

The Opportunity to Succeed, the Power to Change

Policy Paper 125

Agenda 2020 Policy Paper
Autumn Conference 2016



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Introduction

- 1.0.1 This policy paper is the final stage in the Federal Policy Committee's 'Agenda 2020' process, designed to provide a framework for the party's policy-making throughout the 2015–20 parliament. Through this exercise, which started after the 2015 election, we aimed to describe the Liberal Democrats' core beliefs, values and approach, to examine the challenges that the UK is likely to face and the government will need to respond to over the next five years, and to apply our approach to these challenges to produce priorities for policy development for the party throughout the remainder of this Parliament. The disastrous result of the referendum on the UK's membership of the European Union adds extra urgency to this process.
- 1.0.2 As part of the Agenda 2020 exercise we have published two consultation papers, organised two consultative sessions at federal conferences, commissioned a set of essays and organised an essay competition within the party (all available at www.libdems.org.uk/agenda2020). We thank all of those party members, local parties and party bodies who responded to our consultations; your input has been invaluable.
- 1.0.3 This paper has three main parts. Chapter 2 sets out the case for the Liberal Democrats – the essence of what we are trying to do and why it matters. Chapters 3 to 7 cover the key areas on which we will need to campaign and develop new policy over the next four years, in the run-up to the 2020 general election: finding Britain's place in the world, in the wake of the referendum; modernising the economy; enlarging liberty; building a fair and cohesive society; and promoting

communities. Each identifies a number of topics where party policy needs to be reviewed and where the Policy Committee will be submitting policy papers to conference to debate. Finally, Chapter 8 describes the Liberal Democrats' underlying philosophy – our core beliefs and values – in more detail.

- 1.0.4 Chapters 3 to 7 set out an agenda for policy development; they do not at this stage contain firm proposals, though they do indicate the main direction of policy. It should also be noted that the programme we are proposing does not include every possible policy area – but of course party policy is not solely the preserve of the Federal Policy Committee. We strongly encourage party spokespeople, local parties and ordinary party members to develop new ideas, discuss them within the party and submit them to conference for debate.
- 1.0.5 It is clear from the outcome of the 2015 election that Liberal Democrats face a critical challenge: of proving that we are relevant again, that our philosophy and approach to politics provides better answers to the challenges facing the UK and its citizens than those of other political parties. The EU referendum, in which we were the only major UK-wide party to campaign wholeheartedly for 'remain', has helped to provide part of the answer, but only part: we also need to meet the challenge of mending the deep divisions in British society revealed during the campaign and its aftermath.
- 1.0.6 This paper is an answer to that challenge: it makes the case for the Liberal Democrats, explains our core beliefs and underlying ideology and sets out our political priorities. It explains the agenda of policy discussion and development we will undertake with Liberal Democrat members over the

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next four years. We hope it will trigger debate within the party, to bring the whole party together, to inspire us and to help us better to persuade the country what liberalism is and to demonstrate what the Liberal Democrats are for.

The case for the Liberal Democrats

- 2.0.1 Britain in 2016 should be a good country to live in. British people are energetic, enterprising and compassionate. They live in vibrant, pleasant and safe cities, towns and villages, and enjoy a beautiful countryside and a land rich in history. Taken as a whole, the British economy is successful; much of its industry is innovative and some is world-leading. Its public services are of good quality; many British universities are world-renowned, as is British arts and culture.
- 2.0.2 The outcome of the referendum on Britain's membership of the EU, however, has shattered any sense that this is a nation at ease with itself. The referendum leaves Britain divided between England and Wales on the one hand and Scotland and Northern Ireland on the other; between most big cities and most of the countryside; between graduates and non-graduates, old and young, globalised cosmopolitans and insular nationalists. While there were many reasons for voting leave, the core of the leave vote were the 'left behind': older, less well-off voters in economically marginal communities who have not benefited from globalisation and who have become ever more alienated from the better-off parts of the country. They did not respond to the remain campaigners' warnings of economic downturn following Brexit because their own prospects already seemed so bleak.
- 2.0.3 The leave campaign appealed to these groups by placing the blame for their circumstances on the European Union and immigrants. But it is successive failures of Whitehall and Westminster that have caused their predicament, not Brussels or immigration. The country has been badly let down by governments, both Conservative and Labour, who

have repeatedly failed to create the opportunities necessary for people to develop their talents and lead their lives in the ways they wish, or to disperse power in order to put them in charge of their own destinies. The result for many is an overwhelming feeling of powerlessness in the face of accelerating change: an inability to control what is happening to their communities and neighbourhoods. British society is more divided than ever before.

- 2.0.4 At the root of much of this lies inequality. The fundamental change of political direction that began with Thatcher's governments, and which New Labour failed to reverse, has ensured that the UK is now one of the most unequal societies in the developed world. Income and wealth inequality deny opportunity, undermine faith in society and retard economic growth. They are bad for the rich as well as the poor. Public services are suffering from cut-backs driven by a government obsessed with shrinking the size of the state whatever the impact on the vulnerable; more than a million people use food banks and 10 per cent of households in England live in fuel poverty. Decades of under-investment in infrastructure are undermining the economy, now also facing the disastrous impacts of Brexit. Tax avoidance by large companies and rich individuals is diminishing the tax base that pays for public services. Governments, both Conservative and Labour, have failed to create a society which guarantees opportunity for all because they represent insular and sectarian political traditions aimed at promoting the interests of 'their people' at the expense of those of the country as a whole.
- 2.0.5 No wonder people feel a sense of unfairness: that the odds are stacked against them however hard they try. This is exacerbated by fundamentally dysfunctional systems of

government and politics. Britain remains essentially a post-feudal state on to which a few democratic elements have been bolted. The country lacks a proper second chamber and an effective local democracy. It suffers from a voting system for Parliament where money increasingly determines the result, which grossly distorts electoral outcomes and through which parties can win majorities while ignoring the views of most of the population. As the Chilcot Report revealed, its system of government is incapable of restraining the powers of Prime Ministers to take recklessly harmful decisions even in the absence of any solid evidence to support their case.

2.0.6 No wonder citizens feel powerless in the face of governments that neither represent nor listen to their views – and no wonder many took the opportunity of the referendum to hit back. Much of people’s opposition to immigration is not racist or xenophobic, but derives from this feeling of helplessness in the face of change, an experience which is spawning rising levels of distrust of politics, dissatisfaction with democracy and growing support for populists and extremists. Neither Labour nor Conservative governments have ever tried seriously to reform Britain’s institutions and spread political and economic power to citizens and their communities, because at the root of their approach is the belief that they, not the ordinary citizen, know best.

2.0.7 Liberal Democrats are different: we trust people to make their own decisions. We aim to widen opportunity and disperse power to enable everyone to live the lives they want. In our time in coalition government between 2010 and 2015, we helped to reduce inequality through cutting income tax, bringing in the ‘triple lock’ for pensions, introducing the pupil

premium and legalising same-sex marriage. We laid the foundations for long-term prosperity by creating apprenticeships, setting up the Green Investment Bank and stimulating the development of new technology. We adopted ambitious climate targets and invested in renewable energy. We cooperated with our EU partners and made sure Britain met its UN development aid target. We stopped the Tories trampling on civil liberties and using government solely for the interests of their own supporters.

- 2.0.8 We introduced genuine debate into cabinet and government departments, and delivered better government than that provided by single parties. We helped to push power down to local authorities through arrangements such as City Deals, and achieved greater devolution to Scotland. We failed, however, to reform Britain's voting system or democratise the House of Lords, thanks to opposition from Tory and Labour MPs. We made mistakes too, and too much of what we did was not visible to the electorate – so we suffered the common fate of junior coalition partners, and paid the price at the 2015 election.
- 2.0.9 Since then people have been able to see much more clearly what the Conservatives want to do: cutting public services, destroying Britain's green industries, interfering with people's freedoms and private lives, benefiting the rich and privileged, acting for the short term, not the long term, and manipulating the constitution to perpetuate their own grasp on power. The Labour Party is sunk in internal strife, and its current leadership is incompetent, utterly incapable of holding the government to account. As Brexit threatens to weaken the economy and drive social divisions ever wider, Britain needs a different approach.

2.1 The opportunity to succeed; the power to change

- 2.1.1 Only by giving people the opportunity to succeed can we allow everyone to live their lives as they want. Only by giving them the power to grasp those opportunities can we ever address powerlessness. Only when people have a voice will they feel listened to. This is the Liberal Democrat approach.
- 2.1.2 Liberal Democrats stand for liberty, for the freedom of every individual to make their own decisions about how best to live their lives; no one else, whether politicians, businesses or bureaucrats, should have the right to decide for them how they should live. But people's ability to realise their hopes is critically affected by their circumstances. Poverty and ill-health, poor housing and a degraded environment, and a lack of education all limit an individual's chances and restrict their capacity to be truly free. We believe that it is the role of the state to create the conditions in which individuals and their communities can flourish – which means action to give real opportunities to all by providing education, jobs and the effective public services people so badly need. But this by itself is not enough: we also need to ensure that citizens have the power to grasp these opportunities and to determine their own futures – which means giving individuals and communities genuine control over the decisions that affect them.
- 2.1.3 Spreading opportunity means reversing the growth in inequality that stops people realising their potential and

undermines trust in society. We want to see a Britain where everyone has the chance to succeed, not just the well-off and the highly educated. This means a greater redistribution of income and wealth, investment in high-quality affordable housing, the creation of well-paid secure jobs and a guarantee of a proper welfare safety net for those in need. It means building successful local economies throughout the country, not just in London and the south-east.

