REALLY FACING THE FUTURE

The Liberal Democrats' recent policy paper 'Facing the Future' was supposed to confront the major policy challenges for the remainder of this parliament. But it fails to face the future, say David Boyle and Simon Titley. This is their alternative

1. INTRODUCTION

The challenge

Do you sincerely wish to face the future? If so, you might consider some of the following significant trends:

- Climate change
- The global financial crisis
- The increasing scarcity and price of oil
- The corrosion of society
- The loss of trust in democratic politics

Each of these challenges can seem intractable. And there is a tendency to discuss them in miserablist, fatalistic, doom-laden terms. But actually, none of them is beyond humanity's capacity to solve.

Every political party has a duty to confront such issues and produce a coherent and distinctive idea of how they should be tackled. But to do so requires imagination, courage and leadership.

- **Imagination**, because the party must analyse fundamental problems, think radically about how they might be solved, and express its ideas in terms that engage and enthuse people.
- **Courage**, because the answers are often controversial, sometimes unpalatable or risk confronting vested interests.
- **Leadership**, because the party must persuade people to think and behave differently, not accept public opinion as a given.

And to persuade people, the party must relate its messages to the real world and the lives people lead.

This is an unfashionable outlook. The fall of the Berlin Wall in 1989 led to a widespread assumption that the major ideological questions had been settled for good. Politicians stopped competing with one another on ideological grounds and started competing to agree with public opinion. Hence the reliance on opinion polls and focus groups, the replacement of leadership by followership, and the transformation of politics into a form of brand marketing.

Far from satisfying public opinion, however, this trend has alienated people. It has hollowed out politics and stripped it of meaning. It has made the mainstream political parties sound pretty much the same. It has led to a decline in party membership and voter turnout. Trust in politicians and the democratic system is at an all-time low.

To really face the future, the Liberal Democrats must break out of this stasis. They must think outside the cosy worldview of the 'Westminster Bubble'. They must recognise the need to stake out a distinctive position and argue for it with passion. They should not be inhibited by a fear of causing offence but must think more about how they can inspire people. They must never allow politics to be subordinated to marketing.

In short, the party must rediscover its faith in its values and have the courage to express them.

Liberal values

Liberal Democrats are motivated by liberal values. The party believes in an open and democratic society, rooted in the values of the enlightenment. Unfortunately, it has a tendency to express its values in abstract terms, as if policy development were an academic exercise.

The party's sterile and detached language leaves people cold. It also plays into the hands of the party's opponents, who suggest that personal liberty is a luxury that gets in the way of security, social cohesion or economic prosperity.

So the party must express its values in terms that relate to real life. And it must show that liberalism, far from being tangential to the issues of the day, is a prerequisite for solving them.

Liberalism is a practical philosophy. It matters because of people's hopes and fears about their lives. Each of us has relatively few years of life. In the short time available to us, we seek to lead a fulfilling life. But each of us has a unique personality, so no-one else can prescribe a 'good life' for us. The decisions can only be ours, but we can't make them unless we have 'agency', which means people's capacity to make meaningful decisions about their lives and to influence the world around them. Indeed, there is evidence that the growing incidence of psychological distress is the result of an increasing sense of a lack of agency. (See *The Nature of Unhappiness* by David Smail, Constable & Robinson, 2001). And agency is something everyone should have, not just a privileged few. Everyone matters, so we should celebrate the ordinary life well-lived and reject the destructive celebrity culture that divides society into 'winners' and 'losers'.

While the Liberal Democrats promote individual freedom, however, they must reject selfish individualism. Most people can achieve what they want from life only in community with others. A healthy society is therefore vital to individual freedom, not a barrier to it. Unlike libertarians, Liberals believe

the atomisation of society is nothing to celebrate.

The Liberal Democrats are, above all else, about enabling people to take and use power for themselves. They are not a service provider, however well-intentioned, that treats people as supplicants.

Hence the party's political analysis should be rooted in an understanding of the distribution of power, its prescription should be based on the redistribution of power – and the enemy should be identified as the unwarranted concentration of power, where powerful people monopolise agency for their own selfish ends or deny it to others.

2. MACRO-ECONOMICS AS IF PEOPLE MATTERED

What is the purpose of the economic system? It is not an end in itself. It is a mechanism for serving higher objectives. John Maynard Keynes believed that purpose of the economic system is ultimately to serve our non-economic goals, notably personal relations, appreciation of beauty, contemplation. Bernard Greaves and David Boyle have expressed a similar view:

"In a democratic society, the role of politics is to enable its citizens to determine their political, social, environmental and cultural objectives; economics is the mechanism for achieving them." (*The Theory and Practice of Community Economics*, ALDC, 2008).

