fabian tract 459
deserting the middle ground: Tory social policies

chapter | the context | 1
9 themes in tory social policy | 6
3 case studies: housing and social security | 11
4 increasing inequalities | 15

the authors
The authors are a group of Fabians involved in one way or another with social policy. Some teach it, some develop it, some implement it. All are concerned with the future of our welfare state should it fall into Tory hands. One of the authors lives in Margaret Thatcher’s constituency. He doubts he can stop her being elected there but hopes this pamphlet may help stop her getting to Downing Street.

the cover
The Fabian Society would like to thank Labour Weekly for permission to use Peter Fluck’s cartoon, and the artist himself both for his permission and for his marvellous artistry. We think it says almost as much as our 16 pages of words.

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1. the context

A General Election is imminent. It is therefore a good time to review the social policies that are being advocated by the Conservative Party. This is needed for a number of reasons. First, the campaign will focus attention on the range of policies being advocated by the parties. Second, there is always a tendency for a great deal of attention to be given to the record of the government because there is more material to analyse—legislation, decisions, performance, failures. A disproportionately smaller amount of attention is accorded to the promises, policies and likely impact of the alternative government. These are two good reasons for this pamphlet; but there is a third and more important one. A Tory government formed by Margaret Thatcher would be radically different from any we have seen since the war. The Tories’ lurch to the right is perhaps better known in industrial, economic and foreign policy than in social policy. Yet it is here that any future right wing Tory government would make its most important impact on the lives of the British people, particularly the poor, the powerless and the deprived.

The main focus of this pamphlet is therefore on Conservative social policy. We draw out various themes that characterise the new Tory approach to the welfare state, but the party’s policies have to be placed in a wider context. We therefore start by considering the political background which has influenced policy making and the economic context against which decisions will be taken by any future Conservative administration.

political background

A characteristic theme in post-war Conservative politics has been the modernisation and adaptation of party philosophy and policies to the needs of the time, be they social, economic or political. Following the “One Nation” tradition of Disraeli, there has been an acceptance of the need for social reform, a desire for accommodation rather than confrontation. Many would argue that this was a political necessity in an age of the mass franchise and the rise of the Labour Party. To survive, the Conservatives needed more than the votes of the old landed interests, the owners of property and of higher income groups. As Andrew Gamble noted, “This Conservative wish to base their appeal to the electorate on a national rather than on a class perspective is central to their whole electoral strategy” (The Conservative Nation, Routledge and Kegan Paul, 1974).

Since the war there has always been a tension between the supporters of this approach—the “Right Progressives”—and those who wish to turn the clock back. During most of this period, the former have been dominant and under Churchill, Eden, Macmillan, Douglas Home and Heath, the Conservative Party pursued (albeit with some important exceptions) the “Middle Way”. But we are now clearly in a new era. The defeat of Mr Heath in 1974 and the ascendency of Mrs Thatcher have changed Conservative policy at a time when economic problems and acute anxiety about the levels of public expenditure have opened up long camouflaged ideological divisions in British politics. Partly because of disillusions with the Heath years, the Tory Party is now radically different from what it was some years ago. Any future Conservative government would be decisively different, and more to the right, than any other post-war Conservative Administration.

Evidence of this shift comes in the speeches of Sir Keith Joseph and Margaret Thatcher, the two dominant figures in the Conservative leadership. The titles of Sir Keith’s two volumes of speeches (both published by the Centre for Policy Studies) are themselves significant. In 1975, Reversing the Trend—a critical reappraisal of Conservative economic and social policies was issued, followed in 1976 by Stranded on the Middle Ground—an apt contrast to Harold Macmillan’s The Middle Way published in 1938. In the second volume, Joseph argues that “it is clear that the middle ground was not a secure base,
but a slippery slope to socialism and state control". The implications of Joseph's analysis are clear, for while he claims to have been "converted to Conservatism" only in April 1974 ("I had thought that I was a Conservative but now I see that I was not really one at all") his conversion is, arguably, really to Liberalism—the old style laisser faire variety, long rejected by the modern Liberal Party. His "conversion" to Conservatism in fact flies in the face of the modern Tory tradition. But it has strongly influenced his party, his thoughts are shared by his leader and they would be important in any future Conservative government.