- 2.1.4 Ensuring people have the opportunity to live their lives as they choose means, crucially, greater investment in education. A high-quality education liberates people by allowing them to develop their talents to the full and by enabling them to make their own decisions and exercise real power. It is also needed to build the skills base necessary for a competitive and prosperous economy; and it must be accompanied by readily available training and retraining, enabling workers to adapt to new technology and changing circumstances.
- 2.1.5 Spreading opportunity for all also means providing decent health, social and child care, reliable and affordable public transport and well-resourced local services. It means ensuring that people feel safe in their communities and enjoy access to justice. It means guaranteeing that no one is excluded by a lack of income or wealth or respect, or is discriminated against on the basis of their race or gender or any other characteristic.
- 2.1.6 All of this must be underpinned by a modernised and successful economy, which in turn requires government to think for the long term, investing in the critical infrastructure that future generations will rely on for energy, transport and

communications. This includes a major effort to tackle climate change, one of the most urgent challenges the world faces, yet one which also provides opportunities – to build a green economy, to stop wasting energy and natural resources, to end the pollution of the air, water and land which kills people prematurely and degrades Britain’s beautiful countryside. It means creating a framework in which government, business and consumers think green in everything they do.

- 2.1.7 People need the power to realise these opportunities. So Liberal Democrats want to disperse power to citizens and their communities, ensuring that people are able to exercise the greatest possible control over the decisions that affect their lives, whether made by government or public services or corporations or the media. We want to see government that genuinely responds to communities’ wishes – where decisions are taken near to those they affect, by representatives chosen by local people and elected through a fair voting system, with real power to shape the places they live.

- 2.1.8 Britain in 2016 is over-centralised and badly run. We aim to push power down from Westminster and Whitehall to the nations, regions and communities of Britain – to put power into every citizen’s hands. And not just political power but economic power too, with democratic local government exercising control over the resources it needs, with customers holding companies delivering services to account for their failures, and with communities able to take charge of aspects of their own local development – through, for example, establishing local banks, community energy

cooperatives and tenants' management of social housing, and playing a full part in local planning decisions.

- 2.1.9 We aim to create a Britain in which citizens trust their government to act openly, democratically and competently, and in which government trusts people and communities to take responsibility for the institutions that affect them. This is a country in which the state cannot trample on basic civil liberties or spy on its citizens without consent, and where politicians cannot be bought by big business or the media. In this liberal Britain, faith is restored in the power of government, at all levels, to do good.
- 2.1.10 And this is a Britain which is tolerant, compassionate and diverse, where people of different cultures and different ways of life live side by side in mutual respect. This will not be easy to achieve after the bigotry, intolerance and lies spread by the leave campaign in the referendum; and some people will always reject multiculturalism and diversity. But if we can build a society that works for all its members, where people are offered genuine opportunities and are able to exercise real power, we can begin to chip away at the insecurities and sense of powerlessness that underlie much of the intolerance and distrust that fuelled the vote to leave the EU.
- 2.1.11 This is a country, too, which is open and welcoming to the world, which is positive about Britain's role for good in the international community and whose future lies in the European Union. Britain has always been a country which has looked outward, which has traded in products and culture and ideas the world over. Internationalism is a part of what British people are. It creates boundless opportunities for

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Britain's citizens. It stimulates imagination and innovation; it drives a powerful and dynamic economy. Internationalism fosters diversity and tolerance and optimism and strength. It is the bedrock of a liberal society – and Liberal Democrats commit to protect it.

Finding the UK's place in the world

- 3.0.1 The outcome of the referendum on membership of the European Union has raised the question of the UK's place in the world. In Tory and Labour hands, our country's ambitions have remained those of a fading global power seeking to shore up its decline – just as they have been since 1945. The referendum itself was a means of resolving internal differences in the governing party rather than the chance for a genuine debate about the UK's relationship with its European neighbours. A new approach is needed – and Liberal Democrat values of internationalism and ambitions for Britain's place in the world present a strong foundation from which to formulate it.
- 3.0.2 The outcome of the referendum has created huge uncertainty. While UK citizens voted by a narrow majority to leave the EU, neither those advocating leave nor the government advanced any plans about what life outside the EU could or should look like. The immediate effects have been seen in the collapse of sterling, businesses either suspending investment decisions or putting workers on notice and the first hints of recession – and this is before the UK has even left the EU.
- 3.0.3 Liberal Democrats know that it is in the UK's interests to remain in the EU and will continue passionately to make that case. As democrats, of course we accept the result of the referendum. However, we note that while there was a vote to leave there was no clarity over what the alternative should look like: whether it retains access to the European single market – and what sort of access – while accepting the free

movement of EU citizens, or whether it controls immigration at the expense of access to the single market.

- 3.0.4 We need to be clear about how we see the UK's relationship with the EU should withdrawal eventually happen, which is why we will be publishing a policy paper on **Britain in the world**. This will look in detail at questions of the UK's access to the single market, its influence (if any) over EU policy-making and legislation, its contributions to the EU budget, and the rights of free movement of both EU citizens in the UK and UK citizens in the EU.
- 3.0.5 The paper will set this analysis in the context of British foreign policy more broadly. The threats facing Britain today are complex and largely unconventional. Organised crime and international terrorism cut across borders. Cyber attacks undermine citizens' privacy and prosperity in equal measure. Russia tests Britain's airspace and threatens our allies, asserting itself in its 'near abroad' through propaganda and subversion as much as through military means. Yet these threats pale in comparison to those confronting the vulnerable millions in fragile and violent states today. In the face of terrorism, oppression and a changing climate, unprecedented numbers have been forced to leave their homes – yet all too often, these victims are turned away, as growing populism and nationalism combine to draw hard lines between 'us' and 'them'.
- 3.0.6 In parallel, the international liberal order that Britain helped to build shows signs of starting to fragment. Rising states disenfranchised by the inequality of international relations are turning away from global forums in favour of regional alternatives, while cooperation in Europe is giving way to

isolationism and confrontation. At the same time, the old liberal wisdom that free markets and democratic societies together bring about prosperity is losing credence, as authoritarian capitalism on the Singaporean model gains ground.

- 3.0.7 Each of these threats affects global and European security as much as our own, and each requires a coordinated response. We must set out how the UK will continue to play an active and collaborative role internationally, even if taken out of the EU. The UK is still, after all, a member of NATO and a permanent member of the UN Security Council. The British diasporas link us to sixty countries on a people-to-people basis, and the Commonwealth connects us to more than 2 billion people. The British media reach even more, and we trade with 233 countries and territories.
- 3.0.8 And just as modern threats do not face single countries alone, they also no longer fit neatly into departmental boundaries. The crisis on Europe's borders will not be solved by humanitarians, diplomats or soldiers acting alone. Without a unified strategy and policy coherence we risk the possibility that the billions allocated to separate programmes of defence, development, trade and diplomacy end up poorly spent. To meet today's challenges, Britain requires both a new vision for the world we strive for, and a new strategy for how to help bring it about.
- 3.0.9 The Britain in the world policy paper will therefore aim to set realistic objectives for what Britain should attempt to achieve with its foreign policy, grounded in a pragmatic and cross-departmental assessment of the resources available. Such a review must necessarily address the full sweep of Britain's

engagement overseas, reviewing from first principles the role that each individual policy area should play.

- 3.0.10 Any coherent British foreign policy for a post-Brexit world must start with international cooperation beyond Europe. The paper should address the UK's involvement in the major international institutions of the UN system and the economic, environmental and development bodies that set the global agenda. Yet we must also set out the need for further and greater progress in the spheres they each address, particularly in the regulation of corporate behaviour, in global agreements on taxation and in the international framework to tackle climate change.
- 3.0.11 Liberal Democrats in coalition helped ensure that the UK became the first major country to meet the UN target of 0.7 per cent of GNI in development aid. Despite its vital independence from the exigencies of foreign and commercial policy, international development is also a diplomatic force, affecting our relations with countries, peoples and international institutions alike. Its contributions to diplomacy, and vice versa, should be explored – without subordinating development priorities to the national interest.
- 3.0.12 In the area of defence, the party is committed to maintaining a credible contribution to multilateral expeditionary forces, geared towards deterring conventional military conflict. The government has committed to NATO's 2 per cent target on defence spending, but there continue to be shortcomings in defence procurement, which does not deliver value for money. Moreover there remains the question of whether defence expenditure is best targeted to the complex needs of military engagement today. In reviewing Britain's vision and

strategy for international affairs, we must clearly articulate the essential purpose of a modern military and establish the objectives which should guide both its capabilities and their use.