In other words, the things in life that really matter are human relationships (family, friends and neighbours), the natural world, and enjoyment of the arts, intellectual pursuits and other pastimes. Economic activity generates the wealth, goods and services to make these things possible.

It is vital to assert this perspective because, over the past thirty years, the dominant ideology of neoliberalism has done the opposite. It has made anti-social values all-pervasive. The market, previously regarded simply as a useful mechanism for exchanging goods and services, became an object of almost religious devotion, valued for itself, a metaphor for everything, an ethic that could guide all human action and replace previously existing ethical beliefs. Ethics was reduced to calculations of wealth and productivity. Values like morality, justice, fairness, empathy, nobility and love were either abandoned or redefined in market terms.

By relegating human values below monetary ones, neoliberal economics has corroded society and made people feel more insecure. While some people and communities have become wealthier, others have suffered and are told it is their own fault.

Quite apart from any ethical objections, the global financial crisis has proved neoliberalism a calamitous failure. In Adair Turner's famous phrase, it is "a fairly complete train wreck of a predominant theory of economics and finance" (interview in Prospect magazine, September 2009).

The economy became over-reliant on casino banking, inflated property values and consumer spending fuelled by easy credit. Earning a living by making and doing things seemed outmoded, and certainly less profitable than cashing in on the housing market. Inequality and indebtedness grew and the international financial system became increasingly unstable. This eventually led to the banking crisis of 2007/8.

It is therefore astonishing that a small but influential body of opinion within the Liberal Democrats sought to reorient the party around neoliberal values – and continues to do so. In particular, it is a travesty of history to suggest that neoliberalism (a post-war invention) represents a return to Gladstonian Liberalism. To accommodate this opinion, the party has pulled its punches when it comes to analysing the nation's economic problems or prescribing solutions. But the problems are too fundamental to be solved by regulatory tinkering.

In any event, the dominance of neoliberal ideology is coming to an end. The party needs to think about what should replace it. Without any positive debate or action, we risk drifting into a new orthodoxy of state capitalism – whether France, Russia, Singapore or Venezuela will provide the model remains to be seen. A combination of huge bank bailouts and cuts to public services – socialism for the rich and privatisation for the poor – suggests that this orthodoxy is already generating even more popular dissatisfaction than the previous one.

In framing an alternative economic model, the starting point must be an insistence that human welfare and human values come before ideological constructs. In particular, the party must consider how it can restore enterprise at a local level, to provide prosperity in local communities and reduce people's vulnerability to economic forces over which they are powerless. The party should also revive the Grimond-era Liberal Party's interest in co-operatives, mutuals and workplace democracy.

We need economic growth but the party needs to reconsider how it is defined and measured. GDP measures financial turnover rather than real growth, gives equal merit to unproductive or destructive activity, and promotes a pattern of consumption that is unsustainable in the long run.

The party needs to argue for a new Bretton Woods agreement, to establish a more stable international economic system and, in particular, to bring under control the ruinous speculation in currencies, bonds and derivatives.

The party should consider shifting taxation from work and value-added onto resource consumption and speculation. As a credit-fuelled property cycle was a major contributor to the financial crisis, it may be that land value taxation is a remedy for speculation in land values, as long as there are safeguards to prevent an excessive density of development in cities.

The party should build on the work of Richard Florida, who has discovered a strong correlation between liberal societies and economic prosperity (see www.creativeclass.com). Basically, cities with an open and tolerant culture and a healthy arts scene tend to thrive economically, whereas cities that are intolerant of ethnic minorities and gays, and which lack an arts scene, tend to perform poorly. This is because liberal cities attract the 'creative class', the creative people who really drive economic development, whereas intolerant cities repel them. This is an important means of demonstrating to people the tangible benefits of liberal values and policies.

The party should also answer the questions posed by Ed Randall (Liberator 348):

- What view does the party – as opposed to the

Treasury and BIS – take about the balance to be struck between monetary and fiscal stimulus in efforts to revive the British economy, and why?

- What ground does the party occupy – as distinct from DECC – when it comes to investing in new and in green technologies, and why?
- Will the party remain wedded to accelerated deficit reduction, even if economic recovery continues to falter?
- Does the party have a clear position of its own – based on its own analysis of the state of British capitalism and the condition of the financial sector in the UK – enabling it to respond confidently to the recommendations of the Vickers' Commission about the future of banking in Britain?

In short, "a crisis is a terrible thing to waste". We are at one of those major shifts in economic orthodoxy that occurs at roughly thirty-year intervals. If now is not the time for a radical reassessment of the party's economic thinking, when is?