These views have been echoed by Margaret Thatcher. Speaking before an American audience in 1975, she argued that "amidst our well published difficulties a vital new debate is beginning, or perhaps an old debate is being renewed, about the proper role of government, the welfare state and the attitudes on which it rests". The debate centred on "the progressive consensus"—"the doctrine that the state should be active on many fronts in promoting equality, in the provision of social welfare and in the redistribution of wealth and incomes" ("Let Our Children Grow Tall", Selected Speeches, 1975-1977, Centre for Policy Studies, 1977). The Conservative leader has made it abundantly clear that she is not part of this so called "consensus".

Thus the "progressive right" has lost control of the Conservative Party—at least for the time being. Those who accept some measure of social reform as an essential component of modern Toryism have been replaced by those with a profound distrust and dislike of the welfare state—a very product of the much despised "Middle Way". They argue that the welfare state has weakened the nation and its people, that it encourages the shirkers and scroungers, and that its existence imposes major tax burdens, particularly on the hard working and innovative. This dulls enterprise and creativity, inhibits investment and thus restricts the workings and benefits of market capitalism. The way out of this impasse involves scaling down the welfare state and a recognition that the private market can and should provide such services as education, pensions, housing and health care for more people—one day the vast majority. The state's role would then be to provide services and benefits only for the poorest and most disadvantaged—those unable to compete effectively in the market. Help should go only to "those most in need" (through means testing) and even here services should be administered cautiously and their clients and claimants given the maximum encouragement to provide for themselves.

To appreciate the new Tory challenge to the welfare state we must be clear about the nature of current social policy and the two parties' attitudes towards it. Certainly the welfare state is not merely the product of the Labour Party; indeed its origins pre-date the formation of the Labour Party and even its development since the second war has not been merely due to Labour policies. T. H. Marshall has observed that "the three pillars of the British welfare state were the Education Act, the National Insurance Act and the National Health Service Act. They are associated with the names of Butler, Beveridge and Bevan—a Conservative, a Liberal and a Socialist. When one remembers the mixed origins of social policy at the beginning of the century it is not surprising to find that the welfare state—when it eventually saw the light—was of mixed parentage" (Social Policy, Hutchinson, 1967).

It would be naïve in the extreme to equate the welfare state with socialism for in some respects it is functional to the preservation and efficiency of capitalism. On the other hand, the British welfare state, as developed in the last three or more decades, has had a civilising and humanising effect on the economic system and has led to better standards in such fields as health, housing and income maintenance. Post-war Conservative governments have not dismantled the welfare state and have in
fact contributed to its development. Of course, the Conservative Party has been a reluctant supporter. During its 13 years of power (1951-64), it relatively neglected social services and the contrast between private affluence and public squalor increased.

The task for a future Labour government is to improve and develop social policies to produce a fairer and more just society. The present welfare state provides a basis for this development, Past Conservative administrations have not, of course, pursued this goal—but they have not destroyed the base. The present Tory Party poses a new threat: it may destroy the base itself.

the economic context

The right wing strain in the party’s approach to social services can only be understood in the context of the new Tory economics. It is a return to Selsdonism, but a more sophisticated Selsdonism, including the new magic ingredient that will make us all richer than rich: control of the money supply. The Conservative Party advocates the liberalisation of the economy—including wage bargaining (except for the public sector) and prices—within the discipline of strict control over the money supply. It entails a smaller direct role for government and a belief in the virtues of enterprise and more or less unfettered capitalism. The strategy was summed up in The Right Approach: “The Conservative approach entails living within our means, paying our way in the world, mastering inflation, reviving the wealth creating part of the economy and encouraging all those on whom it depends. This approach means less bureaucracy and less legislation, lower taxes and borrowing, higher profits leading to more investment and more employment, and rewards for enterprise and hard work.”