- 3.0.13 Finally, to face the new realities, we should review how relevant government departments co-operate. We should build on our work in coalition – such as establishing the National Security Council – to develop cross-departmental responses to complex challenges such as the intersection of state fragility, climate change and mass migration, and to the achievement of the Sustainable Development Goals – which apply to Britain as much as to the countries that receive our aid.

Modernising the economy

- 4.0.1 All of our policy aims in dispersing power and spreading opportunity are dependent on our being able to build a successful economy. Liberal Democrats in coalition made a start at modernising Britain's economy, after the global financial crash of 2007–08 and the major contraction of public expenditure that necessarily followed. Yet the work has only just begun, and the Conservative government has already undermined several of our achievements; Brexit will undermine it even more. Britain's economy is still too reliant on consumer spending and prone to house price bubbles, too centralised on south-east England and a few urban centres outside it, and not well prepared for the low-carbon and resource-efficient global markets of the future.
- 4.0.2 We aim to create an economy which is globally competitive, productive, skills-based, balanced across sectors and across the UK, resource-efficient and environmentally sustainable, which rewards enterprise, maximises quality of life and minimises inequality. In pursuit of this aim, we propose to publish policy papers covering three key policy areas: a **21st century economy**, **climate change and the low-carbon economy**, and **taxation**.

4.1 An economy for the twenty-first century

- 4.1.1 The policy paper on **21st century economy** will need to cover a wide range of issues connected with the modernisation of the British economy, aiming to create an environment which rewards entrepreneurship, effort and innovation. Clearly, it will be critically affected by the UK's relationship with the EU; we

will argue for the closest possible links, including full access to the single market.

- 4.1.2 We have highlighted in Chapter 2 our determination to reduce the levels of inequality in income and wealth in Britain. There is now substantial evidence to suggest that the austerity agenda pursued by the Conservative government is increasing social inequality and instability – as made clear in dramatic fashion by the referendum result – and undermining economic growth and long-term prosperity. We need to develop a new approach to public expenditure and the management of the macroeconomy which, while not ignoring levels of public-sector debt, allows them to decline organically with the proceeds of growth. In turn this requires a focus on, among other issues, productivity, innovation, and investment in infrastructure.
- 4.1.3 One of the most important long-term determinants of prosperity and quality of life is the level of labour productivity. Following the crisis of 2007–08 Britain suffered a slump in productivity – which was already low by international standards – and, unlike most of the rest of the world, has seen little or no recovery since (the ‘productivity puzzle’). There are many policy options which need to be examined, from R&D tax breaks and subsidies and higher public spending on science to banking sector reforms to encourage greater competition in the supply of finance. Productivity improvements in the services sector, which accounts for almost 80 per cent of the UK economy, can be particularly difficult to achieve.
- 4.1.4 The Tories’ main method of increasing productivity is to drive labour costs down and to increase the flexibility of the labour

market. Coupled with a (laudable) reluctance amongst employers to lay off employees during the recession, the result has been years of low or zero growth in wages, voluntary wage cuts or moves into self-employment, and the spread of practices such as zero-hours contracts. Although this has avoided the mass unemployment of earlier recessions (particularly and damagingly focused on the youngest workers), the result for many has been a precarious and uncertain flow of work and pay, and a rise in income inequality.

- 4.1.5 The growing pace of technological development and automation threatens further disruption in many sectors, particularly in retail, with an estimated 900,000 jobs lost by 2025. We aim to create a high-skill high-productivity workforce capable of adapting rapidly to changing conditions and supported by government investment in training and retraining. Our proposed policy paper on **Education** (see Chapter 5) is also relevant here.

- 4.1.6 Liberal Democrat ministers in coalition laid the foundations for a new industrial strategy, working with and providing support for innovation in sectors which are critical to Britain's economic success, including in particular motor vehicles, aerospace, low-carbon energy, chemicals, offshore and marine technologies and the creative industries. Policy measures to pursue this agenda include the development of appropriate skills through education, vocational training and apprenticeships; the provision of innovation and research spending; support through the Green Investment Bank (whatever is left of it after the Tories' planned privatisation) and the Business Bank; support for small and medium-size

enterprises; and, more broadly, promoting collaboration between business, government and universities.

- 4.1.7 Investment in productive infrastructure is vital to long-term success. The coalition government's National Infrastructure Plan and the current government's creation of the National Infrastructure Commission are positive steps forward. We believe, however, that there is more scope for setting out clear criteria for prioritising and decentralising investment decisions and ensuring that the overall strategy is underpinned by a clear commitment to enhance the environmental sustainability and resilience of infrastructure (see further below).
- 4.1.8 Major regional imbalances in Britain's economy continue to pose a major problem, from excessively high house prices and overloaded transport infrastructure in south-east England to a lack of jobs and prospects in many other areas. Some city regions, for example that centred on Bristol, are succeeding in developing their own local economies and we need to apply their experience more widely. We also aim to decentralise central government infrastructure and investment to local areas, building on the success of City Deals and Growth Deals to allow localities to develop for themselves integrated approaches to issues such as housing, energy and transport.
- 4.1.9 Regulation of the financial sector is a key issue underpinning this agenda; in an era of what seems likely to be permanently low interest rates, it is possible that investors will seek higher and higher levels of risk to obtain the rates of return they require, which in turns leads to a greater possibility of financial crises. Options to mitigate this risk include raising

total demand in the economy, instituting more aggressive regulation of financial markets ('macro-prudential regulation'), promoting greater diversity (such as supporting challenger banks, technological innovation and more public banks along the lines of the Green Investment Bank and the Business Bank) and countering the long-term trends that generate the problem (including promoting capital-intensive industries such as green energy, and reducing inequality through redistributive taxation).

- 4.1.10 The topics of resource efficiency and the 'circular economy' (in which, as far as possible, economic growth is decoupled from resource use through minimising the input of natural resources, and reusing, recovering and recycling resources) are relatively new to political debate, but are of growing significance to Britain's (and the world's) long-term economic prospects. Studies suggest that British businesses face considerable unrealised opportunities to reduce their input and wastage of resources, and new business models, such as those of the 'sharing economy', may offer even greater long-term opportunities; yet the current government displays almost no interest in them. Options for a policy framework to stimulate improvements in resources efficiency will be explored.

4.2 Climate change and the low-carbon economy

- 4.2.1 Unconstrained growth in greenhouse gas emissions leading to catastrophic climate change is perhaps the greatest threat human society currently faces. Yet there are reasons for hope. Global carbon emissions have remained level since 2013 despite continued economic growth, the first time this

has happened in the absence of a major economic crisis – though remaining at too high a level. For every year since 2008 global net investment in renewable energy has been larger than in fossil fuels, and in 2015 renewables accounted for around 90 per cent of new electricity generation.

- 4.2.2 The UK, already a world leader in offshore wind power, marine renewables, low-carbon transport and green finance, is well placed to compete in the new and expanding international markets around low-carbon, resource-efficient and environmentally sensitive infrastructure, technologies and services – so an environmental challenge is also a major opportunity to rebalance the economy and lay the foundations for long-term employment and prosperity. The headlong dismantling by the Conservative government of the support frameworks erected by the coalition is one of the clearest demonstrations of the differences Liberal Democrats made to government.
- 4.2.3 Liberal Democrat policy on climate change is built on a commitment to a zero-carbon Britain by 2050 (in contrast to the Climate Change Act target of an 80 per cent reduction in greenhouse gas emissions). Our new policy paper on **climate change and the low-carbon economy** will need to show in detail how we believe this target can be met, and outline the policy instruments (currently often set by EU legislation) which will need to be deployed for energy, transport, housing, industry and agriculture and land use.
- 4.2.4 Improving the energy efficiency of British housing – much of which is still poorly insulated and hugely wasteful of energy – offers the prospect of growth in jobs across the country, while at the same time reducing the demand for (mostly

imported) natural gas, cutting householders' bills and improving their quality of life. In particular, it offers the chance of eradicating fuel poverty, a scourge which should not exist in a civilised society. Investing in household and community renewable energy helps to create a more dispersed and resilient energy system while at the same time generating community investment, jobs and cohesion.

- 4.2.5 Decarbonising road transport and encouraging a shift from private to public transport will not only reduce carbon emissions but also help to cut local air pollution, currently estimated to cause at least 30,000 premature deaths a year and an economic cost comparable to that of obesity. Current transport infrastructure, however, is inadequate to reach this ambition. We will need to examine available options and draw up policy proposals for policy on transport, including questions of access in different localities and for different groups of users.

4.3 Taxation

- 4.3.1 Our paper on **taxation policy** will need to ensure the party's position on this sensitive subject is clear before the next election. Liberal Democrat ministers' success in increasing the income tax threshold has helped to take hundreds of thousands of low-paid households out of income tax altogether, but has done nothing to help those too poor to pay income tax at all. Alongside this, the Conservatives' reduction of the higher rates has increased inequality, an outcome reinforced by the weakness of the system of wealth (including property) taxation in the UK and the existence of various tax loopholes and distortions which are exploited by the rich.

