, and has grown at an average rate.[49] This is not to say our ever-growing spending liabilities are a problem - given our slow growth rate, they definitely are.

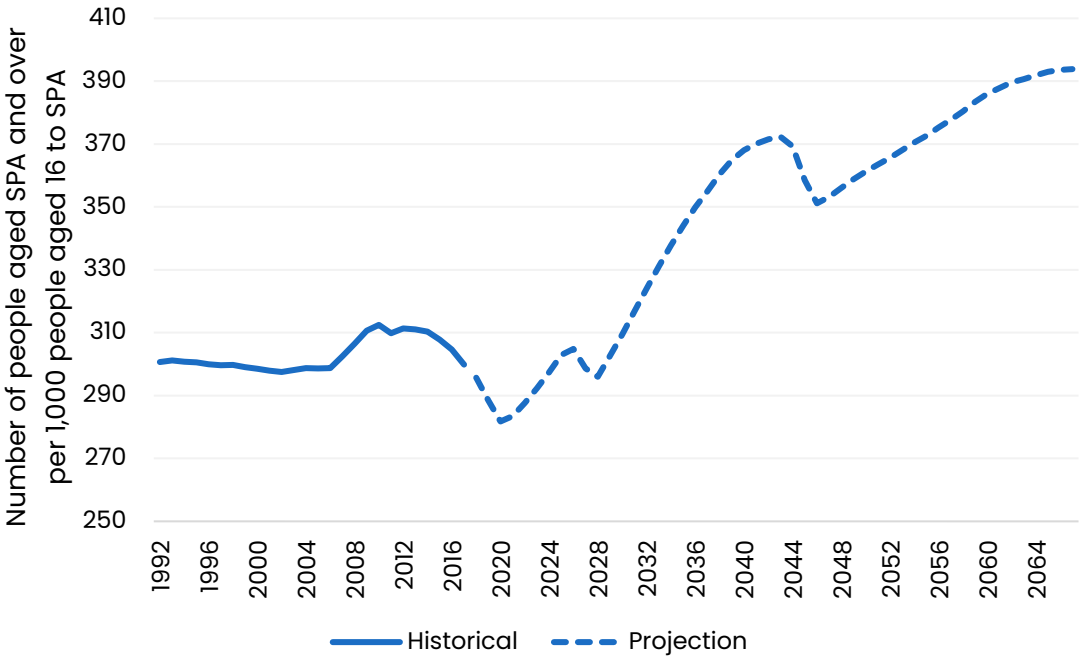
Public sector net debt is £2.6 trillion, roughly 98.5% of the UK's annual GDP.[50] Annual spending on debt interest is now £111 billion, 4.4% of GDP and 9.6% of public spending. This is a significant proportion of the Government's yearly spending power and a significant slice of national income. This reflects our rising spending liabilities over time combined with weak growth. To get public debt falling in the long-term, steps must be taken to reduce the demand for government and above all to increase growth (and hence tax yields).[51]

By 2050 one in four people in the UK will be over 65 years of age. The Old Age Dependency ratio, which measures the ratio between the economically active population and those who are inactive due to old age, has been steadily rising since the early 1990s. This will inevitably push up public spending liabilities on healthcare, pensions and other services, while increasing the extent to which revenues must be supplied by the (comparatively shrinking) working population.

Historical National Insurance contributions do not cover the cost of the state pension; it must be funded from current taxation on workers. A prominent cause of the UK's rising tax burden is therefore age.

Figure 11: Old age dependency ratio, 1992-2067

Source: ONS



The UK's problem is not therefore high rates of tax. Rather, we have high spending liabilities due to demographic factors, causing high demand for spending on pensions and healthcare. Secondly, we have very poor per capita growth.

Can the tax burden ever fall?

The UK's public spending liabilities are set to rise, chiefly because of rising NHS costs and the cost of the state pension; the Institute for Fiscal Studies estimates that the NHS budget will rise by around 30% by the mid-2030s.[52]

This does not mean that it is impossible or undesirable for the tax burden to fall. To achieve this, the UK must achieve far higher levels of trend growth. If GDP were to rise faster than public spending it would be possible for the burden of taxation on individual households to fall, since rising yields might allow for lower rates.

We should also have concern for how the tax burden is distributed. It is true that the top 1% of UK earners pay just over one-third of all income tax, and so the UK's tax policy regime is relatively progressive in income terms.[53]

However, this does not necessarily mean that the tax burden is fairly spread. It is frequently not understood by voters that the state pension is funded from current taxation, not from historic National Insurance contributions. And it is inevitable that with the passage of time the age of eligibility for the state pension will continue to rise,[54] meaning younger workers are funding lengths of retirement they will not receive themselves.

Once the UK's intergenerational inequalities in asset ownership are accounted for, serious questions remain concerning the fairness of the UK's social contract for younger taxpayers. And income tax cuts could be delivered for wage earners if the UK were to shift more of the tax burden onto unearned income. There are also highly distortive marginal tax rates at certain points of the income spectrum.

Under-investment

The UK suffers from a long-term under-investment problem. In 1974 investment reached a peak of around 28% of GDP. Since 1990 it has been well below 20%, and was 18% in 2021, compared to a world average of approximately 24%.[55] In the global rankings of nations by investment as a percentage of output, the UK ranks 124th out of 153. Spending on investments such as plant and machinery is well below the G7 average. Britain has large pools of long-term capital, but less than 1% of the £4.6 trillion in pensions and insurance assets is invested in unlisted UK equities, according to the think tank New Financial.[56]

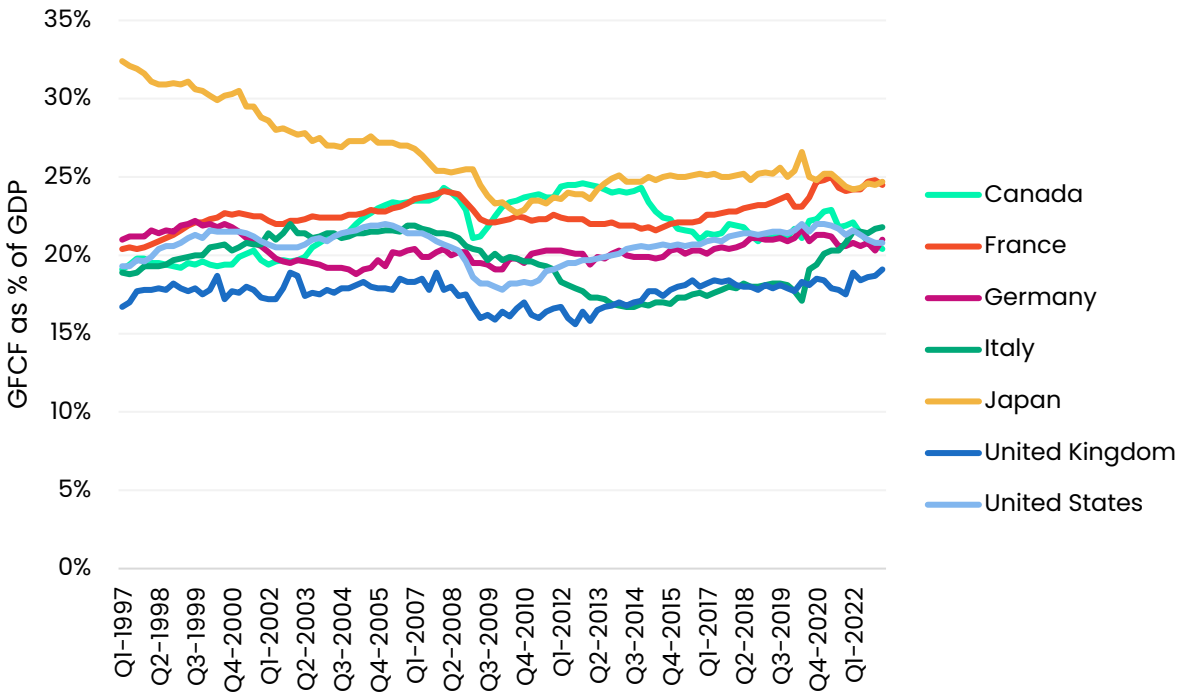
Distributed profits as a share of UK corporate profit has increased since the 1980s with a consequent hit to business investment. The UK trend has been towards dividend payments and corporate compensation. Per capita income growth fell from around 2.4% in the 1960s and 1970s to 1.7% between 1990 and 2009 - lower than when the UK was supposedly suffering from the "British Disease".[57]

Recent studies suggest that cutting the headline rate of corporation tax is not a silver bullet for promoting business investment or productivity growth.[58]

Clearly, alternative levers are needed to incentivise businesses to invest in growth-enhancing assets, skills and activities.

Figure 12: Investment (GFCF) as a percentage of GDP in G7 nations, 1997-2023

Source: ONS: Business investment in the UK



Successive governments have also pursued cuts in public capital investment in order to achieve fiscal consolidation.

The UK's tax debate is overly focused on headline tax rates. Tax policy should be much more focused on how to stimulate the kind of investment that leads to productivity growth, rather than how to boost consumption with income tax cuts.[59] Tax measures that incentivise investment over consumption are much more conducive to growth than simple rate cuts.[60]

Funny money

Monetary policy has been at the heart of the economic problems Britain has experienced since the financial crash, and central to the choices we face ahead.

The quantitative easing (QE) that followed the crash, and repeated in 2012, to help the Bank to meet its inflation target, in 2016, as the Bank panicked after the Brexit vote, and throughout 2020 during the pandemic, was highly regressive, hurting households with lower incomes and helping those with more. Yet there was incredibly little debate about it.

Monetary policy is a crucial part of the explanation for the years of low growth and wage stagnation since 2008. By reducing banks' incentives to lend to businesses, monetary policy slowed the circulation of money through the economy. By encouraging the survival of "zombie" companies, the financialisation of businesses through share buybacks and leveraged buyouts, and the reduction of competitive pressures through takeovers, it limited the economy's capacity for growth. By increasing retirement liability costs, discouraging savings and lowering returns for pension investments, it reduced future consumption.

And now the economy is so fragile that the possibility of returning to a conventional monetary policy – with interest rates set at a traditional level more likely to oil the wheels of growth – is difficult to contemplate without widespread economic pain.

A land of opportunity?

By many measures, the UK performs poorly on social mobility. Research by Goldman Sachs found that Britain has worse social mobility than France, Spain, Japan, Canada, Finland, Denmark or Norway, though performs better than Switzerland or the USA.[61] Research by the Sutton Trust found that intergenerational mobility for those on low incomes is poor, with lower prospects for moving up the income ladder, earning a degree or joining a higher social class.[62]

While measures to increase the participation and promotion of women and those from ethnic minority communities in education and professional life have become embedded, the same is not true for socio-economic disadvantage. While much attention is paid to ethnicity-based discrimination and to debates around the gender pay gap, less political attention is paid to the challenges faced by the working class. The Deaton Review noted in particular the fact that those from lower socio-economic backgrounds are less likely to grow up in

stable family environments, and this has a longitudinal impact on their life prospects.[63]

At present, average living standards are not rising, our economy is increasingly unequal and opportunities to rise are not improving. As such, the moral basis of the UK's economic and social contract is being called into question.

Education and skills

The UK has a well-reported skills shortage, costing the economy on average £1.5 billion per year.[64] It has particular weaknesses in STEM. Spending on degree-level apprenticeships is still in the millions (£506 million in 2021-22),[65] yet public spending on academic higher education (HE) is in the region of £42 billion per year.[66] New Labour's policy of aiming to send half of all young people to university has never been challenged; the introduction of higher tuition fees has not altered overall patterns of post-18 educational choices.

One in five university graduates would have been better off financially if they had not attended university.[67] The net lifetime earnings premium (that is, accounting for tax and student loan repayments) is as little as £130,000 for men and £100,000 for women.[68] Lifetime earnings premiums for creative arts are zero for women and negative for men, but the premium for subjects such as medicine, law and economics is more than double the average lifetime premium.[69] Meanwhile, the UK lacks the parity of esteem for vocational pathways available in countries such as Germany.

The UK also suffers from a deficit in workplace training. We need to find ways to incentivise the provision of training by employers and proper investment in the workforce, with an expansion of apprenticeship funding and fiscal incentives for demonstrable upskilling, as well as making the criteria for public subsidy of higher education courses more stringent.