The pros and cons of how liberalisation and monetarism are going to increase investment, restore our balance of payments and make the pound strong and stable need not delay us, vital though they be. For our purposes, two concomitants of this economic thinking are particularly significant: cutting taxes and cutting public expenditure.

taxation policy

The reduction in the burden of taxation has been a persistent theme of Conservative thinking in recent years. The effects of high taxation are said to include the blunting of incentives, the discouragement of enterprise, the narrowing of differentials and the taxation of low incomes.

To remove some of those effects, the Conservatives would change our taxation system fairly radically. First, they would engineer a less progressive income tax system: “We have set ourselves the European objective of a top tax rate on earned income of 60p in the pound and on investment income of 75p” (Conservative Research Department, Campaign Guide 1977); income tax bands would be much broader. Second, they would move towards indirect taxation and away from direct taxation, with a significant increase in VAT rates. Thirdly, they would reduce the level of taxation on capital. Capital Transfer Tax would go in the medium term and the rate of tax cut substantially in the short term. There would be a reduction in the level of company taxation in order to “liberate profits. The burden of tax on industry will need to be eased.” (The Right Approach).

What would be the overall effect of this package? In particular, where would the money come from to allow for the promised substantial reduction in the burden of direct taxation? There are two kinds of answers to the latter question. On the one hand the party would argue that, by “letting the people free”, enterprise and initiative would raise productivity, stimulate new investment and encourage increased profitability. These would all make Britain richer and, in the longer term, the problem of paying for taxation cuts would not be a real one. However, in the short term and in the
real world) the question has to be considered at a more practical level. The effect of the overall package is that taxation on incomes would be reduced, the proportion of government income coming from capital and company taxation would decline and, hence, more revenue would have to be collected through indirect—and particularly VAT—taxation.

This would lead to a more regressive and less equitable tax system. The party has been giving serious consideration to specific measures. One Tory amendment to the 1978 Budget cost the Exchequer £150 million, but those earning less than £10,000 a year did not benefit at all. It was worth £10 a week to someone earning £15,000 and £100 a week to someone receiving £50,000. This illustrates how Tory taxation policies would bite in the future. This trend will be accelerated, rather than reversed, should the Conservatives introduce their much heralded Tax Credit Scheme. We argue later that if such a scheme is to be simple and cheap to operate (as the Conservatives wish) it will have to be less progressive than the present tax system.

A second consequence is that we shall have a tax system that will be raising considerably less revenue, with all that means for public expenditure.

cutting public spending

The Conservatives have been very clear about their determination to reduce public expenditure. They have been less clear about where the axe will fall. However there are some clues, indeed some specific statements, and the implications of their views on the levels of expenditure are significant enough.

The Tories believe that public spending is a burden on the economy and hence must be reduced if the economy is to be revived and stimulated. Consequently they will attempt to reduce public expenditure as a percentage of GDP and to allow no increase in real terms above the 1977/78 levels. But holding public expenditure steady will not simply maintain the existing quantity and quality of public services. What it actually involves is a cut-back in public services across a wide field. Why is this?

The major reason is that the demand on public services is going to increase due to demographic changes. One example is the elderly. A large proportion of total public expenditure is directed at the needs of the elderly (and particularly the very aged) via social security, personal social services, health care and housing. We know that the numbers of the very aged, those over 75, are going to increase between now and the mid 1980s: there will be an additional 400,000 over 75s in 1986 compared with 1978. We also know that such groups are heavy demanders of public services (CPRS, Population and the Social Services, HMSO, 1975).

To adequately maintain service provision for the elderly, let alone increase such services, will inevitably involve increased spending by health authorities, social services, housing department and other bodies. In the late 1970s and the 1980s, we will need more not less domiciliary provision, health care and special housing for the old. To stubbornly hold back public spending for ideological reasons in defiance of demographic trends has to mean that the elderly in the future will suffer from declining standards of provision.