- 4.3.2 The taxation of business is equally important to economic policy. This includes in particular the ability of transnational corporations to avoid paying tax by siting their activities, however notionally, in low-tax jurisdictions. Means of combating this, together with corporate tax evasion and the negative impacts of 'corporate welfare' will need to be examined. Modernising the system of business rates in a world where online businesses operated out of people's homes can compete with high street shops, will also be an important topic.
- 4.3.3 The paper will also need to cover the topic of green taxation, the use of tax instruments to increase the incentives for low-carbon and resource-efficient products and technologies. Conservative ministers have lowered the proportion of green taxes as a whole, by reducing taxation of transport in real terms, while at the same extending the climate change levy to renewable energy – a move which makes no environmental sense whatsoever. At the same time, labour remains more heavily taxed than the use of natural resources. Green taxes, however, can be regressive in nature, affecting lower income groups disproportionately; we will therefore need to propose offsetting measures.

Enlarging liberty

- 5.0.1 Enlarging the liberty of the individual lies at the core of Liberal Democrat thinking. This chapter sets out the challenges we face and the work we need to do to make progress on both aspects of liberty: negative and positive.
- 5.0.2 ‘Negative liberty’ is the absence of interference with the individual citizen. This interference can derive most obviously from crime and terrorism, which threaten life, well-being and property; but the measures taken by the state to limit the risks of crime and terrorism can themselves pose a risk to liberty if they are disproportionate. ‘Positive liberty’ is active support of individual citizens and communities to ensure they possess the opportunities and capacities they need to make the most of their innate abilities and characteristics. A particularly important area of state intervention to promote positive liberty is education; however strong their innate talents, people are likely to be severely held back in life by a lack of educational opportunities. (Other ways in which state action is necessary to provide opportunities are covered in other chapters.)

5.1 Education

- 5.1.1 Although debates on education have tended to focus on standards of attainment and preparing people to succeed in the labour market, Liberal Democrats take a broader view about what the objectives of education should be. We believe that education – which includes lifelong learning as well as education in schools and universities – needs to equip people to make the most of their own lives in every respect, not just

through paid work but through satisfying relationships, cultural self-development, and wider contributions to society; above all, we want education to prepare people to be active citizens in a democratic society. This is a core policy area for us, and we will therefore publish a policy paper to address the challenges of reforming the **education** system in England to deliver our vision of opportunity for everyone.

- 5.1.2 The 2015 Ofsted report painted a broadly encouraging picture of progress in school education in England, with 1.4 million more children in good or outstanding schools than five years before, and 85 per cent of primary schools and 74 per cent of secondary schools rated as good or outstanding. Behind this, however, Ofsted identified a worrying regional divergence in performance at secondary level, highlighting poor school leadership and a lack of political will to challenge it as key factors, and listing 16 local authorities where problems were concentrated.
- 5.1.3 A key element of the Liberal Democrats' fairness and opportunity agenda lies in closing the attainment gap which affects children from disadvantaged backgrounds. The main measures implemented by the coalition were the pupil premium, which targeted extra resources at schools taking on disadvantaged pupils, and the move to broader measures to improve standards; our 2015 manifesto proposed a further increase in the pupil premium for early years education. Most evaluations of the pupil premium have shown it to be effective in closing the attainment gap, although it will still be some time before it can be fully assessed. The fact that progress has been much more marked in London than elsewhere raises the question of what we can learn from this and how we can further develop the policy.

- 5.1.4 Secondary education in England is now dominated by academies, which comprise 60 per cent of the total. While welcoming greater autonomy for schools, we have expressed concerns over academies, including the lack of a proper ‘failure regime’ and the absence of requirements to teach the national curriculum or to employ qualified teachers. Our 2015 manifesto included a package of reforms to address these issues while maintaining the better aspects of the academy system, with a restored middle tier, a level of accountability standing between individual schools and the Department of Education, such as the local authority. This will need to be updated in the light of the likely further expansion of academy numbers under the Conservatives. As it is expected that total demand for secondary schools will increase sharply over the next 5–10 years, a coherent overall approach to school place provision will be essential.
- 5.1.5 We have traditionally advocated a slimmed down core curriculum to give schools more freedom in teaching. The new curriculum in place since autumn 2014 reflects Liberal Democrat objectives, although we have also called for personal, social and health education to be strengthened into a ‘curriculum for life’ which would include stronger requirements on citizenship, sex education, financial literacy and emergency life-saving skills. However, the growing number of academies and free schools not required to teach the full national curriculum means that our focus in future may need to be more on fighting for basic minimum standards than challenging over-prescription.
- 5.1.6 The existence of state schools with faith-based admissions policies is a controversial issue, and the proportion has been increasing gradually since 2000. In addition to an issue of

principle about discrimination in admissions, some people contend that this increase has heightened the risk of communities becoming divided along religious lines. There has also been a recent controversy over the numbers of children in illegal and unregulated faith schools. We will review our policy on this specific topic as a separate exercise from the main education policy paper.

- 5.1.7 The 2015 Ofsted report was very critical about further education provision in England, finding a slow-down in recent improvements and an overall decline in standards in general FE colleges. Despite the considerable extra funding and effort put into apprenticeships in recent years, there are still grave concerns about the quality of many programmes. The Chief Inspector described the fact that only 5 per cent of young people go into an apprenticeship at 16 as ‘little short of a disaster’. It is vital that we meet the challenge of improving the quality and accessibility of further education if we are to provide real opportunities to students who are better suited to a non-academic path.
- 5.1.8 Higher education in the UK is globally competitive, with British universities better represented in world rankings than any country other than the US. Higher education fared relatively well in funding terms during the coalition, and the new arrangements for student financing have not had the feared consequences of discouraging students from disadvantaged backgrounds. However, there remain serious challenges. Many leading universities remain disproportionately the domain of privately educated students. The Conservative government has decided to freeze the repayment threshold for fee loans, undermining the progressivity of the fees system, and is also cutting the Student Opportunity Fund.

The new Higher Education Bill marks further moves towards a market in higher education, with scope for the best-performing institutions to raise their fee cap. Spending on higher education is higher in many competitor countries, with participation rates much higher in countries like Korea. The UK is a major 'exporter' of higher education but this position is threatened by the government's immigration policies.

5.2 Liberty and security

- 5.2.1 Liberals favour freedom. We harbour a mistrust of concentrations of power, recognising the potential for abuse. Many take the words of Benjamin Franklin – 'those who would give up essential Liberty, to purchase a little temporary Safety, deserve neither' – to heart. The old adage that if you have nothing to hide then you have nothing to fear buckles under the weight of historical examples where innocent citizens did indeed have reason to fear their government. Liberal Democrats have been at the forefront of the fight to limit the power of the state to snoop on the online activity of its citizens, vetoing such laws in the last Parliament.
- 5.2.2 A central challenge in the next five years will be promoting security alongside privacy and freedom. The threat level in the UK from international terrorism remains consistently high, with groups such as ISIS and Boko Haram causing large-scale casualties not only in their regions but further afield. The creation of a free and secure society is a universal aspiration but it contains a tension. Liberal Democrats favour an approach that is clear, community-based, evidence-based, and future-proof.

5.2.3 The Conservative government elected in 2015 has displayed strongly illiberal instincts, and has been far too inclined to sacrifice civil liberties on the altar of national security, even when a rational evidence-based approach indicates that this is often counter-productive in its own terms; it can be expected that Theresa May's administration will be, if anything, worse. The two latest manifestations of this are the current Investigatory Powers Bill, which requires excessive mass data collection, requires Internet Service Providers to preserve information for twelve months on every website that people visit, and is too weak in providing for safeguards, including not providing for full judicial authorisation for access to data; and the proposals for a Counter-Extremism Bill. The party has already established a policy working group on **liberty and security** to develop policy on this and related civil liberties issues. This will present a series of proposals to the autumn 2016 conference, including:

- Opposition to the indiscriminate bulk collection of internet connection records, indiscriminate bulk collection of communications data, and bulk equipment Interference.
- Scrapping the Prevent counter-terrorism strategy and replacing it with an inclusive community engagement strategy that would make reporting concerns about extremism the same as reporting concerns about abuse.
- Requiring that all police and security services databases be placed on a statutory footing, to ensure that all private information held is subject to oversight and regulation.

- Creating a single, independent, public-facing oversight Commission for the police and security services.

5.3 Crime and policing

5.3.1 Although the party has reasonably recent policy on crime, policing and justice (Policy Paper 117, *Doing What Works to Cut Crime* (2014)), the activism of the current government and its illiberal instincts mean that this area will need a full review before 2020, and we therefore propose to publish a policy paper on **crime, policing and justice**. The paper will need to develop policy to meet five key challenges.