Weakening foundations - Britain and Globalisation

In the late 1990s and early 2000s, globalisation was seen by nearly all mainstream Western political parties as something approaching an unalloyed good. Famously, Tony Blair said:

> *"I hear people say we have to stop and debate globalisation. You might as well debate whether autumn should follow summer".*[70]

Many economists and commentators now accept that we are entering an era perhaps not of deglobalisation, but of global fragmentation. Control of resources such as oil and gas, but also of productive capacity for key components such as microchips, lithium, and steel, has become a strategic priority. The West must face up to the realities of China's market manipulation through state-owned enterprises, its acquisition of patents, and control of key technologies.

Notoriously, former George W. Bush adviser Michael J. Boskin said:

> *"Potato chips, semiconductor chips, what is the difference? They are all chips. A hundred dollars' worth of one or a hundred dollars' worth of the other is still a hundred dollars."*[71]

As the West enters an economic cold war with China, and the world stands on the brink of a revolution - some even predict catastrophe - with the advent of generative AI, to say the statement has not aged well would be an understatement.

Boskin's statement is an extreme articulation of the neoliberal view that governments should be agnostic about the sectoral composition of their respective economies, since the market will allocate production efficiently based on supply and demand, and will eliminate companies that are unable to compete because they lack a comparative advantage. In a world where the economy is fully globalised, the theory goes, it does not matter what is made where, so long as it is made.

But the idealistic assumption that integrating China into global economic supply chains would force it to liberalise internally and adopt a more collaborative stance towards the democratic world has proved untrue. The way in which globalisation has played out over the last two decades, not to mention the way successive governments have left us more exposed than other countries to global forces, has had a harmful domestic impact.

Globalisation, trade and the current account

The UK has run a consistent current account deficit since the mid-1980s, meaning the value of its exports of goods and services, its investment income balance (from dividends, interest and profits on external assets and liabilities), and other inbound financial transfers are less than the value of its imports and outbound financial flows. Since 2013 the current account deficit has been in excess of £20 billion per year, peaking at over £50 billion in 2022.[72] Since 2020, the current account deficit has been in excess of 10% of GDP.

Economists debate whether current account deficits are a cause for concern. But in essence, a current account deficit means the UK economy as a whole is borrowing from the rest of the world. There are strong arguments that persistent, large current account deficits can contribute to slow growth, drive regional divides (when currency flows more quickly out of under-performing areas, for example), and result in a loss of control and ownership over domestic assets.

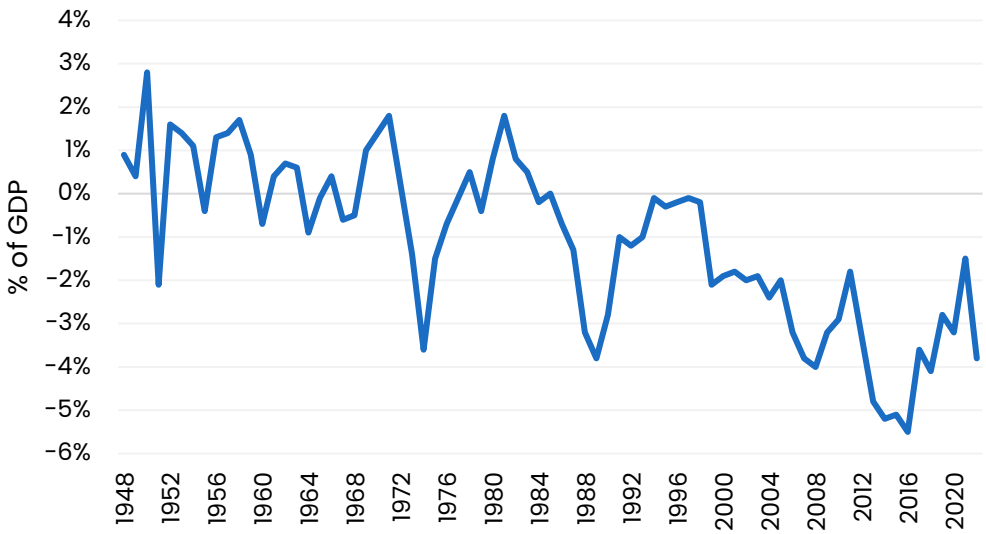
Crucially, the UK is particularly reliant on the sale of assets to foreign owners as a mechanism for financing its current account deficit. Furthermore, many of the assets the UK must sell to finance its trade deficit are themselves income-generating, such as equities, resulting in a loss of income opportunity for the UK economy.

A decline in exports also implies a decline of exporting industries - in the UK, this is especially acute in manufacturing, which has declined from over a quarter of the UK economy in 1970 to less than 9% now.[73] When regional economies are net importers of goods and services, this generates a need for subsidisation. The structural current account deficit also leaves us exposed to the threat of capital shocks and to potential loss of investor confidence.

In lay terms, the UK does not make or do or sell enough of what the world needs or wants to buy. It is dependent on the sale of its assets to finance its economy and its standard of living. This model is not, if it ever was, sustainable any longer.

Figure 13: Balance of payments, current account balance as a share of GDP, 1948 - 2020

Source: ONS, Onward analysis



Winners and losers

The main "losers" of globalisation are not wealthy Westerners, who benefit from reduced labour costs and cheaper goods, or developing economies, which benefit from their trade surpluses with the developed world. Rather, it is poorer workers in rich countries whose fortunes have declined as well-paid working-class occupations have evaporated.

Joao Paulo Pessoa of the LSE found that British and American workers most affected by Chinese imports have worse job and income outcomes as a result of China's accession to the WTO in 2001. China now accounts for approximately 30% of total global manufacturing output.[74]

The offshoring of skilled manufacturing jobs has also contributed to an "hourglass" shaped labour market in the UK, with expansion of high-skilled and low-skilled work and a decline of medium-skilled work. According to research at the Oxford Centre on Skills, Knowledge and Organisational Performance, between 1996 and 2008 for every ten jobs that disappeared, 4.5 of the new jobs that replaced them were high-skilled, but 5.5 were low-skilled.

The 2017 Taylor Review of modern working practices[75] noted the increase in the use of zero-hours contracts and flexible working patterns. While these are sometimes welcome and necessary, it found that sometimes employers use these models to lower costs and reduce employees' entitlements, with employers benefiting from "one-sided flexibility".

A famous illustration of the plight of the working and middle class in developed economies is Branko Milanovic's "Elephant Chart".[76] This attempted to measure the share of global growth that accrued to the world's income deciles between 1988 and 2008. Note that since this study predates the global financial crisis, the trends identified are structural and long-term, reflecting broader trends rather than the collapse of the Western financial services sector.

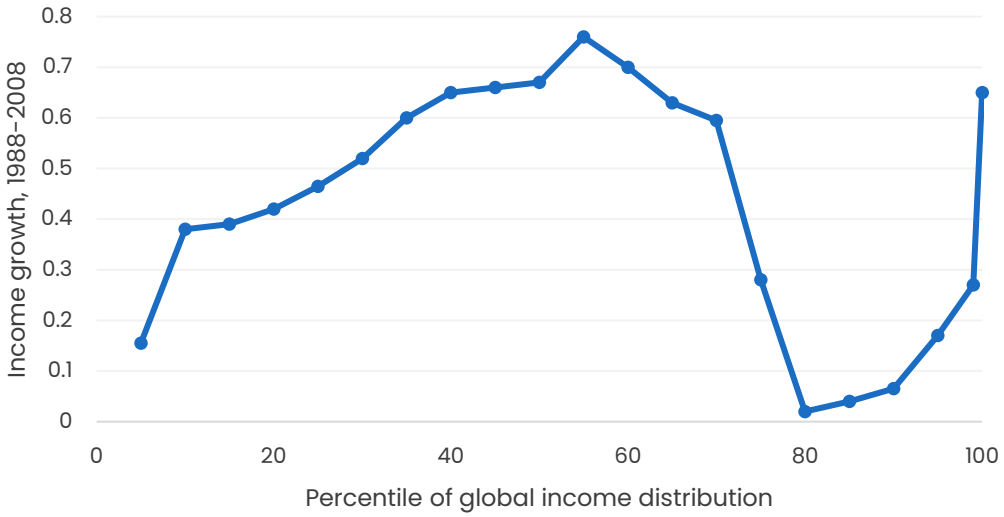
The chart shows that the global economic elite - the top 1% - enjoyed enormous income growth during the period measured. There has also been a "great convergence", with households in the 40th to 60th percentiles experiencing significant income growth. This reflects the comparative development of economies in East Asia, Latin America and China.

However, those in the 75th to 90th percentiles have not enjoyed the same improvement in living standards. This group represents the Western working and middle class, whose real income growth over this period has been essentially nil.

While developing economies have been engaged in a great "catching up", richer countries have experienced income growth overall, but much of this has accrued to wealthy economic elites. The relative position of the Western - and British - working and middle class has declined. And in both the UK and US, communities affected by globalisation report feeling left behind.[77]

Figure 14: Milanovic's 'Elephant Chart', change in global income between 1988-2008

Source: Brookings (2018) What's happening to the world income distribution?



Globalisation and mass immigration

The UK is a high-immigration economy. Many seldom-scrutinised claims concerning the economic benefits of immigration to the UK are made in our political discourse. It is true that high-skilled immigration can add value to the UK economy by providing skills our domestic labour market lacks. The most obvious example of this is medical professionals working in the NHS; without doctors and nurses from overseas, the health service would not be able to find the medically qualified workers it needs.

However, some of the claims regarding the economic impact of migration are much less plausible. It is frequently claimed that immigration benefits the economy because it adds to GDP. This claim is trivial; immigration adds to aggregate GDP inasmuch as it adds more people to the economy, resulting in more transactions (thus contributing to the country's total output). The evidence that immigration positively affects GDP per capita - a much better measure of living standards - is much more mixed. Since real GDP per capita has barely moved for several years, the argument that immigration increases it is highly questionable.

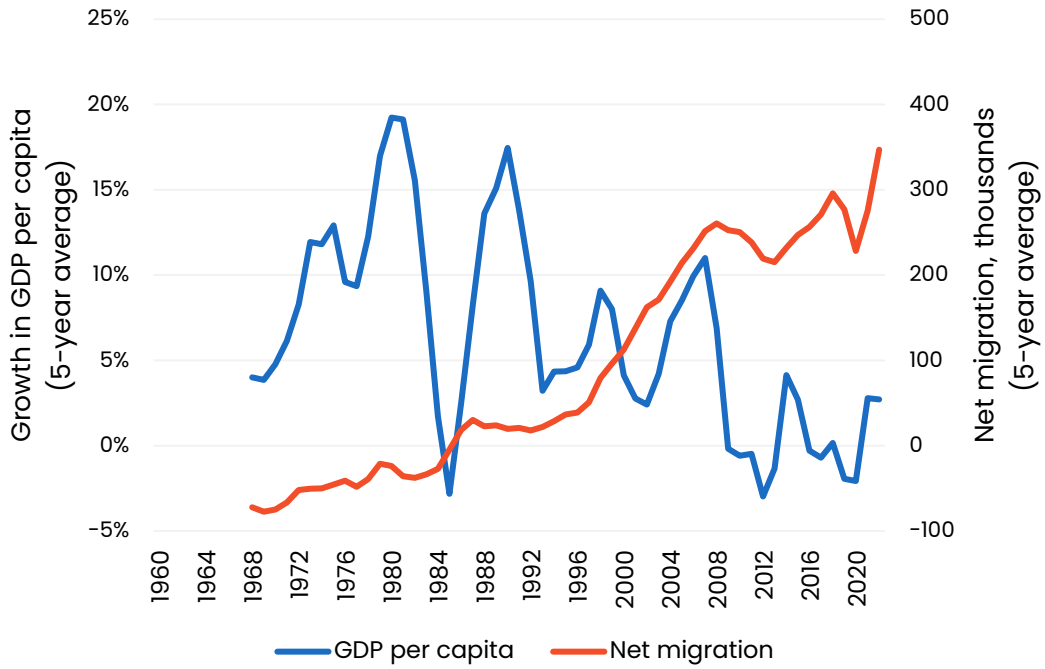
Alan Manning of the London School of Economics has written about the growth impact of immigration to the UK, noting that "most of the benefits go to the migrants themselves", admitting that the reason to support large-scale immigration is due to the benefits for migrants moving from poorer countries, not because of the benefits to the domestic workers of richer economies like Britain's.[78]

Manning also notes that mass inward net migration inevitably increases the monopsony power of employers by increasing the easily available supply for labour. This will necessarily put downward pressure on wages; low-skilled migration compresses pay at the lower end of the skill and income spectrum.[79]

This is unsurprising; as Michael Lind has argued, companies can use the availability of migrant labour to engage in wage arbitrage, offering worse pay and conditions or simply offshoring jobs. Migrants rely on visas for their legal status in the country, so are more willing to accept pay and conditions a British worker would not.[80]

Figure 15: GDP per capita and net migration, 1965-2021

Source: World Bank, ONS, Onward analysis



In response, some argue that the world does not owe British workers a living. Perhaps they should work harder, the argument sometimes goes, or be willing to accept poorer pay and conditions to compete with workers from across the world.