Increasing unemployment will also make a major impact on public expenditure. The baby bulge in the late 1950s and early 1960s will affect the labour market increasingly up to the mid 1980s. We already have 1 ½ million unemployed and little prospect of levels of economic growth sufficient to substantially dent the problem. Three independent estimates put registered unemployment at about 3 million by 1986. Actual numbers of unemployed have a significant impact on the size of the social security bill. Its rapid increase from £10 billion in 1972/3 to £13.2 billion in 1977/8 is clearly related to an increase from 460,000 to 1.18 million in the numbers receiving unemployment benefit and supplementary

The Conservatives argue that the effect of their economic policies will be to reduce unemployment. Later on we cast doubt on this hope. But even the hope is a long term one. There can be no doubt that in the short to medium term there will be greater numbers on the dole and a substantial increase in public expenditure on related benefits.

Conservatives would argue that some demographic changes, especially the falling number of births, will allow them to save public expenditure in various fields especially education, health and child benefit. To some extent this is true, but it is far too simple. In the first place, it can be argued that the fall in births is a splendid opportunity for increasing the quality of services for children in schools and hospitals, especially in inner city areas—keep expenditure at existing levels and fewer children will then receive more resources per head. Secondly, all our projections see the number of births (as opposed to the fertility rate) increasing again up to the mid 1980s. This is due to the baby bulge of the 50s and 60s reaching child bearing age. Thus compensatory savings are no where near as large as some like to suggest.

Many of our public services require higher expenditure if poor standards are to be raised, such as in health care. But even setting aside the case for improvement, there are several important trends that suggest that certain important groups (most particularly the old, young school children and the unemployed) will be increasing in numbers during the time of any future Conservative administration. All these factors suggest a growth in public spending, not as a means of increasing standards of provision, but merely to preserve existing levels of provision for a greater number of people.

If the Conservatives are prepared to meet these increasing demands and if they increase public spending, as they say they will, on certain items (especially the police and the armed forces) and if they hold down public expenditure to 1977/78 levels in real terms and they make substantial tax cuts, then the scale of cuts in some areas of expenditure will have to be very sharp. The Conservatives have been specific in some instances about which areas will be hit: housing, subsidies and Community Land Act expenditure. In other cases, they have been vague in the extreme: attacks on “waste, duplication and bureaucracy” will, in their view, reveal substantial savings. This claim is absurd in the case of, say, the NHS where there have already been major expenditure restrictions in the last few years. What is clear is that the Conservatives cannot be trusted with maintaining the quality of public care in Britain.
2. themes in Tory social policy

So far we have discussed the political and economic policy contexts in which any future Conservative government would be making its decisions about social policies. The party's rejection of the "Middle Way" makes it politically possible for such a government to decisively alter the nature and scope of the welfare state. Its commitments to lower direct taxation and to a substantial axing of public expenditure require major cuts in social services and benefits. But how will these take effect? How exactly will the welfare state fare under the Conservatives? In this chapter we identify and discuss some basic underlying themes and consider the impact of Tory policy in terms of: (a) cost of living; (b) selectivity and means testing; (c) the enhancement of privilege; and (d) policies for unemployment.

**cost of living**

Conservative policy would lead to a significant increase in the cost of living. First, the prices of ordinary goods and services would increase. Given their faith in competitive private enterprise, there will be no room for any effective government imposed price restraint. As The Right Approach says: "the present price controls (which were not designed to last forever) are doing more and more damage to business and industry. They have prevented investment, destroyed jobs and limited consumer choice. Further substantial relaxations of the Price Code are urgently required".

The Right Approach to the Economy adds: "we oppose broad price and profit controls. Such arrangements reduce not prices but jobs. The preservation and maintenance of fair competition is our central concern in this area. The Price Commission does not need to survive indefinitely as a separate institution. Nor do many of its present powers".

It is clear that there will be fewer and probably no effective restraints on the prices of ordinary goods and services under a Conservative government. Their decision to increase the rate of VAT will also lead to price rises. They will also phase out food subsidies, further pushing up the cost of food.