3. RE-LAUNCH FREE TRADE

There is some evidence that there is a link between commitment to Liberal Democrats and self-employment. Certainly in the 1990s, the top ten constituencies for self-employment were nearly all Liberal Democrat local government strongholds. But for some reason, the party has lost its commitment to independence in employment, just as it has forgotten the central importance in Liberal thinking of small business, enterprise and vigilance against business monopolies and their abuse of market power.

In fact, over the past half century, the Liberal Democrats have drifted away from a distinctive position on economics or business, allowing the original Liberal idea of free trade – the right of equal communities to do business with each other – to be re-interpreted by the apologists for American multinationals as the right of the rich and powerful to ride roughshod over the powerless. The truth is that free trade was originally designed as the next stage in the campaign against slavery, fearing that restrictions about what we might buy or where we might buy it would lead to the kind of peonage, debt bondage and company store monopoly that did indeed follow the abolition of slavery in the USA.

The result of this abdication of the Liberal Democrats' traditional role is that enterprise, small business and self-employed people have had no effective political voice. Nor has there been a mainstream voice to resist monopoly power, which became an instrument of policy under Labour – giving huge privileges to Tesco, for example, in return for keeping food prices low (at the expense of the sustainability of British suppliers and farmers).

Now there is an urgent new reason for us to commit to this area of policy again. Our government is relying on small enterprise to drag the northern cities out of recession, aware that most people are employed in this way. But our dysfunctional banking system is unable to service them and Whitehall has little idea how to revive local economies. Apprenticeships will certainly help and so will devolving business rates income. But the Treasury remains committed to the old ideological approach that – if you get out of the way, clear away the foliage of bureaucracy – enterprise will rush in to fill the vacuum. That is true, of course, in some places, but we all know it tends not to happen where it really matters.

At local level, things are little better. Central government regards economics as its remit, but does not have the levers that can make a difference locally. Local government has some of the levers available but still believes it is dependent on the centre to shift local economic fortunes.

The future of the economy, and therefore of the party, now depends on not just a commitment to enterprise and self-employment but also an effective way of mentoring local entrepreneurs and an effective lending infrastructure capable of using local funds – for example from local authorities – to invest locally.

That means commissioning on a more local scale and developing a far tougher approach to monopoly power, recognising that monopolies will inevitably raise prices and drive out small competition, and that monopolistic supermarkets will siphon spending power away from the area and often corrode surrounding businesses (when an anchor store is nothing of the kind). It means developing a new kind of local economics, which maximises the proportion of the money flowing through that stays put re-circulating. That depends on diversity, energy, local enterprise and mutual support. It means using the resources you already have – the waste materials, space, buildings and people that a speculative economy ignores – to build a better local life.

4. THE POLITICS OF CLIMATE CHANGE

The party does not need to consider such questions as, "Is climate change happening?" or "What is the state of the current science?" or "What is likely to happen with climate change; what are the predicted consequences?"

They are reasonable questions but there is a growing body of scientific evidence and a growing scientific consensus about the answers. In any case, the party is not divided on such questions.

Instead, the party should focus on the politics of climate change, in particular how people can be persuaded to support meaningful change designed to limit or prevent the effects of climate change.

There is a widespread assumption that public opinion supports action on climate change. This is because opinion polls do not distinguish between 'expressive' and 'instrumental' opinion. The majority of people are happy to support statements in support of action on climate change. These are nice opinions to have. But as the fuel tax protests of 2000 showed, people are less willing to support measures that require action on their part, particularly if such change involves personal sacrifice in the form of increased costs or major changes in behaviour.

The logic of the argument for increased fuel taxation is irresistible when discussed in the rarefied atmosphere of party conference or middle-class dinner parties. But when it means going back to a rural constituency where taxation on transportation fuel is likely to hit at the core of the economy, and is often most painful for the poorest sections of the local community, matters take on a different appearance.

What this tells us is that any collective desire for environmental sustainability is easily thwarted by a well-organised minority that believes its financial

interests to be threatened. Such minorities tend to be geographically concentrated, which makes it easier for them to apply political leverage. And they are adept at amplifying their outrage via the media, which makes it more difficult to have a mature debate about the subject.

The political problem for the party is therefore that a general sympathy for environmental objectives will not necessarily translate into support for specific measures. And that, even where specific measures would benefit (or at least not harm) a majority, proposals can easily be derailed by a vocal minority.

All is not lost. Ken Livingstone successfully introduced the congestion charge in London, despite initial widespread hostility. He stuck to his guns and eventually the change won popular support.