This argument is unreasonable. If Western workers at the lower-skilled end of the labour market had to compete openly with workers from China, India, Southeast Asia, Africa or South America for jobs, they would swiftly be replaced. And if they accepted globally-determined prices for their labour they would not be able to afford the UK cost of living. As Ha-Joon Chang explains, a Swedish bus driver is not 50 times more productive than an Indian one. Rather, Sweden is 50 times more productive - and 50 times more expensive - on average. The Swedish driver is therefore the beneficiary of labour market protection via immigration controls, and rightly so.[81]

More generally, as conservatives we believe people born in Britain have a fundamental right to live and work in the country of their birth without being displaced by global wage competition. Even in a borderless world it would take time for average wages to stabilise between national economies and for a new equilibrium to be reached. But such a borderless world is not compatible with the idea of national community, citizenship and belonging. Western workers do not necessarily even have the right to move to other economies.

And none of this considers the impact of mass migration on net-emigrant nations. While economic benefits may accrue to migrants themselves, the loss of workers to their countries of origin causes a “brain drain” towards the developed world, which is not necessarily compensated for by remittances.[82]

Immigration control should more properly be thought of as an essential element of social justice. The benefits of mass migration accrue principally to the better-off, rather than to lower skilled workers and poorer communities. It should also be considered a market distortion, since over-supply of labour discourages investment in labour-saving technology and harms productivity growth. It distorts economic indicators by adding to GDP simply by adding more people. Yet our system is “wired” for mass migration.

Resources

The UK is also dangerously exposed to loss of access to key resources and manufactures. These include minerals, oil and gas, electricity, pharmaceuticals, petroleum, machinery and the capacity to produce it, chemicals, medical equipment, lithium, silicon, tin and semiconductors. The Covid-19 pandemic exposed the degree to which we depended on overseas production, particularly China, for key medical supplies such as PPE. It also demonstrated the potential of public-corporate partnerships and de facto industrial strategy in the success of the UK's rapid vaccine rollout.

The economy could be left heavily exposed in the event of a hot war over Taiwan, in which access to Chinese exports of goods - especially pharmaceuticals - is compromised. China and the US are turning to forms of neo-mercantilism, pumping hundreds of billions of dollars into domestic chip production with enormous subsidies for semiconductor production on-shore, with significant funds for scientific R&D. And the Inflation Reduction Act has unleashed large-scale spending on energy production, clean technology, manufacturing, transport and water production. Global markets for critical minerals are murky and volatile, and China is a dominant player.

Meanwhile, the UK's domestic manufacturing capacity has continued to decline, and our import dependency has grown. Crucially, the UK has left itself exposed on energy supply, the impact of which has been felt with soaring energy prices following the Russian invasion of Ukraine and the squeeze on international gas supplies. The Government has cast its target of attaining Net Zero by 2050 as part of the journey towards energy independence, but we are a long way off and remain exposed to oil and gas markets with reduced production. Households and industry face increased costs during the process of the energy transition. The UK has failed to invest sufficiently in nuclear power - and in its own oil and gas reserves - to insulate itself from the turbulence of present oil and gas market conditions.

Rising energy prices are not just costly, they are also regressive. Poorer households pay a much higher percentage of their incomes towards covering energy bills. The distributional impact of rising energy costs must also therefore be considered. So too must the effect of increasingly uncompetitive industrial energy costs and restrictive regulations that risk forcing yet more British firms out of business or overseas.

Future-proofing supply chains for minerals, chips, essential manufactures such as pharmaceuticals and securing the energy supply will be major strategic priorities for any government in the near to distant future.

Loss of national community - the family, social fabric, immigration

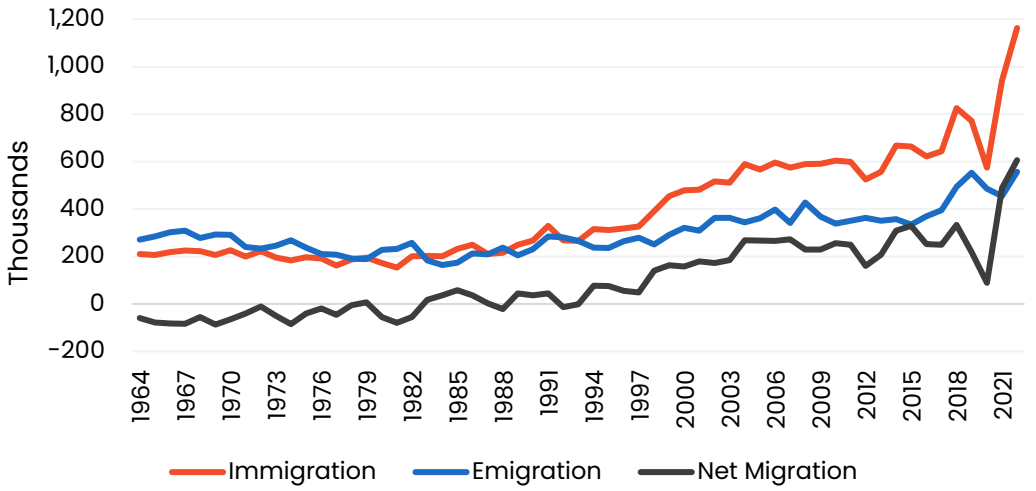
In addition to its economic difficulties, the UK is unquestionably undergoing profound pressures to its social fabric. Its demographics are rapidly changing as society ages. Family structure has become less stable, and communities have undergone sometimes disruptive change. And changes in our norms, our moral beliefs and our culture are taking place faster than ever before.

Borders and boundaries

Conservatives should seek to secure the border and control immigration. With legal net inward migration currently at a historic 606,000 per annum, but with more than two-thirds of voters believing it is too high, there is an obvious lack of democratic consent for the status quo. Immigration on this scale is unprecedented in world-historical terms and incontrovertibly puts pressure on housing, and public services, as well as representing fairly profound social change. We argue there has been a breach of the social contract in relation to immigration.

Figure 16: Estimates of international migration in the UK, 1964-2022

Source: House of Commons Library



The Department for Levelling Up, Housing and Communities retains a target of building 300,000 homes per year by the mid-2020s. Even if this housebuilding target were to be met, the number of migrant arrivals significantly outstrips the number of houses being built, in the context of an existing housing deficit of over 4 million.[83] According to research by DLUHC immigration accounts for as much as one half of the increase in demand for housing in England.[84]

Annual net migration never exceeded the tens of thousands until the late 1990s. Before then the peak had been 1994, when it reached 77,000. Net migration skyrocketed under Tony Blair, leaping to 140,000 in 1998. Average annual net migration was approximately 230,000 per year between 1998 and the Covid pandemic, increasing the UK population by around 5 million.[85]

The Blair government liberalised family, work and student visas, before introducing the Human Rights Act, which made it harder to enforce immigration law by bolstering the appellant immigration law industry. And after Poland, the Czech Republic, Slovakia, Slovenia, Hungary, the Baltic states and others joined the EU in 2004, New Labour failed to apply the transitional controls that were available to it, resulting in 1.5 million arrivals (the estimate was between 5,000 and 13,000).[86]

This profound change to the UK's population make-up is one of the largest changes in British society and our economy since the Second World War but is both unplanned and uncontrolled.

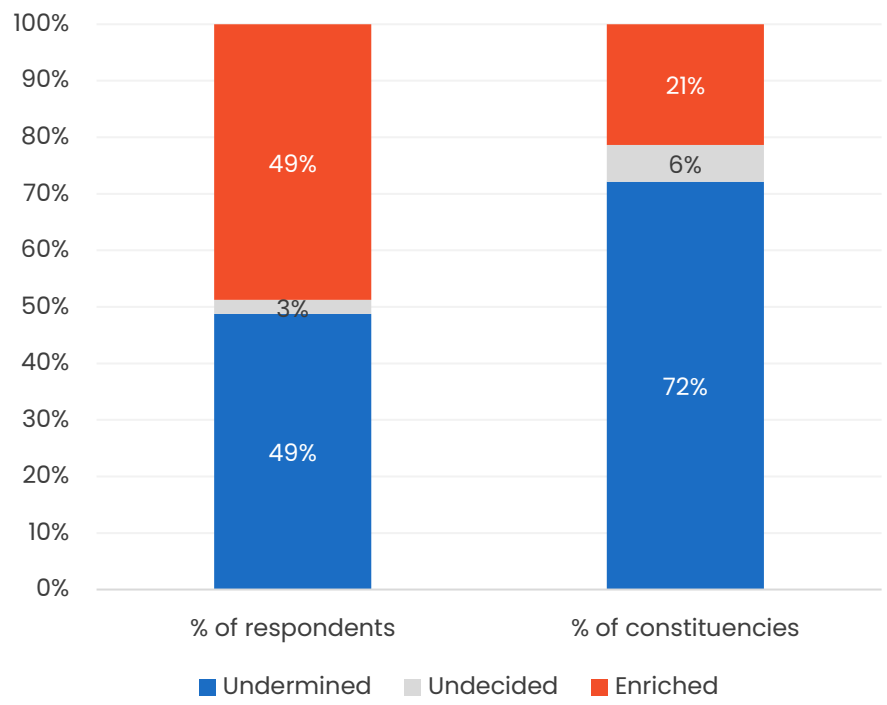
Attitudes to immigration

Currently, 63% of voters say that inward economic migration is too high.[87] This is a smaller majority than in previous years, but compares to just 20% who say it has been about right and only 7% who say it has been too low. This is a fairly shocking majority by the standards of most policy opinion polling.

Polling conducted for Onward shows that there is a migration-sceptic majority in 75% of parliamentary constituencies.[88] Roughly equal numbers of voters believe that immigration has mostly undermined British culture and society and that it has enriched it (49% each way). Net support for the claim it has enriched Britain is highly concentrated in Greater London and parts of Scotland.

Figure 17: Public opinion on whether immigration has "enriched" or "undermined" British culture and society

Source: Onward 2022, After the Fall



At the time of the Brexit referendum, the Vote Leave campaign promised to "take back control" of immigration with an Australian-style points-based system. The 2019 Conservative manifesto committed to a new regime with fewer lower-skilled workers, and pledged that "overall numbers will fall". The reality is that in numerical terms there has been a significant and deliberate liberalisation of the immigration system.

Nation of immigrants?

It is often claimed (falsely) that Britain is a nation of immigrants. In fact, net migration for most of British history has been close to zero, as it has throughout the world. We are in an era of entirely unprecedented mass migration, largely of people of developing economies towards developed ones. In the UK context, immigration from EU and non-EU nationals rising year on year relative to emigration only really began in the 1990s, and has largely continued to rise (though EU migration has fallen since Brexit).[89]

Whether one believes mass immigration to be net positive or net negative, it cannot be denied that it is both novel and untested in our history. The foreign born percentage of the total UK population is now around 14%.[90]

Integration, citizenship and multiculturalism

Britain has an excellent record of cultural integration and opportunities for ethnic minorities. Whether it is Britain having its first Asian Prime Minister, the highly diverse composition of the Cabinet, university admissions or educational attainment, many of our minority communities are doing extremely well. Indian, Bangladeshi and black African pupils outperform white pupils on average at school.[91] Entry rates for students of black, Asian and Chinese background to university are higher than for white students.[92] Ethnic diversity is actively promoted in our public sector and corporate culture.

However, much more must be done to improve the social and cultural integration of different communities into a shared national community. While many of our minority ethnic groups are thriving, this is not true of everybody, and there remain persistent challenges with closed and segregated communities.[93] While ethnic neighbourhood segregation has been in slow decline, minority groups remain clustered in "majority-minority" wards.[94] And integration is in many cases taking the form of greater interaction between

ethnic minority groups, rather than more interaction with the white British national majority.[95]

The cities of Blackburn, Leicester and Bradford are more ethnically divided than the US cities of Los Angeles, Baltimore and Atlanta.[96] Around one in five adults from Pakistani or Bangladeshi backgrounds speak English poorly or not at all.[97] The figures are higher for women than for men.