The second area of increasing prices will be housing. We discuss later why increases in rent in both the council and private sectors will be a deliberate part of Tory housing policy, the last Conservative government's 1972 Housing Finance Act being designated to do just that. Its worse effects were partly prevented by the same government's incomes policy (which involved holding back rent increases) but given the new Conservative antagonism to both price and income controls, this will not be a restraining influence in the future. Furthermore, Conservative leaders are looking to public housing subsidies as a major area for expenditure cuts. The Right Approach argues that "the disproportionate rise in council house rent subsidies represents part of the price of the 'social contract' which is paid by all those who are not a council tenant". The Tories do say "obviously we do not regard higher council house rents as being something good in themselves. But without a fair and realistic distribution of house costs there can be no real choice for very many people".

The third major reason for rising prices follows from a future Conservative Administration's policy on charges in social services. Charges are likely to be introduced or increased in a number of service areas for two reasons. It is Conservative policy to concentrate help on those in the greatest need; the corollary of this has always been a reluctance to provide free and universal services for all. Moreover, cuts in public expenditure involve wielding the axe in a number of directions, with free or subsidised services being obvious victims.

The still relatively free health service is a prime target. The Right Approach makes things clear: "where the service is short of funds for priority tasks, there is no case for holding down prescription and other charges". Existing charges (for prescriptions, optical and dental care) would rise under a Conservative government. Given the extent of the
promises to cut public expenditure, these increases are likely to be substantial. In the case of dentistry, the impact of higher charges could be disastrous, leading to the virtual collapse of the dental service. Even more daunting, however, is what the Conservatives have not yet said: their policy towards charging for hospital stays and visits to or from doctors. If public expenditure cuts are to be made, it is in areas such as these that charges will have to be levied. The party has been looking into such possibilities, but no decisions have been publicly announced. Meanwhile Joel Barnett has said what is likely to happen, arguing that the Conservatives would impose "large increases in prescription charges, say 50p per item. . . . They would charge for each visit to a doctor, say £1 per visit; they would charge for a stay in hospital, say £10 per week" (Guardian, 24 June 1978). Certainly NHS charges will have to be substantial if they are to raise the money the Tories require. The cost of administration alone rules out the imposition of low charges.

Such an attack on the concept of a free health service is not purely for financial reasons. It is deeply rooted in ideology; a shift towards widespread charges in the NHS is part of the strategy to promote private medicine. Aneurin Bevan noted that the National Health Service and the welfare state were terms of reproach to some people; he argued that "why this is so is not difficult to understand, if you view everything from the angle of a strictly individualistic competitive society. A free health service is pure socialism and as such it is opposed to the hedonism of capitalist society" (In Place of Fear, Heinemann, 1952).

The desire to levy charges will also affect the school meal service. In 1975-76, the gross cost of supplying school dinners was estimated at £476 million, the net subsidy being £331 million (Hansard, 5 February 1976, Column 697). This provides an obvious target for expenditure cuts. In simplistic contrast with another area of need, Patrick Jenkin has suggested that school meal charges will increase: "where is the sense, for instance, in forcing council to cut back on the services for children in care while cheerfully finding more money to subsidise the price of school meals—a subsidy which by definition gives no extra help to the poorest, for they get free school meals already" (Campaign Guide).

Health and school meals provide the two most obvious areas where public expenditure cuts will be made through either increases in, or the imposition of new, charges. However the overall expenditure cuts are likely to increase charges in other areas, especially personal social services and recreation.

Thus in several ways—higher prices in the shops, increased rents for council and private tenants and the drastic imposition of charges in health, education and other areas—the cost of living will rise quite dramatically under any future Conservative government.

selectivity: the expansion of means testing

Means testing is a major feature of the welfare state and is much criticised. On the one hand, large numbers of those eligible for means tested benefits fail to claim their entitlements, through ignorance of their existence, the system’s complexity or because of pride, independence or fear of stigma. On the other hand, those who do claim are often subject to the poverty trap, whereby increases in wages may leave a person little better off (or even worse off) as a result of the combined impact of tax payments, national insurance contributions and the loss of means tested benefits (such as family income supplement, free school meals, rent and rate rebates).