To face the future, therefore, the Liberal Democrats do not necessarily need to change their policies per se. Instead, for any given environmental policy, the party must be prepared to face down initial hostility. Further, it must be prepared to issue coherent and consistent nationwide messages, even though some parts of the country will have a higher proportion of 'losers' who will be more vocal in their opposition.

In short, will the party stick by its core principles despite the demands of short-term electoral expediency?

5. FOCUS ON FOOD AND ENERGY

Unnoticed by mainstream politics, issues around food – its price, provenance, authenticity, quality and production – have been rising steadily up the political agenda. The allotments are full (belated thanks to the Liberal Allotments Act 1908) and the number of vegetable seeds now outnumbers flower seeds sold, for the first time since 'Dig for Victory'.

This is a largely middle-class response, and it has enormous energy – from Edible Todmorden to the new community orchards of London and elsewhere – but it is not just middle class. The price of food is politically explosive, yet political parties have not yet developed a policy response capable of tackling the combination of issues, from dependence on oil for food production and distribution to monopolies and financial speculators, that is driving up food prices.

A handful of international companies has built up unprecedented and illiberal control over key food industries. The top 30 food retailing corporations account for one-third of global grocery sales. Five companies control 90 per cent of the world grain trade and six control three-quarters of the global pesticides market. One UK supermarket chain takes a third of what we spend on groceries.

Once again, the Liberal Democrats need to go back to the spirit of their original commitment to free trade – not the illiberal interpretation that benefits only the powerful – but precisely the reverse. The party needs to assert the right of people to grow and consume fresh, local food if they want to, without being forced through Tesco or its multinational equivalents.

The same is also true of energy, and our communities are now equally dependent on a handful of energy conglomerates, without the ownership stake in local energy production that has made such a difference to neighbourhoods in Scandinavia. Developing local food and local energy production provides some insulation against the rising cost of oil, the effects of global warming and the food shortages both will bring. It provides economic insulation as well. It provides local income and local ownership stakes to neighbourhoods, which can be used to fund local services or buildings.

"Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economist," said the great Liberal John Maynard Keynes. The truth is that Liberal Democrats have been lazily committed for too long to defunct economic orthodoxy that suggests that local economies need to compete with each other and specialise – which for most places is a recipe that suits the few winners and has no benefits for the majority of losers. The party needs to develop a Liberal Democrat local economics based on encouraging diversity and import replacement, because it maximises the way that money can flow around local economies. It is how the money circulates – as well as the amount of money coming in – that really keeps a neighbourhood or a city alive. (See *Ten Steps to Save the Cities*, New Economics Foundation, 2011).

6. OUR PLACE IN THE WORLD

The tenth anniversary of '9/11' is a good time to reassess the party's foreign policy. In particular, the question must be asked whether the 'War on Terror' should dominate thinking. The attack on the twin towers was said to "change the world forever". But despite the terrible death and destruction wrought by Al-Qaeda, at no stage have Islamic terrorists presented an existential threat to any western country. It could be argued that another event in New York City, the collapse of Lehman Brothers in 2008, has had a much more profound effect on our lives.

A sense of perspective is necessary because Britain faces no existential threat from a foreign power. There is no modern day equivalent of the Spanish Armada, Napoleon or Hitler; no conceivable threat of invasion or occupation; no likelihood of a conventional war being fought on British soil. Such threats preoccupied our ancestors. They do not preoccupy us (with the possible exception of nuclear terrorism, which has not yet emerged).

Further, none of the various international challenges that confront Britain confronts us alone. In every case, they are challenges shared by our EU and NATO partners and other allies. The main challenges are:

- Global environmental damage, in particular: climate change (with a medium-term threat of mass human migration and a long-term threat of inundation of low-lying parts of the country); marine and air pollution; and loss of biodiversity and depletion of fish stocks.
- Third world poverty, particularly in sub-Saharan Africa.
- The chronic instability of the global financial system, in which a virtual world of unproductive trading and speculation has a catastrophic impact on the real world.
- The rise in economic power of eastern and southern countries, especially the 'BRIC' nations, with implications both for economic competition and scarcity of resources, in particular: the growing stranglehold of Russia and China over energy supplies and rare earth elements

respectively; and the impact of the emerging middle classes in China and India on global demand for oil and food.

- Democratic uprisings throughout the third world, in particular the 'Arab Spring'.
- The Israel-Palestine conflict, amplified by its global role as a *cause célèbre* for supporters of both sides.
- Militant religious fundamentalism, the most obvious manifestation of which is Islamic terrorism, but it could have more profound implications if a 'Tea Party'-supporting candidate were to win the US presidency.
- The fate of Pakistan's nuclear arsenal.
- Cyberwar.