In many urban centres with a high migrant-heritage population there are language barriers and challenges with proficiency in English in schools; in London 44% of pupils have English as an additional language (EAL).[98] In 2015, there were 511 schools across 41 local authorities in which more than half the pupils were from Bangladeshi or Pakistani heritage backgrounds.[99] This is despite the fact that together Pakistanis and Bagladeshis make up less than 5% of the UK population. 60% of ethnic minority pupils attend schools where minorities form a majority of pupils,[100] though ethnic minorities only make up 18% of the population.[101]

19% of pupils in UK schools are EAL learners.[102] Rates of English speaking as the first language at home vary hugely between foreign-born groups, too. While 70% of EU-originating migrants and 69% of Sub-Saharan Africans speak primarily English at home, just 26% of Pakistanis and South Asians do, and 35% of Indians (well below the foreign born average of 51%).[103] And some ethnic groups perform significantly better than others educationally. While the average GCSE attainment in 2020 was 50.9 on the new 0.0 - 90.0 grade scale, black Caribbeans scored on average 44.0 and mixed white/black Caribbean pupils 45.0.[104]

Criticism of multiculturalism is often conflated (wrongly) with opposition to multi-racialism, but this is not right. Indeed, the former Conservative Prime Minister, David Cameron, famously said that multiculturalism had "failed". Trevor Phillips, the former Head of the Commission for Racial Equality, said:

> *"We've emphasised what divides us over what unites us. We have allowed tolerance of diversity to harden into the effective isolation of communities, in which some people think special separate values ought to apply."*[105]

According to research conducted by Demos, some 71% of British adults say they believe that immigration has made the communities where migrants have settled more divided, reaching 78% in high-migration areas.[106] Over 80% say they believe it is somewhat or very important that migrants learn English to become "truly British".[107] 43% of adults say that more should be done to strengthen relations between ethnic and religious communities in the UK, compared to just 23% who think enough is being done.[108] About half of all British people have no friends at all from outside their own ethnic group.[109]

Lack of community integration and asymmetrical multiculturalism can lead to the breakdown of shared norms and even of the universal rule of UK law. Dame Louise Casey reviewed the integration of Britain's communities in 2016, finding "high levels of social and economic isolation in some places and cultural and religious practices" that "run contrary to British values and sometimes our laws."[110]

Excessive deference to cultural sensitivity has in some cases undermined security and the welfare of innocent people. Infamously in Rotherham a gang of British-Asian men abused at least 1,400 teenage girls over a period of around fifteen years. The independent inquiry into the abuse scandal found that the authorities had failed to take action as they were "inhibited by the fear of affecting community relations".[111] An estimated 137,000 women in Britain live with the consequences of female genital mutilation (FGM)[112] - a crime under UK law. However, there has only ever been one successful prosecution for this act.[113]

Social fragmentation

In general, trust in British institutions and how well they are run has declined since the 1980s.[114] Faith in the running of the NHS was mildly rising prior to the Covid-19 pandemic, but trust in the effectiveness of the police, the press, the BBC and our political system has gone down. Tellingly, just 19% think banks are well run, compared to 90% in 1983. According to the Edelman Trust Index, just 43% of us have trust in Britain's institutions.

According to polling for Be More Us, 73% of us say we do not know our neighbours. Onward's Social Fabric Index maps the strength of various social indicators across the UK, identifying some of the prevailing trends.[115] The Index measures factors such as crime, family and relationships, health, housing,

neighbourliness, community assets and participation, connectivity and green space. Many communities in the Red Wall score lowest in the Index, as well as East End London boroughs like Barking and Dagenham. Glasgow also fares poorly. In contrast, many of the highest-scoring areas are prosperous communities in the Home Counties, indicating a clear link between prosperity and the strength of the social fabric.[116]

When Onward first launched the Index in 2020 it found a widespread decline in forms of community participation such as engagement in civic organisations, attending church or volunteering. It concluded that "the UK has suffered a long-term and broad-based decline in the networks and institutions that make up the social fabric of communities." It did not find that every indicator measured had got worse over time; notably, it found improvements in areas such as education, crime and life expectancy. However, it found that less than half of British people are part of some kind of community group, and that parents engaging in activities or outings with their children more than once a week had declined from 36% to 29% between 2011 and 2017.[117]

Data from the Office for National Statistics showed that in the five years before the pandemic British people's sense of community belonging, as defined by factors such as feelings of commitment to their local area and positive engagement with neighbours, was in decline.[118] Three in ten people now live alone, compared to just 5% a century ago.[119]

The decline of local high streets and town centres, combined with commuter culture, has reduced opportunities for local community engagement. And traditional workplace-based institutions and groups such as working mens' clubs and union-based connections are a fragment of what they once were (partly due to Britain's increasingly deunionised workforce).

The retreat into silos

Much has been written about the decline of mixing in UK culture between people of different economic classes, education levels, religious backgrounds and physical generations. Robert Putnam has argued that a decline in cross-class family formation means that fewer and fewer working-class children will have uncles or other relatives who are wealthier. Today, about half of British people with degrees have no close friends without one.[120] According to Jon Yates, the author of Fractured, millennials now have just a quarter of the

interactions with older generations than would be the case if their friendships reflected the age balance in their local communities.

We are also becoming more politically divided. A quarter of people who voted Remain in the 2016 Brexit referendum have no friends who voted Leave, while a fifth of Leave voters have no Remain-voters among their friends. And political divides are reflecting educational and class divides, too; support for the Conservatives among younger university graduates has fallen off a cliff-edge.[121]

Social media makes it easy to form so-called "communities of interest", bound by membership of an identity group or political perspective, rather than physical communities of place. While there are positives to this development, since those with similar interests and worldviews are more able to meet, prioritising online communities over physical ones inevitably means less active participation in actual communities of place. Just 4.2% of under-25s say they feel they belong to their neighbourhood, compared to 75.3% of over-25s.[122]

"Culture wars" - history, gender, race and patriotism

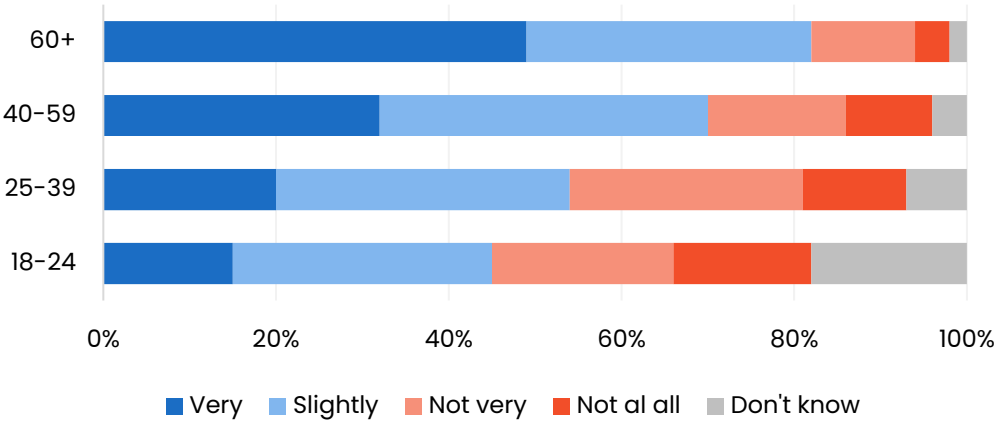
The term "culture wars" may seem wearying to many. It is true that in general they are of low political salience to voters in comparison to the economy, the cost of living, immigration and crime. At the same time, it should be recognised that the views of certain academic and institutional elites tend to be at variance with the values of the median voter on many of these questions.

British people are generally positive about their country's history. Polling by Ipsos Mori asked people which two or three of a list of options made them most proud to be British. The NHS came top by a wide margin with 55% support, followed by "our history" (33%), the Royal Family (28%) and the Armed Forces (24%).[123] Ipsos also found that six in ten Britons would rather be a citizen of the UK than any other country.[124]

Recent survey evidence suggests that younger British people are significantly less likely to be patriotic than their older co-citizens.[125] According to YouGov, a majority of English 18-24 year-olds are embarrassed by their background.[126]

Figure 18: How patriotic are you?

Source: YouGov 2015, Onward analysis



Despite strong evidence that Britain is one of the world's least racist countries,[127] young people seem to disagree. Polling by YouGov for Birkbeck University found that around half of 18-24 year-olds believe Britain was founded on racism and is "structurally racist". Six in ten school leavers say they have been taught about at least one concept deriving from Critical Race Theory (CRT) by teachers.[128] This is in spite of the fact that the independent Commission on Race and Ethnic Disparities found in 2021 no evidence or institutional or structural racism in the UK (as distinct from individual cases of racist behaviour).[129]

There is a clear generational divide here, with implications for the wider culture. Only a minority of British voters adhere to political theories rooted in identity politics, but these perspectives are disproportionately represented in universities, businesses, quangos, cultural institutions and increasingly in schools. The UK appears to be undergoing a period of undemocratic cultural change.

Gender recognition

The question of the relationship between sex and gender identity has grown in cultural prominence in recent years. The UK has an established legal means of allowing people who wish to change their legal gender, which includes living in the assumed gender for a minimum of two years and acquiring a medical diagnosis of gender dysphoria. Those who fulfil these criteria can obtain a Gender Recognition Certificate (GRC), allowing them to have their new gender

recognised in law. The numbers are small: in every year since their introduction, the number of applications for GRMs has been in the hundreds. Almost all are granted.[130]

However, there is now a much stronger movement calling for recognition of gender self-identification without legal or medical process. Although this position does not reflect the status of UK law, the teaching of theories about gender self-identification in schools not supported by medical science or by the average voter has proliferated widely. Four in ten secondary schools now operate policies of gender self-identification, 69% are requiring pupils to affirm a gender-distressed child's preferred identity, and 72% are teaching in Relationships, Sex and Health Education (RSHE) that subjective gender identity can be different from biological sex.[131] A 2021 survey by Just Like Us found that over half of secondary school pupils claim to have a friend who is trans (57%).[132]

The 2022 Cass Interim Report into gender dysphoria found a significant increase in referrals, referred to as an "explosion" in the number of adolescent teenage girls being referred for gender dysphoria.[133] The newness of this social phenomenon must cause us to treat it with caution. Evidence is mixed, but there are studies to suggest that detransitioninig is on the rise, and could range anywhere between 1% and 25% of transitioners.[134]

The more radical claim that gender identity is purely subjective and self-determined rather than arising from medical gender dysphoria is also a claim conservatives must treat with extreme caution, especially with regards to children. Public attitudes are not moving in one direction: while support for same-sex relationships and non-traditional families has risen, just 30% of adults now agree that someone should be able to change the gender on their birth certificate, down from 53% in 2019.[135]

The difficult question of gender identification will always entail a balancing of rights. Conservatives should be guided by scientific evidence and philosophical coherency rather than social ideology. There is no simplistic rights or freedom-based solution; the state must make a choice about the legal boundaries of gender.

Do voters care about the culture wars?

Some have called for Conservatives to reject the so-called "culture wars". They are not a high electoral priority for voters, as polling by Onward has shown.[136] However, there is not significant support for the radical social change progressives demand either.

Polling by FocalData for UnHerd showed that Scotland is one of the most trans-sceptic parts of the UK. There is no obvious reason why this would be the case, other than the fact that the issue of gender self-identification has much higher salience there, given attempts by the Scottish National Party to introduce it nationwide. This may indicate that an increased salience of gender issues will lead to an increase in scepticism.

When specifically asked about questions of access, such as participation of transwomen in women's sports or access to female changing rooms, most voters are opposed, if the person has not undergone transition surgery. There is no reason to suppose they would change their mind if the law were changed - it is not a high priority issue, but there is not majority support for social transitioning either.[137] And as discussed above, attitudes towards the right to change legal gender have now changed direction.

Some understandably speak of "ditching" the culture wars - they are a conflict from which we wish to move on. At the same time it must be borne in mind that "ditching" may simply mean conceding on issues where radical opinion is at odds with scientific evidence, the law and the values of the electorate.

Crime and anti-social behaviour

The first duty of any Government is to protect its citizens from threat of theft or violence from those of criminal intent. Yet there is a widespread perception that crime in the UK is out of control.