Would means testing decrease or increase under a Conservative government? On the surface, the possibilities seem encouraging. Patrick Jenkin, the shadow social services spokesman, has pointed to the absurdities of the present system and has noted that: "social security has become a maze in which millions of
people are lost every year" (speech, 8 November 1977). He puts great emphasis on the tax credit scheme as a way out of this maze and argues that its implementation will reduce means testing. Later in the pamphlet we argue that an acceptable and radical tax credit scheme is unlikely to be introduced by a new Conservative administration, with any scheme that is introduced not making a major impact on the scale and extent of means testing. In other ways, in contrast, it is very likely that the Conservatives will preside over a massive extension of means testing as a result of an ideological commitment to greater selectivity and the desire to reduce public expenditure.

Higher rents in the public and private sectors will lead to an expansion of means testing in housing. Given the nature of rent rebates and rent allowances (which depend on a needs allowance, gross weekly income and the level of rent) it is inevitable that large increases in rents will bring many more people within the ambit of means testing.

We have argued that a future Tory administration will increase school meal charges. Will this lead to an extension of means testing? The answer is not clear cut, but an extension of means testing is likely for two reasons. First, some parents who are currently entitled to claim free school meals for their children but who do not, because of pride or fear of stigma, may be forced into claiming if charges rise excessively. Second, it is likely that, as something of a quid pro quo for higher charges, the income eligibility levels will be raised, thus increasing the numbers entitled to free meals. The same process will take place with the existing means tests for prescriptions and optical and dental care. Charges will be raised, more people will feel a need to claim and eligibility limits may also increase. New means tests may also be introduced in the NHS. If charges for hospital stays and visits to doctors are introduced, a future administration is likely to feel bound to protect the poorest from the effects of these. Thus, as with prescription and school meal charges, new means tested provisions will come in.

In the field of income maintenance, it is also likely that there will be a major increase in means testing. Tory economic policies will result in higher unemployment and many of the new unemployed will remain out-of-work for some time.

There will therefore be a major increase in the numbers claiming unemployment benefit and means tested supplementary benefit. Within the supplementary benefit system we are already witnessing the changing face of poverty; whereas the elderly were the predominant group claiming benefits not so long ago, the unemployed are steadily becoming the crucial group. This process is likely to be dramatically speeded up if unemployment increases as we argue it will under a radical right administration.

Finally, there is the possibility that there may be greater emphasis on providing means tested help to families than is the case today. Following the 1970 election, the Tory government introduced means tested family income supplements, despite a clear pledge to raise family allowances. Since then, FIs has become a major cause of the poverty trap. Despite the support of Patrick Jenkin for the new child benefit scheme, this may be neglected in the future, a victim of public expenditure constraint, and in its stead emphasis will be placed on FIs. Thus the means test maze will grow more complex and difficult to negotiate. The poverty trap for Britain's poor will tighten its grip.

enhancement of privilege

A central element in the rhetoric of modern Tory politics is their belief in freedom and choice. In practice, such terms provide essential camouflage for policies designed to increase the privileges of the rich and better off. How privileges will be protected and extended can be discussed in relation to education, health and housing.

Any future Tory cabinet will naturally ensure the continued existence of inde-
pendent schools, allowing local authorities to take up places at these schools if they wish. The most privileged children would benefit in other ways too. It is likely that the move towards comprehensive schooling would slow down, or perhaps be reversed, as a result of Conservative policies towards the grammar school. Certainly their policy on the reorganisation of secondary education is inconsistent. On the one hand, they argue that comprehensive schools are a good thing and, on the other, that grammar schools must be retained because comprehensive schools are not good enough to do the job. They believe that grammar schools can exist alongside a comprehensive system. But their very existence in an area means that comprehensive schools are not getting their fair share of the most academically able children. Furthermore, their sixth forms are not large enough to attract the sort of staff needed to offer full opportunities to children at that level.