One thing becomes immediately clear. In none of these cases are conventional defence forces the main response mechanism. Indeed, the only cases where defence forces are any use at all are in the fight against terrorists in Afghanistan and the assistance provided to rebels in Libya.

In most cases, there are more appropriate tools in the box: diplomacy, trade agreements, overseas aid, intelligence gathering, and various forms of 'soft power' (such as the BBC, the British Council and places for foreign students at our universities). It really is time to ask some hard questions about our defence forces – to what extent are they appropriate to our needs and to what extent are they merely a vestigial national virility symbol or a form of corporate welfare for BAe?

But the main lesson is that, given all Britain's significant challenges are shared with its allies, a co-operative approach makes more sense. In any case, Britain is no longer a superpower and does not have the capacity to deal with these problems alone, even if it wanted to.

Which brings us to the vexed question of the European Union. The eurozone crisis is not a happy time for Europhiles and there remain valid criticisms of some of the ways in which the EU operates. Despite this, the Liberal Democrats should be prosecuting a more vigorous pro-European case, in line with the party's internationalist and cosmopolitan values. The party has basically solid pro-EU policies but is ashamed of them and seems overly concerned to mollify Eurosceptic opinion.

As a result, the party is failing to enthuse its base. And because Eurosceptics are setting the agenda, the political debate about Europe is being conducted at the intellectual level of a 'Commando' comic book, in which Germans are still (66 years after VE Day) portrayed as Nazis shouting "Achtung!"

Although it may seem paradoxical to Eurosceptics, the fact is that Britain would be stronger and have more prestige if we co-operated more closely with our European allies on a range of common issues. Party policy already recognises this reality, but the party can only 'face the future' if it stops apologising and starts arguing its case.

7. LIFE CHANCES

The starting point for Liberal Democrats is the freedom and liberty of the individual – not as an 'added extra' but as the prerequisite for a fulfilling life. To lead a full life, everyone needs not just political freedom but also freedom from poverty, ignorance and poor health.

Historically, Britain was disfigured by grotesque inequality, but the reforms devised by three great Liberals – Forster (state education), Lloyd George (old age pensions) and Beveridge (the welfare state) – laid the foundations for a fairer society.

Britain gradually became a fairer and more equal society until the 1980s, when the trend was thrown into reverse, a negative trend that has continued to this day. We see the consequences all around us, whether in a coarser and less cohesive society, increasing civic disengagement, the growing phenomenon of 'NEETs', the exaltation of material greed or the denigration of public service.

What should be the Liberal Democrat approach? In a just and fair society, each person would have equal 'life chances'. This concept, developed in a modern Liberal setting by Ralf Dahrendorf, is defined as the social conditions that determine how much individuals can realise their full potential. It is about the factors that determine one's life over which one has no control, such as social class, gender and ethnicity.

This is the main idea that should inform Liberal Democrat policy on education, health and work. The party currently talks about 'social mobility', which, while necessary, is not sufficient. Although the party wants everyone to be able to better their lives, there is a risk of seeing social mobility as a zero-sum game in which each winner is balanced by a loser. Likewise, Liberal Democrats often talk about "a good start in life"; again, this is necessary but not sufficient. Although the party wants everyone to have a good start in life, people need life chances throughout their lives, not just at the start.

The party needs to integrate its thinking and policy across four relevant policy fields:

- Educational attainment
- Health
- Work and material reward
- Status mobility

The Liberal Democrats neither believe in nor expect equality of outcome. What they should believe is that, to the extent that outcomes vary, these variations arise because of the choices people make as a result of the exercise of their free will.

This view is not unique to Liberal Democrats, but what should distinguish the party from social democrats or socialists is the belief that life chances are best achieved when control is exercised at the lowest practicable level. The party's key insight is that, where public provision fails, it is usually because power is centralised or exercised remotely.

Inevitably, if local people control local services, a wider variety of provision will be the result. This is not a problem. For example, Liberal Democrats should be relaxed about the emergence of different types of schools. The ruling principle should be that all schools provide a good education to enable all their pupils to optimise their life chances. Having said that, no publicly-funded school should be allowed to run discriminatory admission policies or hog resources at the expense of neighbouring schools.

The Liberal Democrats also need a clearer analysis of gender discrimination. Originally, women had

fewer work opportunities and lower incomes because of blatant sexism. Increasingly, the barriers are to do with the costs and responsibilities of childcare. The party seems unclear whether it regards raising children as a lifestyle choice or a social responsibility. If the latter, it is not clear what value the party attaches to this role and how it should be recompensed (for example, through tax breaks or a social wage).