68% of voters believe crime is being handled badly, [138] compared to just 24% who think it is handled well. A plurality of voters (approximately 55%) do not have confidence in the ability of the police to tackle crime.[139] Crime and anti-social behaviour are the most important issue of concern for voters when asked about local community safety.[140]

Forms of measurement differ, but certain types of crime have been on the rise, against a general downwards trend in police recorded incidents. Homicide is far higher than in the early 1970s (though below its 1990s peak).[141] The police recorded 1.2 million instances of violence against the person in the year to March 2022.[142] Public order offences have been increasing since 2013,[143] with a 2.5 times increase since 2015.[144] And much anti-social behaviour is never reported at all, especially when the public do not have confidence anything can be done. Certain types of violent crime are on the rise, with knife-enabled crime significantly higher than in 2013 (assaults with injury and robbery were both below 10,000 but are now above 20,000).[145] Only 5.7% of reported offences resulted in a charge or summons in the year to March 2023.[146]

Government figures show that violent crime is often concentrated in "hot spots", is often drug-related and disproportionately involves repeat offenders.[147] 48% of acquisitive crime is committed by drug addicts, and nearly half of all homicides are drug-related.[148]

Headline figures showing a decline in overall crime numbers can hide a more complex reality. For example, homicide rose by 35% between 2013-14 and 2016-17,[149] and there was a 41% rise in admissions to hospital due to injury from a sharp object between 2014-15 and 2018-19.[150]

Especially in urban hubs and areas of high deprivation, drugs, street crime, gang activity, threat of violence and anti-social behaviour have become realities of daily life. The costs of recidivism have been estimated at £18 billion per year, meaning the UK clearly has a serious problem with repeat offending and a failure to rehabilitate.[151] However, a wider concern is the perception of rising lawlessness and declining confidence in the safety of communities, with highly deleterious consequences for the law-abiding majority. Uncontrolled crime and anti-social behaviour is not only a serious blight on society and people's quality of life, but on communities and local economies, too.

Strains on the family

The family as the foundational social building-block is under strain. Conservatives should seek actively to support and strengthen families in all the forms they take, and also to seek the common good, especially the good of children.

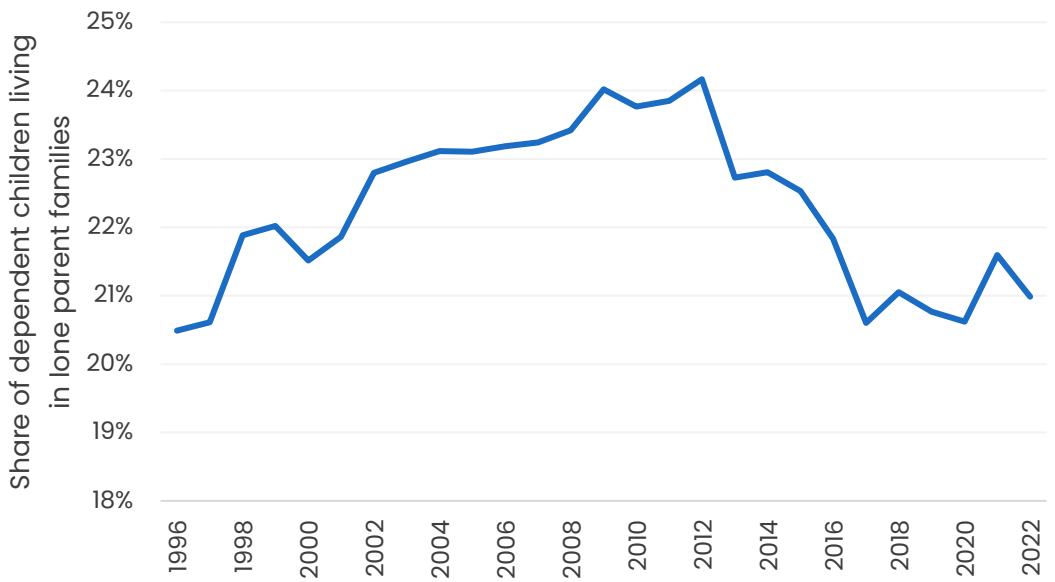
The cost of having children, especially the cost of housing, is causing British people to delay starting families, or have fewer children than they would like. 49% of British women say they are delaying having children due to fears about the state of the UK and conditions in the wider world.[152]

The number of children being born in the UK is falling; 50% of the women born in 1990 did not have children by the age of 30, compared to just 18% of the same cohort in 1971.[153] The number of births in Britain in 2022 was just 605,479, a 3.1% decrease in 2021 and the lowest number since 2002.[154] The fertility rate is 1.75 births per woman,[155] a slight increase from the year before, but well below the necessary "replacement rate" (2.1 children per couple) for the population to remain stable without immigration. And British women say they are not on average having as many children as they would like.[156]

Furthermore, the UK has a high rate of parental separation and family breakdown, with nearly half of British children experiencing parental separation by the age of 14.[157] The state cannot and should not seek to interfere with personal judgements over relationships, values and family. But we must also be honest about some of the negative externalities of family breakdown for the state, society and the families themselves.

Figure 19: Share of dependent children living in lone parent households

Source: Labour Force, 1996 – 2022. Onward analysis



As can be seen here, the share of dependent children living in lone parent households is now lower than between 2000 and 2016. However, it is still high at 21%. Family breakdown has been estimated to cost the taxpayer £52 billion per year in increased social provision;[158] six out of seven lone parents are eligible for means tested benefits.[159] Nearly half of lone parent households are in relative income poverty. And as research by the Centre for Social Justice and others has shown, growing up with two parents is positively correlated with improved social and economic outcomes in education, work, and health.[160]

British couples clearly value family, especially time spent with children in the early years. 49% of the general public agree that it has become harder to start a family over the last decade, compared to just 19% who disagree. 78% of parents with pre-school children say they would prefer to spend more time with their child but cannot afford to, rising to 80% for women. And 61% say they would be supportive of a childcare 'budget' to spend according to preference, compared to 33% who would prefer more support with formal childcare costs. Notably, 52% of parents say they rely on extended family for additional childcare needs, versus 45% who use nurseries.[161]

Our current economic model creates the need for most families to have two incomes, creating in turn additional costs for childcare and a need for subsidies. Our tax system does not recognise family and children, unlike other economies. Far from being neutral, policy and economic conditions combine to disincentivise family formation.

Conservatism in thought and action



Conservatives must be ready to respond to the economic and cultural challenges facing Britain today. We argue that conservatives must not resign themselves to accepting managed decline. But neither should we retreat into doctrines and ideologies fit for a previous time.

We call for a distinctively conservative approach to policy making. By definition this will look to the practical challenges of the future, not the doctrines and ideologies of the past. But it will also draw upon the rich resources within the conservative tradition of thought, which by its nature can be reforged and re-applied in each new period of political history.

We believe an authentically conservative approach to government would make Britain fairer, richer and stronger, and could command electoral support.

What is conservatism?

Conservatism is a distinct body of thought. It is both an inclination (or "disposition") and a cluster of ideas and beliefs about the nature of society and of the state. Thinkers from Henry Bolingbrooke, Edmund Burke, Robert Peel and Benjamin Disraeli form its canon, together with Alexander Hamilton, Theodore Roosevelt, Michael Oakeshott, Russell Kirk, and Roger Scruton.

We argue British conservatism is defined by the following essential beliefs:

1. Economic and cultural change should serve the common good and the welfare of the majority, not ideological theories of change
2. Policymakers should put the interests of the national community first
3. The rights of individuals must be balanced with the good of others
4. The state should not aim for moral neutrality
5. A balance is needed between state, market and community

We examine each of these claims of principle below, before drawing Conclusions for Conservatives at the end of each section. After each there are non-exhaustive examples of how the principles established might apply to policy problems in practice.

1. Conservatism, progress and change

It is vital for conservatives to have an answer to the questions posed by the march of history and the course of social and economic change. One trap Anglosphere conservatives can fall into is conflating conservatism with the pursuit of liberal individualism and small government as a theoretical ideal, and trying to govern accordingly. A second is to view their role as simply slowing the pace of change, but accepting an agenda of change as defined by their opponents. We argue that conservatives should reject these twin temptations.

In contrast with ideological liberals on the one hand or social progressives on the other, conservatives see value in historic achievements and well-tested conventions. In the UK, conservatism has respect for Britain's constitutional, legal and political traditions, arising from centuries of organic development and trial and error.

This does not mean that conservatives should oppose all change. On the contrary, it is through responsible custodianship of what is inherited that positive change can be effected. Change should focus on practical improvement rather than ideology, consistent with the customs of the nation and with what we know about human nature. Edmund Burke, often considered the intellectual founder of British conservatism, argued that "*a state without the means of some change is without the means of its conservation.*"[162]

Key to conservative thinking is the recognition that is easier to deconstruct than to build, and that reckless change can bring unforeseen consequences. G.K. Chesterton presented this instinct in his analogy of a fence. A new landowner who discovers a fence with no obvious purpose erected by his predecessor may take the view that, being useless, it should be removed. A conservative, however, will realise that the former landowner will have erected the fence for a reason that is simply not immediately obvious, and so caution should be exercised. The right instinct is for preservation - at least until all the facts are known.

Many societies' greatest achievements have been developed rather than invented, and indeed could not be invented. The English common law system - often seen as the finest in the world - was never created, but evolved through

centuries of practical decision-making. Conservatives also accept and embrace difference and peculiarity rather than looking to universally applicable systems.

The philosopher Michael Oakeshott claimed that:

> *"To be conservative, then, is to prefer the familiar to the unknown, to prefer the tried to the untried, fact to mystery, the actual to the possible, the limited to the unbounded, the near to the distant, the sufficient to the superabundant, the convenient to the perfect, present laughter to utopian bliss."*[163]

The conservative stance towards change, and hence what is desirable politically, is summarised well by Britain's greatest recent philosopher, the late Sir Roger Scruton:

> *"Conservatism starts from a sentiment that all mature people can readily share: the sentiment that good things are easily destroyed, but not easily created. This is especially true of the good things that come to us as collective assets: peace, freedom, law, civility, public spirit, the security of property and family life, in all of which we depend on the cooperation of others while having no means singlehandedly to obtain it. In respect of such things, the work of destruction is quick, easy and exhilarating; the work of creation slow, laborious and dull."*[164]

The liberal "ratchet"

A temptation for modern conservatives is to give in unconsciously to what some have called the "liberal ratchet". This is a process by which parties of both Left and Right each introduce ever more liberal reforms, never to be undone. Harmful innovations become embedded and it becomes impossible to reverse to take a different path.

For the left, this means ushering in more social liberalism that cannot be unpicked. David Cameron, for example, claimed that multiculturalism had failed, but did little to reverse it. Our hyper-individualised method of taxing families has never been reversed, and the tendency of quangos and cultural institutions to be dominated by progressives (a Blair era strategy) has never been tackled. The Human Rights Act continues to cause problems for

immigration control and law enforcement, and the Equality Act creates a complex overlay of competing rights.

For the right, this has entailed privatisation of public utilities (with mixed results), an economic model prioritising shareholder value over productive investment, a laissez-faire approach towards the offshoring of industry and deregulation of the labour market with rising precariousness of work.

It becomes politically very difficult for new governments to undo the policies of their predecessors. In fact, the members of incoming governments end up being publicly supportive of changes their party formerly opposed. The "progress" view of history disincentivises reversing policies, even if they are bad.

Whether in culture, history or law, conservatives should reject the fallacy of perpetual progress. Instead they should interrogate innovations and reforms, pursuing those which are good on their merits, not simply because they are new.

When should conservatives embrace change?

The conservative tradition embraces change that will enhance the prosperity, security and flourishing of the community (local and national), but does not support ideological or utopian ideals. Conservatives should eye with suspicion dogmatic notions of social progress that depart from the wellbeing of the nation or from human nature.

Conclusions for Conservatives

History does not march in only one direction, whether in economics or in culture. The nation has the freedom of democratic choice and policymakers should serve the welfare of the nation, not any ideological theory of change. While liberals always look for more freedom and more limited government, and progressives search for a utopian future, conservatives pragmatically assess change based on the merits. Some things require change, some need improvement, others should be restored.

- *It should not be assumed that mass migration, state multi-culturalism and the erosion of borders necessarily represent the future*

- *Radical social ideologies of gender and race, and ideological views of history, cannot be assumed to be right*
- *Cultural change should benefit the national community and the majority, not the views of an elite minority*

2. The priority of the national community - family, nation and place

Conservatism is at its heart about rootedness and belonging. The nation is the fundamental unit of political organisation. It ties us to one another through physical place, shared experience, history and the idea of national community. Conservatism seeks the benefit of the whole nation, not merely the interests of capital or labour, or of the rich or the poor. It does not seek to further an abstract ideology or universally applicable theories.

The distinctive characteristics of the British nation, its culture and its component communities are therefore something to be defended. This does not mean British culture is static. But to accept that it does change is not to say it does not exist or have a distinct character. Our particular legal, constitutional and cultural peculiarities make us the nation we are, as distinct from others. This peculiarity is something conservatives value.