The same fallacy exists in Conservative arguments for reintroducing direct grant schools. If state education funds go to these semi-private schools, the most able children will be "creamied off" from the intake of the comprehensives, with the same results as with the grammar schools. The overall impact within the education system will be towards greater inequalities. Most children, and certainly the poorest, will go to comprehensive schools that are increasingly regarded as poorer than direct grant and grammar schools. This will result in fewer resources being made available for comprehensive schools. On the other hand, a minority of children, usually from the homes of better off parents, will benefit from privileged education, often subsidised by the state.

In the health field, the Tories have made it clear that they will encourage private medicine. The Right Approach states that "we should encourage rather than deter private provision. Increasing numbers of people have shown that they are ready to provide more for themselves; private medical insurance has doubled and redoubled over the last 20 years. It will be our aim to encourage this trend." Such encouragement would take different forms. First, the party will reverse the present government's run down of pay beds in NHS hospitals. Second, the party will support the expansion of the private sector outside the NHS: "we see no reason for quantitative control over the development of the private sector outside the NHS" (The Right Approach). This is a particularly important statement given the current expansion of private schemes and of plans for them. Finally, the party has made it clear that it will examine ways of providing greater financial incentives to employer-employee medical insurance schemes, for example by allowing income tax relief. These policies are interesting for they show that, despite support for private enterprise, Conservatives are prepared to subsidise private provision and give fiscal encouragement to enable it to exist alongside and within the public sector.

Although the private sector in medicine is relatively unimportant in terms of scale, it nevertheless provides a minority with privileged access to health care. The Labour government has rightly been trying to remove private provision from within the NHS. While it exists there will always be two nations when it comes to health provision. The Conservative Party has, though, made it clear that it will encourage the move towards private health care, thus increasing the divisions within society in terms of the health care that people receive.

In the housing field, the Tories have announced that they will extend the threshold up to which tax relief on mortgage interest payments is allowable from £25,000 to £35,000. This will be of substantial help to the very rich who will be relieved of paying tax at the higher rates. For example, at current interest rates, this increase would allow a further £1,000 of interest to be offset against tax. For a rich person, say paying tax at 50 per cent on the last £1,000 of his taxable income, this means an overnight windfall of £50 per week. This policy contrasts starkly with the general cut
back in public housing subsidies for the less well off.

policies for unemployment

If unemployment reaches anywhere near the forecast level of about 3 million by the mid-80s, then the issue will become even more crucial than it is now. Thus, the editors of the Conservative Research Department's *Campaign Guide* must have been embarrassed by the lack of party policy on unemployment. We are told there that "there can be no instant return to the levels of employment enjoyed under previous Conservative governments. Indeed, the danger is that as a result of the Labour government's actions we shall still have more than one million unemployed as we enter the next down turn in the trade cycle and that the fundamental measures which must be taken before industry can start to provide real jobs when the economic climate improves will still have not been adopted". Following this is a quotation from Jim Prior (24 August 1976) that "there can be no real revival of employment prospects until the government takes the necessary steps with its own spending to restore incentives for investment".

Conservative "policy" is at its most vague in this area. Platitudes abound and it is a question of *inferring* what their policy will be. In a speech to the 1977 Conference, Barney Hayhoe stated that there was "no salvation in increasing the size of the public sector" and that "there is no scope in the great nationalised industries for providing more jobs". In fact, he commented "the only hope for long term genuine jobs is private enterprise". Jobs will come from "big and small firms", the invisible sector, such as banking, insurance, tourism and the like, and (even more vaguely) "private welfare work". Thus, if elected, a Conservative government would have no specific plans to tackle unemployment—no spate of job creation or similar programmes. Rather they would rely (as elsewhere in their programme) on producing the right atmosphere in which so many things would apparently be possible. While doubting the absolute inevitability of this outcome, it can be argued that Conservative policies will increase unemployment for a number of reasons.

First, the Conservatives' cut back in industrial subsidies—their general rejection of the current industrial strategy—is bound to result in the loss of a mass of jobs. The idea that industry fulfils social as well as economic functions has little place in Conservative Party thinking. Private lame ducks, generally speaking, will be allowed to go to the wall. The National Enterprise Board will be substantially dismantled. Apart from jobs being lost by firms going out of business, more jobs will be lost in nationalised concerns like British Rail and Steel as a result of the withdrawal of government support and sympathy for the problems of such industries.