8. AN AGEING SOCIETY

Britain is getting older. The proportion of retired people is growing for two reasons. First, people are living longer due to improvements in healthcare and living conditions. Second, the 'baby boomer' generation (those born during the twenty years after the Second World War) is now reaching retirement age and this population bulge will be felt until most of this generation has died (between now and the middle of the century).

When Lloyd George introduced the old age pension in 1908, there were 10 workers for every pensioner. With average life expectancy now about 80, the state must pay pensions for much longer. By 2008, the number of workers per pensioner had fallen to 3.3 and by 2030 there will be just 2.5 workers per pensioner.

Besides pensions, there are other increased costs. Retired people already account for over half of all spending on the NHS. They also receive various other benefits, including residential care, social services, winter heating payments, free bus passes and exemptions from council tax.

The growing burden on the country's finances is not sustainable without serious reform. The government is attempting to deal with this problem by raising the pension age and encouraging more people to make private pension provision. Even so, the cost for those still in work will continue to rise.

The political debate tends to focus on the welfare of older people but there is relatively little attention paid to the impact on younger people still in work who must pay through taxation for the welfare of retired people, even though about two-thirds of the retired are comfortably-off home owners.

The 'baby boomer' generation was lucky; it was the first generation to benefit from the NHS from birth and the first to benefit from the expansion of higher education in the 1960s (with no tuition fees to pay). Those baby boomers old enough to get on the housing ladder in the 1970s were able to do so cheaply before house prices took off. Many of this generation are entitled to final-salary pension schemes and many of those have been able to take early retirement.

Young adults (those now under 35) are not so lucky. If they went to university, they are saddled with student debt. If they can afford a mortgage, it is harder to get and house prices have risen out of control. If they can't afford to buy a house, they must enter the private rented market where rents often cost more than mortgage repayments. Final-salary pension schemes have been closed to new entrants and younger people must save far more to enjoy a good pension but, with all the other costs they face, it is much harder for them to save. And of course, this generation won't be able to retire until a later age and will face a growing tax bill for the cost of sustaining a growing retired population. There is a serious risk of Britain becoming a *rentier* economy, in which a younger generation in productive work is forced to hand over most of its income to capital-rich retired 'baby boomers', in the form of higher rents and taxes. This would have a disastrous effect on social mobility; younger adults who have not benefitted from gifts and inheritances will find themselves locked out of the prosperous middle class. The rest will face a future of indentured semi-servitude by mortgage, narrowing their ambitions and life chances.

More worryingly, this situation could threaten democratic legitimacy. 'Baby boomers' will use their numbers to vote for politicians who promise them increased benefits. The younger generation, meanwhile, with less voting power and no prospect of enjoying the same benefits as the 'baby boomers', will nevertheless be expected to spend a high proportion of its income on keeping 'baby boomers' in the style to which they have become accustomed. This younger generation will certainly feel resentful, maybe revolutionary. By the 2020s, generational inequity could become a defining issue in British politics, with all kinds of undesirable consequences for social cohesion. Such a situation is clearly untenable, so the party should consider a radical shift in taxation from work and value-added onto resource consumption and speculation. One possibility is the traditional Liberal remedy of land value taxation, since it is wrong for the majority of retired people to sit on capital assets worth six figures yet expect most of their costs to be met by younger and less affluent taxpayers. Safeguards could be introduced to ensure that retired people would not be taxed out of their homes, for example by allowing people to choose to defer tax payments until after they realise the asset.

9. MAKE PUBLIC SERVICES EFFECTIVE

Liberal Democrats have become deeply conservative about public services. They veer between consenting reluctantly to spending reductions and defending the existing form of public services, with all the bureaucratic processes – introduced by successive centralising governments – that have undermined their flexibility, reduced their effectiveness and frustrated the relationships between professionals and their local community that make services effective in the long-term.

There is a renewed invocation to increase the involvement of employee mutuals in delivering services. But this is not based on any distinctive analysis of what is wrong with services now, and the combination of 'rationalisation', the IT systems that reduce flexibility and ever more intricate systems of central targets, standards, specification, regulation and auditing.

This has constrained local management, allowing little flexibility to meet local problems and needs, setting wasteful processes in concrete with expensive central IT systems. It has constrained and wasted the experience and imagination of frontline staff. It has damaged our ability to tackle urgent problems like child abuse by creating inflexible systems that frustrate the ability of professionals to use their judgement. It has led to huge extra costs and externalities, over and above the costs of the infrastructure of central auditing.

Liberal Democrat councils like Portsmouth and

Stockport have showed ways of humanising their services and cutting their costs by ending the pretence that public services are made more efficient by borrowing from the techniques of 'lean' mass production. These techniques are inappropriate because they assume that public services are like manufacturing, dealing with identical units.