Our connectedness to fellow citizens is deeper than that of a commercial contract, more closely resembling the ties that bind a family. Burke said of society and the state:

> *"Society is indeed a contract…but the state ought not to be considered as nothing better than a partnership agreement in a trade of pepper and coffee, calico or tobacco, or some other such low concern, to be taken up for a little temporary interest, and to be dissolved by the fancy of the parties. It is to be looked on with other reverence; because it is not a partnership in things subservient only to the gross animal existence of a temporary and perishable nature…it becomes a partnership not only between those who are living, but between those who are living, those who are dead, and those who are to be born."*[165]

In *Why Nationalism*, Yael Tamir argues that the politics of the nation state has been fundamental to many liberal democratic achievements and even for the

existence of politics as such. She argues that liberal democracy and the politics of the nation have often gone hand-in-hand, since nations create the forum for altruism:

> *"The nation state has been the ideal meeting point between the two, and hence it is here to stay. Democratic regimes require a pre-political partnership that turns citizens into a collective entity that has a common past and a common future. In the absence of a political* we, *states disintegrate, and the political structure that allows them to turn into democratic and decent entities dissolves."*[166]

David Goodhart describes how nation states provide the forum within which political negotiations and altruism can properly take place:

> *"A strong, confident national identity does not thereby solve a country's social and economic problems but it provides a template, an idiom, through which the discussion can take place and which assumes certain shared norms and common interests. A confident national story also helps to integrate newcomers, providing a symbolic pathway to belonging that new citizens usually welcome. And if we really are all in this together, as a national identity assumes, then it ought to make us want to narrow the gaps between regions, rich and poor, native and minority…national identity ought to have an in-build social democratic bias reminding elites of their obligations to those they live amongst."*[167]

The nation is shared "space" within which we can relinquish our resources to help others, and surrender certain rights and privileges in the service of the common good. The limits of the nation mean that public support for the welfare state can be retained.[168] The redistributive nature of the state makes the existence of borders all the more important.

The Tory Prime Minister Benjamin Disraeli argued that the idea of the nation provides the yardstick against which to decide whether certain change is good. Speaking during the second reading of the Reform Bill of 1867 he expressed the conservative synthesis of progress and conservation:

> *"In a progressive country change is constant; and the great question is, not whether you should resist change which is inevitable, but whether that*

> *change should be carried out in deference to the manners, the customs, the laws, the traditions of the people, or in deference to abstract principles and arbitrary and general doctrines. The one is a national system; the other…is a philosophic system."*[169]

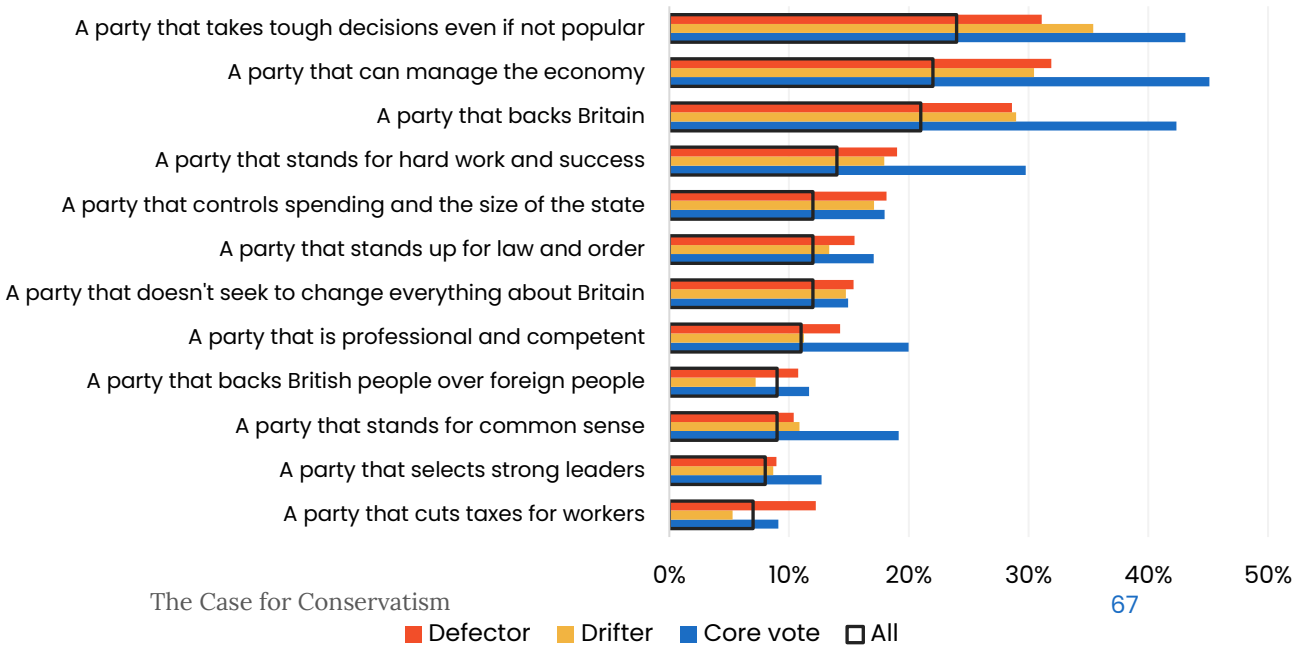
Change must be conducted in a way that is democratic, in accordance with the beliefs and interests of the people it will affect, and in a manner consistent with the culture of the nation. It must never be imposed undemocratically from above.

The nation in public opinion

The idea of the national attracts significant popular approval. In *After the Fall*, Onward asked 2019 Conservative voters which of various traits represented the Conservative Party when at its best. Cutting taxes for workers was the least popular of the options, attracting only 10% of Conservative voters. The most popular options were taking tough decisions even when not popular, managing the economy, and being a party that "backs Britain" (42%). Only 18% of Conservative core voters said being a party that cuts taxes and the size of the state.

Figure 20: "When the Conservative Party is at its best, what does it represent?"

Source: Onward 2022, After the Fall



A 2020 YouGov poll found that 67% of people said they were very proud or fairly proud to be British.[170] A 2021 poll found that 61% of voters said they were very or fairly patriotic, compared to just 32% who said they were not very or not at all.[171] And prior to the 2016 Brexit referendum, 53% of voters said they felt that international organisations were taking too much power away from the British government.[172]

A politics of British identity

Much has been written by sociologists on the distinction between "communities of interest" and "communities of place".[173] As conservatives we believe a physical, spatial community transcends any community of subjective identity or political tribe, and that a nation is the ultimate spatial community. The idea of British nationhood allows us to sacrifice the "I" of identitarianism to the "we" of togetherness and belonging. A stronger, shared British identity would allow us to set polarisation aside, celebrating what we have in common rather than what divides us.

What are the politics of community?

Community is inherent to conservatism, since conservatism recognises that it is the structures through which we relate to one another (community, family, nation) that allow us to be truly free. Specifically, this means giving priority to both localism and to the nation state, rather than ideals of internationalism or to undemocratic economic forces. Restoring democratic control to the level of national and the local is a key conservative objective.

Conclusions for Conservatives

While other political traditions prioritise the individual, or the interests of one economic class (whether capital or labour), conservatives should value the interests of the nation state as a cohesive whole and primary unit of political organisation. The nation should have priority over international institutions or economic forces, and policymakers should put the interests of the nation first.

- *Conservatives should respect international institutions but constitutional sovereignty and ultimate lawmaking authority should lie at the level of the nation state*
- *Conservatives should favour the interests of neither capital nor labour alone, instead seeking the wellbeing of the whole nation. The needs of British voters should also come before the interests of global economic actors.*
- *The primary duty of governments should be to British citizens and advancing the UK national interest, for example in immigration, asylum or foreign policy*

3. The common good and the individual

Conservatism seeks a balance between freedom for the individual and the wider good of all. Sometimes these goals can coexist, but sometimes they conflict. Freedom is best understood as part of a wider network of commitment and obligation. Norms of mutuality, respect and altruism necessarily place limits on freedom. The influential American sociologist Robert Nisbet argued:

> *"Genuine freedom is not based upon the negative psychology of release…its roots are in positive acts of dedication to ends and values. Freedom presupposes the autonomous existence of values that men wish to be free to follow and live up to. Such values are social in the precise sense that they arise out of, and are nurtured by, voluntary associations which men form."*[174]

Scruton sought to place freedom in context:

> *"Conservatism is about freedom, yes. But it is also about the institutions and attitudes that shape the responsible citizen, and ensure that freedom is a benefit to us all. Conservatism is therefore also about the limits of freedom."*[175]

Freedom is therefore a good, but it is only one good among others. One person's freedom is another person's slavery, and the state will often have to arbitrate between conflicting rights and interests. Freedom without checks and balances can also be disruptive.

Freedom and security in public opinion

Public opinion tends to place a higher value on security than on freedom.

The 2018 Onward report, *The Politics of Belonging*, found that 65% of respondents said they wanted to "live in a society that focuses on giving people more security", versus just 35% who said they wanted more freedom. This research also found that there was more support for pro-security values in Conservative constituencies, with more support for both economic and social freedom in Labour constituencies.[176]

Onward's research showed consistent preference for security and community over individual freedom. 71% of people said that "*it is more important to have order in society*" rather than "*it is more important that people are free to act as they wish*" (29%). Nearly three fifths (57%) believe "*it is more important to look out for the common good*" than "*it is more important to protect individual rights*" (43%). More than half (56%) believe that "*the best guarantee of your rights and freedoms are the history and traditions of the country you live in*" rather than those written into international law.[177]

Recent polling by the Centre for Policy Studies is consistent with this more nuanced understanding of freedom, with 42% of voters (and 53% of Conservatives) saying that crime and anti-social behaviour are the biggest threat to their freedom.[178] 65% of voters said they thought it was the government's job to protect most people against most risks, compared to just 35% who saw government as a safety net only for those who need it most. 65% see regulation as providing safety and security, while only 35% see it as bringing limits and hassles. A majority of Conservative voters say they value freedom as "freedom from fear and insecurity" above "freedom to say and do what you want".[179]

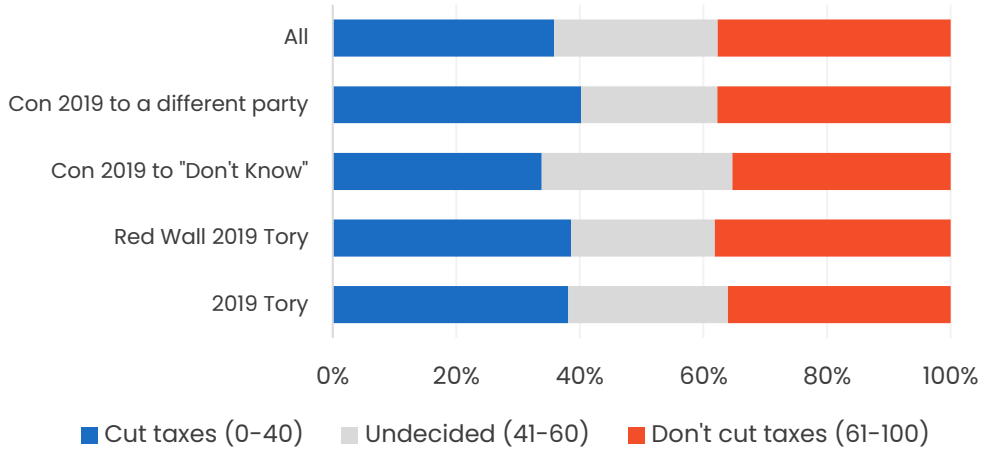
In *After the Fall*, polling conducted for Onward showed that moving to the right on economics would have a net negative effect on support for the Conservative Party. For example, prioritising cutting corporation tax over funding the NHS would have a negative impact on Conservative support of 26%.

There is little evidence that the public support contractionary fiscal policies or think cuts to personal taxation are more important than funding public services.

Figure 21: Support for cutting taxes vs funding public services

Source: Onward 2022, After the Fall

Note: Respondents were to place themselves on a sliding scale, from 0-100, indicating which statement best reflects their views



There is significant support for more widely spread economic fairness than for individualism. Even among 2019 Conservative voters, 58% said they agreed with the statement: *"ordinary people do not get their fair share of the nation's wealth."*[180] This is a strong indication that voters feel the economic "deal" to be unfair on the majority, running counter to the notion that in a free market economy people tend to earn what they "deserve".

When presented with various policy proposals, there was little support for "pro-freedom" policies such as tax cuts, when compared with "pro-security" policies such as funding healthcare, cost of living support and increasing the minimum wage. There is therefore seemingly more support for more communitarian policies rather than individualist ones.