5.3.2 The first lies in dealing with criminal activity at all levels. Crime and the fear of it still blight lives in this country, though overall crime levels are falling. The police have recently escaped further cuts but funding remains tight, with neighbourhood policing bearing the brunt. How can a decentralist party seek to preserve that community link? We have already proposed the abolition of Police and Crime Commissioners, advocated the merger of back office functions and of smaller county forces where the community agrees.

5.3.3 In a world where crime is increasingly being carried out online, an acute challenge lies in protecting people and organisations from criminals illegally accessing their information, and using it to steal money, information or identities. The Office for National Statistics estimates that there were 5.1 million online fraud offences involving 3.8 million victims, and 2.5 million cybercrime offences, in 2014–15. In addition, crime does not respect borders; we need to

review the UK's framework for cooperation with other nations (a particularly in the wake of a potential Brexit) in combating international crime and particularly people-trafficking.

- 5.3.4 The second challenge is spending money more effectively in criminal justice. The prison population (which stood at over 85,000 by the end of 2015), and the cost of maintaining it, are both soaring, but so are re-offending rates. For decades, other political parties have tried to be tough on crime while ignoring the evidence of what works to reduce it. Liberal Democrats have argued for measures to 'design crime out' of new developments and would widen peer working for those at risk of offending.
- 5.3.5 The third challenge is in maintaining the integrity of the justice system, currently threatened in two ways. First, access to justice is becoming increasingly difficult. Everyone accused of a crime is entitled to representation, and access to the civil courts is necessary to basic rights, but the legal aid system remains in a state of crisis. We have advocated better funding of the defence through company director insurance and the use of 'restrained funds' but the government has refused to take that course. We will also need to address the way in which the government's court closures programme, together with the digitisation of courts, has affected the right of access to local justice. Second, the rights of the accused in criminal trials are under threat, with calls to limit jury trial and to allow police interviews to take place on the street without a solicitor. The Liberal Democrats may be the only party standing up for the integrity of the criminal justice system.

- 5.3.6 The fourth challenge is ensuring people affected by social problems which should be resolved by other means do not end up being dumped into the criminal justice system as a last resort. In government, Liberal Democrats supported diversionary schemes for mentally ill people to be dealt with in an appropriate setting, rather than a police cell. We have recently adopted a policy on creating a legalised market for cannabis to help keep users out of the courts. For the convicted, we have prioritised the use of restorative justice, community sentences and intermittent custody, because the rehabilitation of offenders is the best way to stop the creation of more victims. For the incarcerated, there needs to be better ‘through-the-gate’ support when people leave prison. The coalition government reduced the number of young people in prison, and pledged to reduce the number of women prisoners. There is still, however, a disproportionate number of people from black and minority ethnic communities in custody; according to the Young Review, the disproportionality is worse here than in the United States.
- 5.3.7 The fifth challenge concerns the way in which victims of crime are treated. Many, particularly the victims of sexual offences, have been subjected to a culture of disbelief. We have proposed a national helpline for victims of sexual offending and a single point of contact for those who wish to complain, and would stop prosecuting those who retract their allegations for fear of reprisals from the suspect. Violence against women and girls remains high despite the progress made by Lynne Featherstone and other Liberal Democrat ministers in the last government in the fight against, for example, female genital mutilation. The courtroom process

itself can be daunting for those giving evidence. The challenge in improving the experience for witnesses is maintaining the principle that the accused is innocent until proven guilty.

Building a fair and cohesive society: opportunity for all

6.0.1 As we stressed in Chapter 2, our aim of spreading opportunity to all requires an active state, prepared to invest in public services, reduce inequality and create the enabling conditions for a cohesive society. Four areas in particular are of importance in the current political climate: health and social care; income and wealth inequality; discrimination; and immigration and identity.

6.1 Health and social care

6.1.1 Decent provision for health and social care is a prerequisite for individual opportunity. Britain is rightly proud of its National Health Service. A brilliant idea of the great Liberal William Beveridge, it provides good health care at relatively low cost, and does so in a way that is far more equitable than almost anywhere else in the world. However, it faces huge challenges: people are living longer, and living with ill-health for longer, and more conditions can be tackled than ever before; but more and more of what people need is not acute health care in hospitals but social care in the community. Yet the social care system in the UK is completely separate from the NHS, and is funded through local authorities, which are bearing the brunt of the government's austerity programme.

6.1.2 NHS staff are in general highly skilled and committed, but morale falls far short of what it should be, and too many are leaving the NHS for other careers or to practice in the private sector or overseas. Health structures have been organised

and reorganised many times in recent decades, each time creating costs, delaying improvements and creating a culture of uncertainty. The NHS suffers from the problems of a very large monolithic organisation, at times bureaucratic and unresponsive, as well as the inefficiencies of being a collection of a large number of local bodies. It should seek the benefits of both: efficiencies and economies of scale, and local responsiveness to local need.

- 6.1.3 Too many governments have prioritised ideology over patients and health, whether in Labour’s PFI drive (leaving accumulated debts currently crippling many NHS trusts) and commitment to pay private providers more than NHS providers, or the Conservatives’ push for ever-expanding private provision. The NHS is not as well integrated as it needs to be: there are gaps between acute hospitals, community care and mental health care, and patients frequently describe being ‘bounced around’ the NHS before they finally reach the right location.
- 6.1.4 We therefore propose to publish a policy paper on **health and social care**. Chief amongst the topics it will cover is funding. The NHS did surprisingly well in coping with its 2010–15 funding constraints, mainly by cost-cutting within the existing system, including freezing salaries, cutting prices paid to hospitals and squeezing management overheads. Hospital productivity rose, and most measures of quality, including waiting times, rates of acquired infections and patient satisfaction, remained positive. There are signs, however, that more recently patients have begun to be affected: A&E waiting times, for example, deteriorated sharply in the winter of 2014–15. NHS England’s current estimate is a £30 billion annual shortfall by 2021, which will require

radical changes in the provision of care, in particular through more emphasis on keeping people out of hospital through care at home and in the community – which at the same time focuses attention on the need to ensure that the health and social care systems work effectively together. And yet while health care is universal, social care is means-tested; and social care is itself a collection of local authority social services and private care homes. Integrating these two systems will be a major challenge.

- 6.1.5 Despite costing the country over £70 billion a year in lost productivity, benefits and human costs, mental health has traditionally been given a much lower priority than physical health in the NHS. Liberal Democrats made reforming this a key priority during coalition and achieved a formal commitment to parity of esteem, backed up with a number of more specific achievements – though much more remains to be done, along with reforms to public health and social security policy.
- 6.1.6 Long-term conditions form an increasing part of the overall disease burden and present a grave long-term challenge to the sustainability of the NHS, as well as reducing the life expectancy and quality of life of those affected. Rising obesity rates, for example, are driving a significant increase in the incidence of diabetes. Issues our new policy paper will need to cover include public health diet, alcohol, exercise and local air pollution (a major cause of ill-health and premature death), together with the scope for new technologies, such as gene testing, to reduce to the incidence of genetic conditions.
- 6.1.7 Health inequality is a serious problem in the UK. While life expectancy overall is increasing, there is a gap of almost nine

years between that of the poorest and the richest groups; and the gap has widened over the last twelve years. Average 'healthy life expectancy' is just 52 years for children in deprived parts of Britain, compared with 71 in rich areas. Tackling this requires action well beyond health policy, but will include issues of health promotion and access to services.

6.2 Income and wealth inequality

6.2.1 Having experienced a surge in income inequality under the Thatcher governments which has never been reversed, the UK now has one of the most unequal income distributions in the developed world, and is also the only G7 country to have seen wealth inequality grow over the period 2000–14. This is bad for everyone, not just the poor: the more unequal a society is the weaker it is in terms of economic growth, standards of health, education and crime, and levels of trust and co-operation. The result of the European referendum was in part an outcome of this growth in inequality.

6.2.2 In 2014, the Equality Trust estimated that if inequality was reduced to the average level seen in OECD countries, the UK could expect to increase average healthy life expectancy by eight and a half months, reduce mental health illness rates by 5 per cent, imprison 37 per cent fewer people, and experience 33 per cent fewer murders. The direct cost to the economy, as well as to British citizens' health and wellbeing and to the stability of our systems of politics and government is very significant, and we regard this as an urgent political challenge.

6.2.3 These trends in income inequality have been partly driven by the policies followed by Conservative governments from

Thatcher onwards (and not reversed by New Labour), but also by the move seen in all advanced capitalist economies towards 'knowledge-based' activities, which increasingly rewards those with high skills at the expense of low-skilled labour. Education and skills policy, closing the 'attainment gap' between children from different backgrounds, and ensuring that service industries are not too tightly clustered (like London's financial services industry) is crucial to achieving more equal outcomes in the labour market, as are promoting employee ownership and mutualisation. Cities and regions need more autonomy over skills, labour markets, transport and the local environment to make them more attractive locations for knowledge-based industries. These issues will be dealt with in our policy papers on **21st century economy** (see Chapter 4) and **education** (see Chapter 5).