An urgent priority for the party is to set out more radical reforms of our services before our existing system becomes so inflexible and so expensive that it can achieve almost nothing. That means re-imagining services that are far more integrated at local level, but which are capable of reaching out into the surrounding neighbourhood and reducing, where possible, the needs that public services struggle to satisfy. This approach – of stitching local relationships together again, as pioneered by the Nobel Prize winner Elinor Ostrom – is known as 'co-production'. (See *Public Services Inside Out*, New Economics Foundation, 2010).

It means broadening and deepening services by developing ways that the users can work alongside professionals to deliver services. It means a more mutual approach to service delivering, sharing the responsibility with the people who use them, their families and neighbours – not by sitting on committees, but using time and skills to broaden the services that can be delivered.

One of the side effects of centralisation is that public services are increasingly distant from the people who use them, in terms of both accountability and geography. Health centres, police stations, schools, hospitals and courts have been rationalised and merged, often in pursuit of short-term financial benefits, but at the expense of long-term costs.

Research shows that bigger schools and police forces are less effective than smaller ones, and that bigger hospitals are more expensive to run per patient than smaller ones. It also means that the costs of consolidation fall on the public, especially those without cars, who have to travel further and more expensively just to use them. It means that services are much less able to bring human-scale flexibility to bear on problems.

Sharing back office services and sharing commissioning is also likely to lead to much higher long-term costs, and to alienation between the institutions and the people they need to serve. This also constrains the ability of public service professionals to build relationships with clients and to make things happen on their behalf.

It means that the demands on many public services, and call centres in particular, are between 20 and 80 per cent higher than they need to be, because these services are having to cope with failures elsewhere in the system. (See *Systems Thinking in the Public Sector* by John Seddon, Triarchy Press, 2007).

But the real challenge is to shape services so that they can prevent ill-health or other needs, as Beveridge believed they could. In practice, as we now know, his 'Five Giants' (want, disease, squalor, ignorance and idleness) come back to life again every generation and have to be slain all over again and at increasing expense. We need to start commissioning to reduce future demand, by asking those bidding for public service contracts to propose strategies, as part of their bid, that will reduce demand year on year – and provide incentives to do so.

10. RE-IMAGINE LOCALISM

Everyone says they are committed to localism these days. Liberal Democrats abandoned their recent attempt to construct a distinctive localism, so it is not clear whether their vision is different from others'. (See the policy motion on localism passed by the Liberal Democrats at their autumn 2010 conference). But there is no doubt that, despite the fight back from the Treasury and ill-disguised contempt for Big Society rhetoric from the apparatchiks of the Cabinet Office, the new Localism Bill will deliver important reforms.

The problem isn't with the localism, constrained as it will be; it is with the politicians. Politicians, even Liberal Democrat politicians, have found it hard to grasp that localism has to be about more than devolving decisions, important as that is (politicians tend to believe that committee work is the highest aspiration possible). (See *Localism: Unravelling the Supplicant State* by David Boyle, New Economics Foundation, 2009).

As a result, the other crucial elements of localism have been forgotten, because politics has only the language of centralisation with which to discuss it. But there is no point in devolving decisions unless you also give power and initiative back to front line public service staff. No amount of local decision-making is going to revive local life if the service staff are constrained by centralised standards, specifications or the coalition's version of targets, payment-by-results contracts. Nor will localism be meaningful unless there are local institutions to control. If local courts and police stations, hospitals and surgeries have become so consolidated that local relationships with professionals are meaningless, then devolving decision-making will be meaningless too.

Nor will it be meaningful if the political powers are devolved but there are no local economic levers to change the destiny of a neighbourhood, community or city. There is no point in devolving power if communities remain supplicants to Tesco or Barclays.

That was the Liberal contribution to the debate about cities in the 1870s, when Joseph Chamberlain and his Liberal supporters wrested control from the small clique who ran Birmingham at the time (the old guard met weekly in a pub called the Woodman, prided themselves on spending almost nothing, and called themselves 'the Economists'). Chamberlain turned the city into an engine of local pride and cultural renewal, with the profits from cleaning the water supply used to fund the new gallery.

So the urgent task for the party is to re-imagine localism as a bundle of policies capable of restoring life, enterprise, diversity and relationships at local level. The alternative is identikit, isolated, dependent communities, without the energy or means to solve their own problems and which therefore tend to sink under them. That requires re-thinking the establishment's absolute commitment to economies of scale. Of course such things exist, but they are very rapidly overtaken by the externalities and diseconomies – which provide some explanation of why services have become so ruinously expensive. That means not just technocratic localism, but localism with economic levers, where local relationships with public service professionals remain possible, and which have a recognisable local culture and local life.