Table 1: Top five most and least popular policies (out of 60)

Note: Fieldwork was 20th August – 2nd September 2022

	Most popular		Least popular
1	Cut VAT on energy to reduce the price of heating your home	56	Remove the child benefit cap that stops child benefit after two children
2	Increase taxes on big businesses to fund investment in public services like the NHS	57	Give trade unions more powers negotiate on behalf of their members and strike if necessary
3	Increase the national minimum wage	58	Increase the number of migrants coming to this country to study at UK universities
4	Invest in more apprenticeships to give young people an alternative to going to university	59	Prevent self-identified transgender people from using facilities for their new gender
5	Cut Fuel Duty to reduce the cost of filling up at the pump	60	Take in more refugees and asylum seekers fleeing persecution, war or famine

Meritocracy and equality of opportunity

Many Conservatives link individualism with meritocracy. Rather than seeking equality of outcome, as socialists do, they tend to argue for equality of opportunity. Rather than socially engineering more equal economic outcomes, people should be given freedom to achieve what they can through ability and hard work.

Britain should certainly be more meritocratic than it currently is, given its poor social mobility, and there should be more material reward for hard work than our current economic model provides. However, we argue that "meritocracy" is not enough.

The term was in fact originally coined as a derogatory term by Michael Young.[181] He argued that "meritocracy" would be used by economic elites as an excuse to justify rising inequality; that elites would argue that people's outcomes are in the main their own responsibility. More recently the American post-liberal philosopher Michael Sandel has argued that meritocracy can become an excuse for large scale social inequality. "Failure" can be blamed on the personal fault of the poor, whereas in reality economic elites use accrued wealth to entrench socio-economic advantage.[182]

But it must be recognised that people's socio-economic outcomes are affected by much more than individual effort. Class background, educational opportunity, the culture and community a person is born into and someone's level of family support all profoundly affect their life chances. Some do not have the ability or the desire to be upwardly mobile. Many value job stability, family and local community life over upward material advancement. "Aspiration" is too narrowly defined, applying only to the economically and geographically mobile.

We argue that conservatives cannot and should not expect everyone to be upwardly mobile - by definition, not everyone can be. Rather, aspiration matters and we should back individuals to fulfil their potential, but we should also seek rising general prosperity for all, including bringing better jobs and opportunities to the communities people are from. The common good matters, not only enabling the strongest.

Is conservatism about freedom or the common good?

Conservatism embraces a balance between freedom for individuals and the wellbeing of the community. Conservatism properly understood recognises the paradox that it is only by placing limits on freedom that we can achieve greater freedom, and that individual freedom is more likely to be realised in the context of the security and meaning provided by our life in common - shared with family, friends and fellow members of our communities. It is not wrong, therefore, to expect obligations as well as rights, and for individuals to subordinate their own interests to the common good.

Conservatism and the environment

Environmentalism should be part of conservatism, not in tension with it. As conservatives believe social and economic freedom must be constrained by the

bonds of community, so property rights, consumption and production must be reconciled with the need to protect the environment. The environment is by definition common to all and part of our national heritage. It is fundamental for health, flourishing and for the welfare of children and generations yet to be born.

Planning reform, for example, is necessary for expanding home ownership and for creating stronger clusters of growth. However, sensible planning laws will always be needed since they protect the rights and interests of the community and the environment. Building and densification must happen in a sustainable way. Sir Roger Scruton argued that it is conservatism, not socialism or liberalism, that has the best answers for environmental protection and progress. He roots environmentalism in the love of home and humanity's need to exist within the natural world.[183] But as conservatives we are also positive about humans and human nature, not viewing ourselves as a blight on the earth. As in other areas of philosophy and policy, the conservative approach is one of harmonious balance. A responsible and sustainable approach towards the environment will ultimately prove beneficial for humanity as a whole.

Conclusions for conservatives

Rights and freedoms, whether social or economic, do not exist in a vacuum and must be balanced against one another. Freedom devoid of constraint (whether self-imposed or imposed by the community) risks becoming unanchored and selfish. The good of all must be considered, not only of individuals. Restraining the freedoms of some may enhance the freedoms of others, and vice versa.

- *Conservative economic thinking should enable individuals to compete and achieve through merit and free enterprise, but must also have concern for the welfare of all income groups*
- *In social policy individual freedoms must be balanced against the wellbeing of the community, such as when regulating harmful foods, drugs or behaviours like gambling*
- *Individual economic freedom, production and consumption must be balanced proportionately with environmental protection, optimising for both conservation and growth*
- *Economic and social security matter to voters as much, if not more than, economic and social freedom, and this should guide policy thinking*

4. The myth of moral neutrality

The minimalist or "night watchman" state is a major tenet of liberalism. Many on the liberal right draw their ideas from the Victorian philosopher John Stuart Mill. He developed the now-famous "Harm Principle": government should not interfere with actions that do not directly harm others, and should try to observe moral neutrality.

However, all human action ultimately affects others in direct and indirect ways. The libertarian quip that "your freedom ends at the beginning of my nose" is an impoverished model for how humans should relate to one another. Simplistic and legalistic understandings of liberty need to be challenged.

Negative liberty exposed

In many areas of policy good outcomes are achieved by restricting freedoms. For example, the cap on fixed odds betting machine stakes was derided by philosophical libertarians and gambling lobbyists, but successfully reduced gambling by vulnerable players, and by extension brought protection to their families from what is known to be an addictive behaviour.[184]

Similarly, the English common law places limits on the boundaries of "consent". In our legal tradition consent is not a defence in cases of physical violence, with specific exceptions for sports like boxing. The law does not allow us to consent to harming ourselves.

Violent sex acts are not protected by the law. In the famous case of R v Brown, the House of Lords took the view that individuals cannot consent to grievous bodily harm during the course of sex, even if they are over 18 and of sound mind. The state guards against such acts unconditionally.

In all these cases, the law violates Mill's "Harm Principle" by seeking to restrict behaviours that principally harm ourselves. However, in so doing it protects not only us as individuals but our friends, family and wider society, too. The state does not adopt a stance of neutrality.

Harmful consumption

Drug legalisation is another "wedge" issue between libertarians and conservatives. Libertarians, following Mill, usually argue that harmful drugs should be legalised since they pose a risk only to the individual choosing to use them, and the state should not restrict private choice.

However, scientific evidence is clear that drugs are usually highly addictive. As such, they erode free will, reducing individuals' ability to consent freely. The health impact of drug abuse costs the NHS money, meaning negative externalities accrue to the taxpayer. In any system of healthcare, national or insurance-based, the costs of private drug abuse would end up being socialised. Harmful drugs negatively affect children, who cannot consent to the consequences of being exposed to them, and it is very difficult to keep substances away from schools and public places once legalised. There is a wider effect on the community.

Type 2 diabetes costs the NHS £1.5 million per hour.[185] Smoking has been estimated to cost the taxpayer £2.6 billion per year,[186] and obesity £6 billion per year.[187] Interventions to reduce some of these costly trends have proved effective: the Soft Drinks Industry Levy was introduced in 2016 as part of the Childhood Obesity Strategy; between 2016 and 2019 the total amount of sugar sold in soft drinks by manufacturers fell by over 35%.[188]

The private sector can limit freedom, too

Advocates for unlimited freedom tend to point first to the state. But this fails to recognise that non-state actors can engage in coercion, too. Recently there has been a trend towards ideological policing and limitations on political speech imposed by employers.

This phenomenon has been traced by the author Carl Rhodes, who identified what he calls "woke capitalism", in which progressive causes are pushed by businesses as a substitute for doing more costly things that might benefit their workers more (such as higher pay or better parental leave).[189]

The recent fiasco in which Nigel Farage was "debanked" for political reasons, which resulted in the resignation of the CEOs of Coutt's and NatWest, is a high-profile case of corporate ideological censorship. Arguably in a pure free market

Farage's account could be cancelled by Coutt's for any reason, but there are good reasons why the principle of freedom to bank without fear of political discrimination is an important one.

In another high-profile case Professor Kathleen Stock was pressured into resigning from Essex University due to her publicly stated views on gender. The campaign against her was facilitated and encouraged by the university. Some market liberals might say her employer can do as they wish. However, it is widely accepted in the UK that we regulate labour markets to restrict unreasonable behaviour by employers.

Family life

As discussed in Part II, families are the building blocks of the wider national community. The evidence is extremely strong that stable families (and, where possible, families with two present parents) produce better outcomes for children.

It is frequently argued by cultural liberals that the state has no business "interfering" in family life. However, we argue that a neutral position on family policy is neither possible nor desirable.

Families must be taxed either as individuals or as households. Each option creates a particular set of incentives. Household taxation makes it more desirable for couples to form a family unit, and provides more tax relief for those who choose to commit. In Germany, couples with two children do not start paying income tax until they earn 52,000 euros between them.[190]

Given the cost of housing, families now almost invariably need two incomes. Many couples would make this choice of their own volition, but economic reality gives couples little choice other than for both to work full time. Some countries mitigate this (Canada and France provide early years subsidies to provide parents with income replacement[191]), enhancing choice regarding childcare options when children are young.

Neither our wider economic context nor our policy choices regarding the family are neutral. We know that parents are having fewer children than they would like. And we know that a declining birth rate poses problems for society at large. While the term "natalism" may make some uncomfortable, the Social

Market Foundation argues for “liberal natalism” - that is, allowing parents to have the number of children they want. More family support would enhance choice, mitigating the hurdles parents currently face.

Furthermore, the evidence that stable family environments provide better outcomes for children is very strong, while the costs to the taxpayer of family breakdown are high. While we understand that relationships sometimes end, and spouses should never be trapped in unhappy or violent marriages, more should be done to make family life easier and stabler, with commitment a more attractive and affordable choice to make. The state should seek to support family formation, as we all have a direct interest in the progeneration and wellbeing of the next generation.

Do conservatives believe in the neutral state?

Believing that the state should always aim to be “neutral” in policy areas where value questions are at stake is a popular view among liberals. The neutral state is however an impossibility, as its modern liberal disposition - from drug law enforcement to its positive view of mass migration - demonstrates. Regardless, the idea of the neutral state is foreign to conservatism.

Conservatism accepts that the positions taken by the state should reflect norms and values that strengthen commitment and community, restraint and responsibility. Sometimes the state will need to act as arbitrator of conflicting views and interests. Sometimes the state protects us from ourselves, as is reflected in the common law. Its role is not purely to facilitate parallel and conflicting values systems.

Conclusions for Conservatives

Attempting to create a “neutral” or “night-watchman” state is an objective for liberalism, not conservatism. Attempts to create a morally neutral state tend to create an empty space to be filled by the opponents of conservatism, whether of left or right. Conservatives should be confident in reflecting the views of the majority of voters, and of the national culture, when making policy. Sometimes intervention is necessary to protect what is right. In other cases, freedom and choice must take priority.

- *Sometimes the state must take a moral position reflective of the views and values of the majority, for example in regulating tech and media companies to protect children, or when prohibiting or regulating exploitative trades*
- *The majority view on questions of gender recognition should prevail when, for example, the rights of women or the privacy of children conflict with the right to gender self-identification*
- *Conservatives should actively promote family formation and stability given the importance of family to the majority of voters, the need to facilitate the next generation, and to reduce the cost of family breakdown to the taxpayer*

5. Market, community and state

The free market is a fundamental part of a free and successful society - allowing citizens to make choices, support their families, and achieve prosperity and security. Conservatives often express their support for the free market through opposition to a return to the world of large, inefficient, nationalised industries as we had in the 1970s, wages and price controls, or tax rates that are over 80%. Sometimes this can go further, however, making conservatives reluctant to accept beneficial market interventions.

But there are many cases where the state can and does intervene to make markets function better.

Good regulation

There are many examples where Parliament or the courts have intervened to correct market failure or to create obligations that go further than contract law alone.

Product liability was effectively established by the landmark legal case of Donaghue v Stevenson [1932].[192] This found that a girl who consumed a contaminated drink could seek compensation from the manufacturer, even when she was not the purchaser. The Motor Insurance Bureau[193] was created to provide for accidents in which a driver is uninsured and the claimant is a third party (such as a pedestrian - it provides protection in the event of hit-and-runs). This was put on a compulsory, statutory footing for insurers to ensure all

such instances would be covered, even where no contract with an insurer exists.

Public obscenity remains regulated, even though this may not be justifiable based on J.S. Mill's Harm Principle alone. An adult shop should in theory be able to do as it wishes on property it owns or has leased. Nevertheless, adult shops require planning permission, given the indirect and uncontrollable impact on the wider community, such as families wishing to walk down a high street.