- 6.2.4 However successful we are in raising productivity and high-skilled employment, however, there will always be some people working in low-skilled jobs and others who cannot earn a living due to involuntary unemployment or disability. Government policy instruments such as taxation, the minimum wage and benefits will determine whether these groups are able to enjoy a decent standard of living and do not fall further behind better-off groups. We will deal with tax policy in our policy paper on **taxation** (see Chapter 4), and we are now publishing a policy paper on **social security** for debate at the autumn 2016 conference, which includes proposals to protect those out of work, support workers back into employment, support children and those with a disability or ill-health and reform housing benefit.

6.3 Discrimination

- 6.3.1 Direct discrimination is someone being treated less favourably simply because of a characteristic they hold. Indirect discrimination involves an organisation's practices, policies, or procedures having the effect of disadvantaging people with certain characteristics. This can be the difference between refusing, as a matter of course, to promote someone who is on parental leave, and saying that in order to obtain a promotion all staff must have been at present work for all of the previous six months. All discrimination has a fundamental impact on equality – both of individuals and of opportunity – and is anathema to a Liberal Democrat approach.
- 6.3.2 Examples of discrimination can, unfortunately, continue to be found in the UK. They can take the form of Muslims experiencing the highest unemployment rates and lowest hourly wages; of trans* individuals experiencing difficulty accessing healthcare and when dealing with the criminal justice system; or of women who return to work after taking parental leave unable to regain the same comparative levels of pay as previously received. There are many other examples.
- 6.3.3 Legislation tends to be more effective against direct discrimination, but still has a role in tackling indirect discrimination – for example through introducing a requirement for name-blank job applications. Government can also take action to eliminate discrimination from the delivery of public services. But discriminatory behaviour built up over many years in different communities, countries, and contexts can take many years to erode, particularly where it may be represented as part of a community's unique culture. Education is, accordingly, a key aspect of efforts to end it, and this will be addressed in our policy paper on **education**

(see Chapter 5). More broadly, however, issues of discrimination apply to many policy areas and we will ensure that they are fully considered in all relevant policy papers.

6.4 Immigration and identity

- 6.4.1 The Liberal Democrat approach to immigration is based on our liberal, open, tolerant and internationalist beliefs. As liberals, we focus on the similarities between people of different nations and their common human values, not on their differences. This leads us naturally to support the freedom of individuals to cross borders, an important part of the liberty we seek for everyone to live their lives to the full. We see everyone as members of an international community, rather than of different tribes. In addition, we celebrate the fact that immigration contributes to economic growth and productivity, and widens diversity and cultural experiences.
- 6.4.2 Clearly, many people do not share these views, a point emphatically underlined by the referendum debate – indeed, it was the one of the main drivers behind the decision to call a referendum in the first place. The issue of immigration has become one of the most salient topics in politics; Ipsos MORI polling has shown the public ranking immigration as the most important issue facing Britain today in every month since the 2015 election, with between 38 per cent and 56 per cent of respondents identifying it as a key issue. Yet much of the widespread concern about immigration is a reflection of perception rather than reality – as demonstrated by the fact that, with a few exceptions, antagonism to immigration (and the leave vote in the referendum) is highest among those areas with the lowest immigrant populations – or is a proxy for other concerns such a declining local economy, reduced

job security and pressure on public services or housing; immigration becomes the scapegoat for problems whose solutions lie elsewhere.

6.4.3 As clearly demonstrated in the referendum, the country is now seeing a deepening divide between those who share similar views on immigration to ours – those living in cosmopolitan areas who tend to be more global in outlook, liberal and more plural in their sense of identity – and those living in areas of economic decline, who have not benefited from globalisation and who are more likely to be inward-looking, relatively illiberal, negative about the EU and immigration, nostalgic and more English in identity. Healing this divide – if this is at all possible – and fostering a shared sense of identity and community is a major challenge for all political parties. This is why, even though party policy on immigration is reasonably up to date, we intend to return to the subject with a new policy paper on **immigration and identity**.

6.4.4 Within the context of the UK's changing relationship with the EU, the paper will need to tackle the overall impact of immigration on the economy and on particular sectors (including education), as well as the effect on wage rates, employment, public services, housing and the benefits system, and the control, enforcement and fairness of immigration rules and procedures. We will examine whether our previous proposals for a points-based system to ensure that economic migrants bring skills that contribute to the UK economy need modification, together with what can be done to relieve the real pressures on public services and housing that can result from large influxes of migrants and which also help to stoke public concern over the issue.

- 6.4.5 While asylum is a separate issue, the impact of large numbers of asylum-seekers entering the country (if that ever happens) can be similar to that of migrants, and will also be included. Finally, the paper will consider what can be done to improve community relations and to deal with the threat to culture and identity which many people do perceive from immigration, while retaining our beliefs in equal treatment for all, whatever their race, religion or belief, and in the right of people to move freely across borders.

Dispersing power: promoting communities

- 7.0.1 As argued in Chapter 2, we believe that it is the role of the state to create the conditions in which individuals can flourish, which means action to provide opportunities to all, through providing education, economic regeneration and adequate public services for all. But this by itself is not enough: we also need to ensure that citizens have the power to grasp these opportunities and determine their own futures – which means dispersing political and economic decision-making. It is powerlessness in the face of change felt by many British citizens that partly underlies the leave vote in the European referendum.
- 7.0.2 Communities have a critical role to play in this process. While individual liberty is the starting point of the Liberal Democrat philosophy, individuals of course do not exist in isolation; we are embedded in social relationships which help to give our lives meaning and fulfilment. We are all members of different communities, whether defined geographically or through work, tradition, culture, interests or family. We believe that government should act to encourage the development of thriving communities – which means, primarily, dispersing power, both political and economic, so that communities are enabled to exercise more control over their own futures and taking decisions for themselves in the interests of their members.
- 7.0.3 While there is scope for tensions between the interests and values of different communities, Liberal Democrats believe that the differences between people are far outweighed by

our common humanity; that we can flourish as individuals and break down barriers by solving our problems together as part of diverse communities. Community and neighbourhood activity is a central part of a liberal society. In the current political climate, we identify three key priorities: decentralising power; addressing the needs of rural communities and protecting the natural environment; and solving Britain's housing crisis.

7.1 Power for people and communities

7.1.1 The more local an institution is, the more likely it is to be responsive to local needs and circumstances. This implies a programme of decentralising power to local government and to the nations and regions of the UK. We will therefore publish a policy paper on **power for people and communities**. This will need to build on our existing 'devolution on demand' approach to produce a distinctively Liberal Democrat response to the government's current agenda on English City Regions and Metro Mayors, while also identifying ways of strengthening local government, in particular by giving it greater financial autonomy from central government.

7.1.2 The further devolution of powers and resources to Scotland, though the Smith Commission legislation, and to Wales, via the Wales Bill, has thrown into stark contrast the still limited amount of devolution within England. In economic as well as political terms, England is dominated by London and new policies and structures are needed to give the English regions, as well as the other nations of the UK, greater freedom to shape their own economic destinies. The government's 'Northern Powerhouse' approach based on

combined authorities lacks both genuine democratic accountability and sufficient policy levers to bring about a positive transformation in the fortunes of the areas concerned. The existing map of local government does not always, however, reflect the reality of travel-to work areas and regional and sub-regional economies, so radical and creative thinking will be required to develop a distinctively Liberal Democrat approach.

7.1.3 Our belief in extending the powers and capacities of communities also extends to many other aspects of life – decentralising power, for example through the establishment of local banks and community energy cooperatives, tenants’ management of social housing, and mutual structures at work, employee participation and trade unions. This paper will examine all of these areas, including the role of local government and voluntary organisations in developing community assets and initiatives. An important part of this remit is empowerment at work. In government, Liberal Democrats were able to enact significant change to promote employee ownership while the Conservatives’ ‘Big Society’ concept failed to develop in any meaningful way. The challenge for the next decade will be to monitor and promote the success of mutualism and co-ownership, as well as meeting the parallel challenges set out by government measures to curb trade union activity, technological changes enabling the ‘sharing economy’.

7.1.4 Reform of the electoral system and Parliament of course remains at the heart of our policy platform. Party policy on these issues was debated in full in 2014, when we reaffirmed long-standing positions on electoral reform, Lords reform and campaign finance, while developing new policies in a number

of areas, including job-sharing for MPs. We therefore do not intend to revisit these issues in this paper, but will review them as and when necessary.

7.2 Rural communities

7.2.1 While the majority of British people live in urban or suburban areas, there is a significant rural population (about 18 per cent in England) which experiences a particular range of challenges. Some are similar to the problems facing the country as a whole but are experienced in a particularly acute form – for example, the overall ageing of the population is especially marked in rural areas, with an inevitable impact on demand for health and social service provision; and the general housing crisis is amplified by the growth in the purchase of second homes in some localities. Other challenges are more closely related to the greater dispersion of rural populations, which makes it more difficult and expensive to deliver both public and private sector services. Cuts to budgets and the consequent rationalisations of service provision can make it extremely difficult for rural people to access essential services like Job Centres. Rural bus services are inadequate, and poorer transport links and lack of superfast broadband hold back rural businesses.