11. RE-THINK COMMUNITY POLITICS

Liberals are individualists, but they are not just individualists. We believe that the right to link up with neighbours or friends to make things happen is both a guarantee of freedom, and an engine of possibilities that people simply can't manage on their own. The Liberal prescription has never been isolated individualism, but individuals in relationship with each other. We don't regard the atomisation of society we see around us as freedom. Quite the reverse. It is an affliction and, in practice, a corrosion of people's liberty. This is not a new interpretation of Liberalism either. Voluntary action has been at the heart of Liberal ideology from Bright to Beveridge. It also lay behind the community politics approach, which dominated party strategy in the 1970s and 1980s. (See *Communities, actually* by David Boyle, Local Government Association, 2008).

The idea was that party campaigners should stand alongside communities and neighbours and act as catalysts for change. Successful candidates still manage to do that, but community politics itself has largely been subsumed into its basic technique – a blizzard of leaflets styled as community newspapers, which are copied by every political opponent and seem now to leave many voters cold.

This is one reason why it is no longer good enough to say, as it has become fashionable to, that the party must revive its commitment to community politics. But there are other reasons too.

First, community politics is now too vague. We have learned a great deal over the past four decades about social capital, what makes it work and where it goes wrong, and have not yet incorporated that knowledge. The Liberal Democrats have not been clear how far community politics differs from the even vaguer Big Society, which often seems to be little more than an ambition for people to mix more (as you would expect from a lineal descendent of the Big Lunch).

Second, community politics has become muddled with New Labour's rhetoric about 'empowerment'. Empowerment is a nonsense for Liberal Democrats. People already have the power. It is not in the gift of political parties, even Blairites. The point is to encourage them to want to use their power, and to teach them how. Third, community politics became infected with the ubiquitous and corrosive language of the political class. Many Liberal Democrat leaflets, like those of the party's opponents, exist purely to vilify political opponents. Many people find them repulsive. The truth is that political approaches that are based on the vital importance of rebuilding local relationships, but which actually try to corrode them, will always be unsustainable.

So the urgent priority for the party must be to re-invent community politics for the decades ahead, aware that this must not just be a strategy for political change, it must also be a strategy for the survival of political membership (the total membership of all UK political parties is less than the circulation of a medium-sized women's magazine).

The power behind the old community politics was the idea of Liberal Democrat activists being catalysts for change. This is the muscular leverage that the Big Society lacks. In order to survive as institutions, political parties need to transform themselves further into training organisations – and this training in political and personal change must be made available on a much wider basis.

It requires Liberal Democrats also to be the change they advocate in a more fundamental way, especially when they take control of political institutions, rather than sinking with dignity into the mushy and pompous status quo, as so often happened before.

It requires the party to develop a powerful training programme capable of transforming neighbourhoods, and also of transforming individual lives. It means political activists need to be at the heart of the action, not just campaigning but also making change possible. They need to rescue formal politics by inventing a different way of doing it, and they need a far clearer idea of the objective – community politics was always too hazy about that.

Above all, it means Liberal Democrats being catalysts that are capable of creating relationships at every level – not just political relationships, but local relationships of mutual support. Because unless political parties are capable of stitching neighbourhoods back together again – after they have been ravaged by decades of patronising neglect, economic corrosion and dysfunctional welfare systems – then there is really no justification for their existence.

12. CONCLUSION

The ten new directions for policy set out here are not exhaustive or definitive. They represent the views of two Liberal Democrats (albeit with 68 years of membership between them). But they are an attempt to encourage Liberal Democrat policy makers to think more radically – partly because the challenges that lie ahead require more radical thinking and partly as an antidote to the idea that party policy is at its most effective when it tentatively suggests a few tiny changes that don't threaten the status quo.

Liberal Democrats believe the opposite is true. The justification for the party's existence is to think radically, to force the political establishment to recognise the real world, and to put radical change into effect. If the party does not do that, it will find that people lose interest and the supply of committed activists begins to dry up.

Because there is another problem here, which lies behind the policy vacuum. It is that the whole concept of political parties is beginning to unravel as membership and commitment shrinks. A sizeable proportion of the population is actively opposed to the whole idea of politics.

Worse, there is a real crisis for governments around the world. It is unclear whether they have the levers or the will to confront the problems we face, like looming global warming or looming financial collapse.

If the Liberal Democrats want to face the future, they must look at the real world as it is – not as it seems from the peculiar prism of Westminster – and respond. That is what we have tried to do here.

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