Not many have heard of the Water Supply (Water Quality) Regulations 2016, secondary legislation pursuant to the European Communities Act 1972 (now transposed).[194] The Regulations require local authorities to carry out risk assessments for private water supplies to homes. These create a regulatory burden on local authorities, but the result is protection of water quality in an environment where there is no true "market" for water.

These are all examples of "regulation", but are of huge benefit to the functioning of the market. The problem therefore is bad regulation, not regulation per se.

Making better markets

"Defaults" such as auto-enrolment in pension schemes have had profoundly positive social effects, resulting in a tenfold increase in defined contribution occupational schemes, from 2.1 million in 2011 to 21 million in 2019.[195] It could be argued on libertarian grounds that imposing "defaults" is a form of market interference or personal nannying.

But a more conservative way of looking at defaults like this is that individuals lacking the information or personal initiative to enrol in a pension scheme represents a form of market failure to which the state can provide an effective, low-cost answer.

The limitations of markets can be found in other places, too. We rightly encourage young people to pursue the tertiary educational pathway of their choosing. But public subsidy of higher education is high - around £21 billion per year according to the Institute for Fiscal Studies.[196]

Yet universities are not a true market, as the purchasers are legal minors with limited knowledge about what they are purchasing, with many students ending up worse off than if they had not attended.[197] Moreover, loans that are never repaid end up as liability to the taxpayer.

Employment law

English employment law does not generally allow for restrictive covenants (no-compete clauses) in employment contracts, unless there is a good business reason. They are considered to be in restraint of trade.[198] In theory, this interferes with freedom of contract. However, a world of no-compete contracts would hugely frustrate the labour market. The state curtails one economic freedom to ensure the market functions.

Likewise, the UK does not have US-style employment-at-will. Rather, employers need reasonable grounds for dismissal, there are laws governing redundancy, and so on.[199] This interferes with the freedom of employers to fire staff, but protects workers from unexpected worklessness and unfair treatment. In fact, Conservatives have a strong history of supporting labour rights, going back to the Factory Acts of the Victorian era.

Legislation such as the Employment Rights Act 1996, Landlord and Tenant Act 1985 and Consumer Credit Act 1974 all provide courts with wide ranging powers to quash unreasonable contractual clauses.

The minimum wage

More controversial for market liberals was the introduction of the National Minimum Wage. This and the National Living Wage clearly represent significant market interventions by the state. Nevertheless, the policy has been shown to have had a profoundly positive effect on wages and poverty rates at the bottom end of the income distribution, while having a negligible effect on employment.[200]

By raising the National Living Wage, the government reduces the level of demand for in-work benefits and reduces public subsidy of corporate wages. Minimum wage laws also reduce the power of employers to engage in wage arbitrage by employing underpaid migrant workers to the detriment of the local

population. This market intervention improves the incomes of low-paid workers while mitigating market distortions caused by immigration.

Public procurement

Public procurement is different from other markets in that the state acts as the purchaser. It represents one-third of government spending, around £300 billion[201] per year. Procurement is one lever governments can pull to support domestic industries and stimulate regional economies.

Using procurement in this way is often criticised as protectionist. However, tactical use of procurement is not exactly a market intervention, since the state is the customer. It is a powerful spending lever that can be deployed in the same way as any consumer purchase, factoring in a range of considerations from price to quality to provenance. This is another case where there is potential for better use of public funds, provided ideological hang-ups about market distortion are set aside.

There is a risk that "social value" as a principle in procurement practice ends up promoting modish causes or wasteful ideological exercises. But thinking more strategically about how to deploy the purchasing power of the state to further national strategic goals should not be considered protectionist.

Is industrial policy "picking winners"?

Conservatives tend historically to be very wary of the state "betting" on certain companies, since markets tend to do this better. This tends to spill over into an aversion to industrial interventions of any kind.

The most famous example of a "white elephant" is British Leyland (the usual case study invoked). British Leyland was a car manufacturer which was part-nationalised before ultimately going into administration, bringing the era of large-scale British car manufacturing to an end.

Another famous case was Concorde, jointly financed by the British and French governments. This project absorbed large amounts of public subsidy but was a resounding business failure. Both of these examples are examples of "picking losers".

However, governments can and do engage in highly productive public-private partnerships all the time, frequently resulting in commercial success stories that are hugely conducive to growth. Airbus is a good example of this in Europe, and one of the most successful engineering and industrial endeavours of all time, the Apollo programme, was a government initiative. The recent securing of a £4 billion Tata gigafactory investment in the UK was the direct product of active industrial strategy and state-private collaboration.[202] Further key examples include the Nissan plant in Sunderland, made possible by an £80 million funding deal,[203] and the decision to approve the Docklands Development Corporation investment in south east London in 2016.[204]

Asian industrial policy

Some of the most successful economies in the world have historically operated a balanced approach to national economic development, combining state capacity, tactical protectionism and market forces.

Joe Studwell describes how all the major East Asian economies nurtured domestic manufacturers. Far from throwing subsidies at inefficient businesses, the "tiger" economies made subsidies and trade protections conditional on "export discipline" (benchmarks for export performance). Manufacturers received support but were stress-tested against global competition. The governments of Korea, Japan, Taiwan and China all engage in collective bargaining operations to buy foreign technology, using state negotiating power and threats of sanction. They also co-ordinate public-private research initiatives.[205]

The Pohang Iron and Steel Company (POSCO), established in 1968 in Korea, is an example of government intervention to create a successful company, even in an area where Korea lacked a natural comparative advantage. Negotiations by the government with the government of Japan to channel reparations money into the POSCO steel mill project helped secure capital finance; POSCO went on to become one of the world's leading steel companies.[206]

Far from "picking winners" or subsidising losers, Asian industrial policy has weeded out losers, actively intervening to force mergers and deny licences when companies fail. Korea set up half a dozen automotive manufacturers in the 1970s and 1980s, only to cull most of them - but the survivor, Hyundai, is one of the most successful car makers in the world. Far from creating market

inefficiencies, supporting domestic "infant industry" through scaling up and commercialisation has proved a successful model for generating home-grown growth.[207]

Likewise, Taiwan has become world-leading in the manufacture of semiconductors (the Taiwan Semiconductor Corporation is responsible for 50 per cent of global production).[208] This was far from inevitable, reflecting years of active public-private partnership and active industrial strategy to secure research facilities, manufacturing plants, investment and supply contracts.[209] The opportunity to lead in this area has now been lost for the UK, but there are ongoing opportunities such as compound semiconductors, which would require active government investment to exploit.[210]

Singapore's pharmaceutical industry only started 30 years ago, but now eight out of ten of the world's top pharmaceutical companies have set up operations in Singapore. A stable corporate governance environment combined with a competitive tax structure have helped Singapore lead other countries in pharmaceutical manufacturing.[211] It has increased manufacturing as a share of its GDP since the financial crisis.

Do conservatives believe first and foremost in the "free market"?

Markets are the most efficient way humans have created for the generation and allocation of wealth. However, it is clear that modern global capitalism requires regulation and intervention to protect the national interest and domestic workforce from worldwide economic forces that may affect them negatively. Conservatives should also be willing to intervene in markets to promote growth and national industrial development when this is conducive to prosperity and security. Finally, intervening in markets is sometimes necessary to protect the vulnerable and promote the common good.

Conservatives should therefore embrace a civic capitalism. This should operate in a free market and decentralised manner, but with businesses responsible to their communities, customers and workers, backed by a strategic state capable of restoring the conditions for market-led growth, retaining strategically important capabilities at home, and ensuring that businesses and markets function responsibly and fairly.

Conclusions for Conservatives

Conservatives believe that markets are the best mechanism for delivering investment, productivity and growth. However, markets that are properly regulated do this better, creating better outcomes for businesses, employees and the nation as a whole. Markets do not operate in a vacuum, but within a system of laws, regulations and incentives created by the state. The market should serve the community, not vice versa. Some forms of regulation, such as planning rules, can be a major block on building and growth, but this does not make all regulation bad.

- *Good regulation and rule-setting can increase market efficiency and growth, just as bad regulation stifles growth, building and investment*
- *Active industrial policy can be growth-generating as well as protecting strategically significant productive capacity and growing new industries*
- *Employment law is important for protecting workers' rights to a stable job, safety, security and conditions compatible with family life*
- *Financialisation of our economy and offshoring of manufacturing industry are not inevitable; restoring democratic control is something Conservatives should embrace where possible and advantageous*

What should conservatives be aiming to achieve?



We have examined the main cultural and economic challenges facing the UK and presented some of the ideological tensions from within conservatism. The next phase of Conservative modernisation will involve taking timeless conservatives principles and applying them to these challenges. This will involve creativity and pragmatism.

Conservatism cannot be about managed decline, nor about merely slowing the pace of change defined by others. Neither is it primarily about freeing the individual or the market from the state. Rather, conservatives need to address how the powers of the state can be used to serve the interests of family, community and nation.

First, conservatives should seek to increase the status of Britain in the company of nations. This means improving our economic performance, increasing both growth and security of access to the goods and resources we need. It means ending our indifference to large trade deficits, foreign ownership and financialisation of the economy, and guaranteeing the resources and protection necessary for companies to innovate and commercialise here.

Our domestic social contract must be a better deal. We argue that inequality of income and wealth has gone too far, especially in a time of precious little growth. Home ownership must be expanded and intergenerational fairness increased. Regional divides should be reduced, and physical communities must be rejuvenated. Workers should enjoy more protections and representation.

We must have the freedom to enforce our borders and immigration must cease to be an ever-rising feature of our national life. We must take steps to forge a more cohesive, more communitarian society based on a shared British national identity. And our moral foundations as a community must be defended from corrosive and divisive ideologies out of step with the values of voters.

We must be pragmatic and strategic about the role of the state, never treating the market as an absolute. And we must abandon the ideal of the absent, night-watchman state - never a historical reality. We must recognise that if we do not use the arms of public policy available to government, those who would change our society for the worse - including our political opponents - will not hesitate to do so.

Our objectives

Based on our conservative beliefs, and our analysis of our country's challenges ahead, a synthesis of our objectives for Britain's future can be summarised below. An itemised breakdown of Conservative objectives was provided in the Executive Summary. Two broad themes are explored: **a better economic model** and **a stronger national community.**

A better economic model

Britain is capable of faster and better distributed growth. To achieve growth we must use the levers of policy available to us to create the right conditions for it, whether in supply side reform or active industrial intervention to promote investment, growth of new industries, and where appropriate security for existing ones. Industries with the most capacity for productivity growth should be prioritised. National security in supply chains is essential, as is the need to rebalance our economy regionally. Growth can and should be inclusive, raising the living standards of all classes and income groups. Prosperity and fairness can go hand in hand.

A stronger trading position in the world is possible. Britain's economic positioning relative to the rest of the world is precarious, relying on a large and widening current account deficit. This creates distortions at home as our balance of payments relies on foreign purchase of UK assets. We do not make or sell enough of what the world needs or wants to buy, leaving us exposed. Britain should export more and take the necessary steps to secure overseas markets.

Our economic policy should reflect the kind of society we want to have. Widespread, stable, well-paid employment is a good in itself. People need work and the ability to support families, and it must be of a stable enough kind to facilitate family formation and community life. Parenting deserves a much higher level of esteem, as do non-graduate training pathways and careers. Our model should reflect the lives people want to lead. House building is fundamental for economic fairness and opportunity.

A stronger national community

Sustainable demographics, cohesive communities and stable family life are fundamental for a functioning society. The level of immigration Britain has experienced since 2003 has been unsustainable and undesirable. Economic changes are needed to adjust to a lower-migration economy and promote greater levels of cultural cohesion, breaking down barriers between parallel communities and encouraging common values. It should be possible for British families to have the number of children they want, so that our Old Age Dependency ratio can be controlled and our economy made less dependent on unsustainable migration levels. Family formation and parenting should be incentivised.

We must invest in regeneration and place-making. As well as shifting the balance of economic production to be less concentrated in the South East, investment in infrastructure and the built environment is needed to create prosperous, liveable communities. Dilapidation and local decline need to be reversed so people can have pride in place. A strong stance on reducing crime and anti-social behaviour is fundamental so people can feel safe on their streets and local trust can be restored. Violent criminals need removing from the streets.

Conservatives must resist radical, ideological social change. US-derived social theories that do not reflect the values of the average voter should be confronted in our cultural and educational institutions. Laws and guidance on divisive social issues should reflect the values of the community and the average voter, not ideological groups. Stronger measures to protect free speech are needed.

We should seek to restore our social fabric. A revival of localism, community-based provision and civic participation is needed, restoring the missing element of community in the balance between individual and state. Recovering this spirit of “we”-ness will improve quality of life and relieve pressure on the state.

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