7.2.2 In our Countryside Charter in the 2015 election, we pledged to improve high-speed internet provision in rural areas, keep local services open and secure the future of the farming industry. It is, however, several years since we have reviewed this policy area in detail, so we will publish a **rural communities** policy paper. This will have a wide remit, taking a holistic view of the economic, social and environmental

issues confronting rural communities, with a view to mapping out a new prosperous and sustainable future for rural Britain.

- 7.2.3 Policies for agriculture and food production will be a key part of the paper, particularly in the context of the UK's possible withdrawal from the EU and therefore the Common Agricultural Policy. Farmers play a crucial role as stewards of the rural landscape, but modern systems of food production have a major impact on the environment, relying heavily on the input of chemicals and energy with significant impacts on soil quality and water use. These impacts are, however, increasingly well understood and there is substantial scope for adapting farming methods to reduce environmental impact while maintaining or improving productivity. Liberal Democrats have argued for a National Food Strategy to promote the production and consumption of healthy, sustainable and affordable food in the UK.
- 7.2.4 The paper will also cover the protection and enhancement of the natural environment – the countryside, rivers and seas and the coastline, and wildlife and its habitats. A flourishing natural environment is critical to personal health and well-being, quality of life and a sense of personal and community identity. It is worth defending even at the cost of some economic 'growth' (as conventionally defined) – but there is in any case a strong economic case for environmental protection. The natural world feeds us, provides vital services like clean air and water, and pollination, and helps to manage floods and water run-off; the total value of such natural resources to the UK economy was an estimated £35 billion in 2011.

- 7.2.5 We will therefore set out policies which enhance biodiversity and protect the natural environment, as well as supporting local economic and community activity that enhances water, landscape and heritage management. All of these aims are currently threatened by the intensification of farming and by climate change, and adapting successfully to the impacts of climate change – including ever-more serious flooding – is an urgent priority. Existing party policy is built around a commitment to a Nature Act, including the placing of the Natural Capital Committee on a statutory footing; publication of a 25-year plan for recovering nature; the introduction of a new Public Sector Sustainability Duty; a package to protect the world's oceans and marine environment; and implementation of the findings of the Independent Panel on Forestry.

7.3 Housing

- 7.3.1 It is increasingly accepted that Britain is in a housing crisis, characterised by shortages, high prices, low-quality dwellings, and a lack of stable housing solutions for families who cannot afford to buy. All of these are driven by three main factors – a fundamental shortfall in the supply of housing which goes back to 1979, a reduction in average household size (and a corresponding increase in number of households), and international and intra-UK migration. Other problems include the large number of empty homes; over 200,000 homes in England have been empty for over six months.
- 7.3.2 Liberal Democrats have been active in developing policy responses to this crisis, with recent conference motions on land use planning, housing supply and tenants' rights, and a

substantial chapter of the 2015 manifesto dedicated to the topic of housing. Our response centred on four key priorities: a promise to increase building to 300,000 houses a year, including ten new ‘Garden Cities’; the strengthening of tenants’ rights through a banning of ‘revenge evictions’ and the introduction of multi-year tenancies; changes to the planning system to enable local authorities and housing associations to build more houses, and release more unused public sector land for development; and new Green Buildings Act and the ending of exemptions from the zero-carbon standard for new homes, to ensure that houses are constructed in as sustainable and energy-efficient a manner as possible.

- 7.3.3 The housing crisis seems likely to remain for the foreseeable future. Though house completions are on an upward trend, the level remains below what is required, having risen from 129,000 in 2010 only to 139,000 in 2014. Additionally, many of the policies the Conservatives are introducing over the current Parliament, such as ‘Help to Buy’, boost demand rather than supply. Our existing policy platform will therefore need updating in due course, but given the multi-stranded nature of the housing problem we intend to pursue this through a series of individual policy motions on issues such as land use, sustainability and housing finance rather than as single one-off policy paper. Housing issues will also to be addressed in other policy papers, including those on **power to people and communities**, **rural communities** and **climate change**.

The Liberal Democrat approach

Liberal Democrats stand for **liberty**, the freedom of every individual to make their own decisions about how best to live their lives. We trust people to pursue their dreams, to make the most of their talents and to live their lives as they wish, free from a controlling, intrusive state and a stifling conformity; a free and open society that glories in diversity is a stronger society. We stand for **equality**, for the right of everyone to be treated equally and with equal respect, whatever their personal characteristics; and in the duty of the state to create the conditions in which individuals and their communities can flourish. We stand for **community**, for dispersing political and economic power as widely as possible, for government works best when it is closest to its citizens. Since we believe in the worth of every individual, we are **internationalists** from principle, seeking cooperation, not confrontation, with our neighbours. And since we believe that future generations have the same rights as we do to live their lives in the ways they choose, we aim to create an **environmentally sustainable economy and society**, where people live in harmony with the natural world. Holding these beliefs, Liberal Democrats are instinctively on the side of the individual against concentrations of power, free thinking, unimpressed by authority and unafraid to challenge the status quo.

- 8.0.1 The Liberal Democrats are the heirs to two great reformist traditions in British politics – those of liberalism and of social democracy. Like all political philosophies, ours is based on a view of human nature. The Liberal Democrat view is an optimistic one. We believe in the essential goodness and improbability of humankind – that, given the opportunity, in most circumstances most people will choose to do good rather than harm.

- 8.0.2 Liberal Democrats trust individuals to make their own decisions about how they live their lives; no one else, whether politicians, clerics or bureaucrats, should have the right to decide for them how they should live. The good society is one in which each individual has the freedom and the capacity to follow their own paths as they judge best.
- 8.0.3 ‘The only part of the conduct of any one, for which he is amenable to society,’ wrote John Stuart Mill, the greatest of the Victorian Liberal thinkers, in *On Liberty*, ‘is that which concerns others. In the part which merely concerns himself, his independence is, of right, absolute. Over himself, over his own body and mind, the individual is sovereign.’ This belief, which goes to the core of the Liberal philosophy, is why *On Liberty* is the symbol of the Presidency of the Liberal Democrats, a copy being handed over to each new President at the start of their term of office.
- 8.0.4 It is the love of liberty above any other value that marks the liberal out as a liberal. It is why the last paper the party published on its core philosophy, in 2002, was called *It’s About Freedom*. We believe in the right of people to pursue their dreams, to make the most of their talents and to live their lives as they wish.
- 8.0.5 Yet we also recognise that people’s ability to realise their own goals is critically affected by their circumstances. Poverty and ill-health, poor housing and a degraded environment, and a lack of education all limit an individual’s life chances and thereby restrict their capacity to be truly free. Social justice matters to Liberal Democrats; we believe that it is the role of the state to create the conditions in which individuals and their communities can flourish.

- 8.0.6 So government needs to provide decent public services and an adequate welfare safety net for those in need. In particular, we place a high priority on good-quality education, the enabler above all else in liberating people, developing their talents and capabilities and ensuring that they can live their lives as they wish.
- 8.0.7 Essential though these are, by themselves they are not enough. Inequality itself undermines the ability of everyone, throughout society, to live a good life. Evidence clearly shows that the more unequal a society is the weaker it is: compared to societies with greater levels of equality, its citizens suffer from poorer health, lower educational attainments, higher crime rates, and lower levels of trust and co-operation. Government is justified, therefore, in reducing inequalities in income and wealth – as Liberal Democrats in coalition did, for example, through raising the income tax threshold and closing tax loopholes for the rich – and to correct other examples of inequality, for example through our introduction of the pupil premium, extra resources for schools to teach pupils from poorer family backgrounds who lack the educational advantages enjoyed by children from better-off families.
- 8.0.8 This is one dimension of the Liberal Democrat commitment to equality: that, as far as possible, everyone should have the same opportunities to make what they want of their lives. The other dimension of equality is the right of everyone to be treated equally and with equal respect, whatever their personal characteristics, such as race, gender, nationality, way of life, beliefs or sexuality. ‘Equality before the law’ was one of the great rallying cries of the Whigs, our seventeenth- and eighteenth-century forebears; and 150 years ago, in one

of the few feminist classics to be written by a man, *The Subjection of Women*, John Stuart Mill argued ‘that the principle which regulates the existing social relations between the two sexes – the legal subordination of one sex to another – is wrong in itself, and now one of the chief hindrances to human improvement’. As Liberal Democrats we still pursue this quest for equality today – for example in legislating for same-sex marriage and in trying to close the gender and ethnic minority pay gaps.

- 8.0.9 We believe in the right of people to live their lives as they wish, free to say what they think and to protest against what they dislike, regardless of who disagrees with them, free of a controlling, intrusive state and of a stifling conformity. A free society that glories in diversity is a stronger society. Societies, governments, bureaucracies and corporations work best when the beliefs and maxims of those at the top can be challenged and disproved by those below. Open societies learn and evolve; closed societies stagnate and fail.
- 8.0.10 Individuals of course do not exist in isolation; we are embedded in social relationships which help to give our lives meaning and fulfilment. We are all members of different communities, whether defined geographically or through work, tradition, culture, interests or family. Communities enable individuals to join together in the pursuit of common goals or activities, in the defence of their views, or simply to enjoy each other’s company; they are the main way through which people express their identity.
- 8.0.11 To function effectively, communities need to be able to exercise real political and economic power, taking decisions for themselves in the interests of their members. We therefore

believe that government should act to encourage the development of thriving communities – decentralising power, for example through the establishment of local banks or community energy cooperatives, tenants' management of social housing, or mutual structures at work, employee participation and trade unions.

- 8.0.12 We recognise, however, that communities can sometimes be illiberal and oppressive, restricting individual freedom perhaps in the name of tradition or the pressure to conform. We believe in a tolerant and open society, in which every individual has a free choice of which communities, if any, to join or to leave and of what identity or identities to express.
- 8.0.13 In general, societies which base their economies on free markets and free trade are themselves freer and fairer: markets are generally better than bureaucracies in matching demand and supply, allocating scarce resources and rewarding innovation and entrepreneurship. Yet there are many ways in which markets can fail. Large corporations too often abuse their power and are frequently incapable of self-regulation (as we saw in the banking crisis). Left to themselves, markets cannot provide public goods such as the protection of the natural environment. In some cases where markets could deliver services, outcomes may be more equitable if they are provided through non-market solutions – such as health care.
- 8.0.14 A liberal society therefore requires an active and interventionist state – to regulate markets, to deliver public goods and to adjust market outcomes to create a more equal society. Yet government failure can be as much a threat as market failure: it is easy for governments to become remote

and unresponsive to their citizens, to be intolerant of dissent and difference and to interfere in individuals' lives, for example in the name of national security.

- 8.0.15 Liberal Democrats approach this problem in two ways. First, by placing boundaries on the ability of governments – or corporations, or the media, or other individuals – to interfere in the lives of their citizens, though strong and effective codes of human rights and civil liberties and through upholding the rule of law free of arbitrary political interference. The presence of Liberal Democrats in coalition ensured that the Human Rights Act was retained, and that the Conservatives were prevented from introducing covert surveillance through the 'snoopers' charter'.
- 8.0.16 Second, by ensuring that state institutions are responsive to the needs and wishes of individuals. This includes ensuring that they function democratically – for example through replacing the current voting system, which delivers governments which do not reflect the way in which people vote; through reforming party funding, to ensure that big business, or big unions, cannot buy the election result; through replacing an appointed with an elected House of Lords; and through ending – as we did in coalition – the Prime Minister's power to call an election whenever they like, which usually benefits the Prime Minister's party. This also includes situating political power at the lowest level consistent with effective government, since the more local an institution is the more likely it is to be responsive to local needs and circumstances. This implies decentralising power to local government and to the nations and regions of the UK.

- 8.0.17 This approach is fundamental to a liberal society because for us, democracy is much more than just a mechanism for counting votes. It means a spirit of equality, openness and debate, a coming together to decide our future fairly and freely, without being dominated by entrenched interests or the power of money. It means a system in which every citizen is empowered to make their voice heard and to participate in the decisions that shape their lives. It is the bedrock of an open society. A state that supports freedom has to be a democratic state, in which politics is not an activity confined to a tiny elite but something everyone can take part in, as and when they choose. As four-times Liberal Prime Minister William Gladstone put it, in the words inscribed in the entrance to the National Liberal Club: ‘The principle of Liberalism is trust in the people, qualified only by prudence. The principle of Toryism is mistrust of the people, qualified only by fear.’
- 8.0.18 More broadly, we aim to disperse power as widely as possible throughout society. This affects, most clearly, the institutions of government, including public services, which function more effectively when those who use them, not just those who deliver them, are involved in decision-making. Our belief in the dispersal of power also affects many other aspects of modern life, including access to justice, corporate governance (including the rights of employees and shareholders and the obligations of companies to local communities), and the distribution of media ownership. Every individual should have the right and the opportunity to challenge the excessive concentration of power, and the abuse of power, whoever or whatever it derives from.

- 8.0.19 There is no general answer to the question of how much government intervention is enough, or how big the state should be. This is because of the need to deal both with market failure and with government failure, and because the appropriate level of state involvement, and the size of the state, varies so widely over time and across areas of activity. Differences of opinion over this question lie at the root of the disagreements between ‘economic liberals’ and ‘social liberals’. Economic liberals (sometimes called ‘classical liberals’) emphasise the dangers of an over-mighty state, and prefer small and non-interventionist government, while ‘social liberals’ place more stress on the need for state action, for example to redress inequality or tackle climate change, and therefore prefer more active and interventionist government, constrained primarily through decentralisation and restraints such as a written constitution. In reality, though, individual liberals’ views range over a broad spectrum rather being separated into two firm camps.
- 8.0.20 Since Liberal Democrats believe in the worth of every individual, we are internationalists from principle, rather than nationalists who define their nation or race in opposition to others and thrive on division and intolerance. We believe that the free movement of people and the free exchange of ideas, goods and services across national boundaries enrich people’s lives, broaden their horizons and help to bring communities together in shared understanding. And just as individuals’ rights and relations are most effectively protected when they are underpinned by a system of law, so relations between the peoples of the world are most successful and fair when they are based on law, and a system which is as democratic as possible.

- 8.0.21 We are also internationalists for good pragmatic reasons, because some goals are too big for nation-states to achieve on their own: guaranteeing peace and security, limiting climate change and promoting a healthy environment, standing up to corporate power and spreading prosperity around the world. This is why we have always supported, and will continue to champion, the European project, not least because it has brought peace to a continent that has historically been wracked by war. Above all else, it was a shared belief in the value of Britain's membership of the European Community that helped bring the Liberal Party together with the Social Democratic Party in the Alliance of the 1980s, and then to merge to form the Liberal Democrats. We also argue for effective international institutions, such as the United Nations and its agencies. In an increasingly uncertain world, the security and prosperity of the UK and its citizens requires cooperation with the country's neighbours, not withdrawal from them.
- 8.0.22 Our belief in the empowerment of individuals is not limited to the current generation; future generations have the same rights as we do to live their lives in the ways they choose. Climate change, pollution and the degradation of the natural environment pose some of the greatest threats to the well-being and freedom of future generations – and, increasingly, to our own lives – that modern society has ever seen. We need to act at home and internationally to promote environmentally sustainable ways of doing things – as did Liberal Democrats in coalition, in establishing the world's first Green Investment Bank, supporting the growth of renewable energy and setting ambitious climate targets.

- 8.0.23 We recognise, of course, that some of the beliefs described above can conflict with others. When does an individual's right to express their opinion cause harm to others? To what extent should government interfere in the rights of employers in order to protect the rights of their employees? When does government action to reduce inequality cease to be liberating and start to be unjust? There is no general answer to these questions; it depends on the particular circumstances of any given case. The resolution of these conflicts is the proper role of politics. So how we do our politics – our style and approach – is just as important as are our beliefs and values. This is why political parties feel very different from one another even when they support the same policies.
- 8.0.24 Liberal Democrats' style, whether in government, in our local communities or within our own party, is to be this: instinctively on the side of the individual against concentrations of power, whether state or private; tolerant of differences and open to new thinking; pluralist, aware that we have no monopoly of wisdom, not afraid to work with others, seeking cooperation rather than confrontation; independent, free of vested interests or class bias; participatory, in our own organisation and operation; honest, not afraid to put forward unpopular policies; thoughtful, not dogmatic; and, finally – and perhaps most characteristically – free thinking, unimpressed by authority and unafraid to challenge the status quo.

The Opportunity to Succeed, the Power to Change – Policy Paper 125

This paper has been approved for debate by the Federal Conference by the Federal Policy Committee under the terms of Article 5.4 of the Federal Constitution.

Within the policy-making procedure of the Liberal Democrats, the Federal Party determines the policy of the Party in those areas which might reasonably be expected to fall within the remit of the federal institutions in the context of a federal United Kingdom.

The Party in England, the Scottish Liberal Democrats, the Welsh Liberal Democrats and the Northern Ireland Local Party determine the policy of the Party on all other issues, except that any or all of them may confer this power upon the Federal Party in any specified area or areas.

The Party in England has chosen to pass up policy-making to the Federal level. If approved by Conference, this paper will therefore form the policy of the Federal Party on federal issues and the Party in England on English issues. In appropriate policy areas, Scottish, Welsh and Northern Ireland party policy would take precedence.

Working Group on The Opportunity to Succeed, the Power to Change

Note: Membership of the Working Group should not be taken to indicate that every member necessarily agrees with every statement or every proposal in this Paper.

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Published by

Policy Unit, Liberal Democrats,
8-10 Great George Street, London, SW1P 3AE

Printed by

Bishops Printers, Walton Road, Farlington,
Portsmouth, Hampshire, PO6 1TR

ISBN: 978-1-910763-28-5

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