Second, there will inevitably be a loss of jobs resulting from public expenditure cuts. Such losses could occur in either the public or private sectors. The Conservatives assume that greater incentives and freedom in the private sector will produce a net gain of jobs. The costs in higher unemployment are certain and short term; the benefits much less certain and long term.

Third, the revival in private manufacturing that is so avidly sought after by the Conservatives will, if it occurs, lead to a *shedding* of jobs in the short term as new capital investment is made. In the past, employment losses resulting from productivity gains in this sector have been partly offset by an increase in public sector job opportunities. If the Conservatives have their way, this will not happen in the future.

Slow economic growth, demographic change and existing high levels of unemployment will all lead to severe unemployment problems at least for a decade. Not only do the Conservatives have few direct policies to cope with it, but some of their policies will inevitably exacerbate the problem.
3. Case studies: housing and social security

In the last chapter we looked at the impact of Tory policies on a number of issues. Here we focus on housing and social security to review in detail the effect of the new Conservatism.

Housing: undermining the welfare state

The major Tory objective in the housing field has already been noted: the making of major savings in public expenditure. A Conservative government intends to cut public housing subsidies by raising rents, cut public housing investment, increase income and cut subsidies by selling off council housing. Perhaps no other social policy area is to be sacrificed so determinedly to the Tories’ doctrinaire flirtation with monetarism.

The second major objective is to enhance the role of the private market in satisfying people’s housing needs. One element here is their attempt to resurrect the private landlord. Firstly, there is a concern to fix rents such that landlords get a higher return on their investment. Secondly, the landlord must be able to gain more control over his property and this is to be brought about by the introduction of a short hold tenure. These would be short term lettings applying to new lets, on the expiry of which landlords could regain possession automatically if they do not intend to relet the property. All experience of landlords in tight housing markets such as London is that this reduction in security of tenure will be used “imaginatively” to extract higher rent and reduce the de facto rights of tenants. Tenants will be willing to go along with landlords’ wishes during the short hold period in order to maximise the chances of obtaining a relet after it has expired.

But by far the most important Tory aim in extending the private market is to increase owner occupation to about 80 per cent of all dwellings by the late 1980s. This aim can be supported, yet it is difficult to imagine more inequitable and divisive means than those chosen by the Tories to achieve it. Firstly, builders and landowners are to be encouraged by the repeal of the Community Land Act and a sharp reduction in the rate of land development tax. Their existence now, the Conservatives believe, prevents the market working effectively by producing a land famine. However, all previous attempts at tackling the land question show that it is not the existence of legislation and taxation that is the problem, but the promise by the Conservatives to repeal it when they return to office! Moreover gains in development value accruing to private land owners who through their own work have done nothing to deserve it are unacceptable on equity grounds and prevent the efficient use of land for social purposes.

A further method of extending owner occupation is to make public housing a much less attractive alternative. Limits to new public building and the sale of council housing will strictly limit the physical availability of council housing. At the same time Tories wish to see rents rising sharply in the public sector. Thus the Tories hope that new entrants would be discouraged and existing tenants hopefully forced out by the reduction in the differential costs between the public and the private sectors. (Of course this differential is to be narrowed not by reducing the cost of owner occupation but by increasing the cost of public renting.) This policy hardly squares with the Tory aim of increasing choice: people’s choice to obtain low cost decent housing in the public sector will be severely curtailed and their “choice” of obtaining housing at higher cost either within or outside that sector will be increased.

A third way of achieving owner occupation is directly selling off council housing to public tenants, thus changing their tenure status overnight. If 80 per cent owner occupation is to be achieved by the 1980s, this must be the major method used. This policy more than any other shows that on the other side of the Tory coin of owner occupation is a decimated public sector, playing only a residual role in meeting housing need. It will provide in the long run for “those in greatest need” who, in Tory literature and speeches, are always the disabled and
the old and in some cases the very poor. Thus public housing is not seen by the Tories as an acceptable form of tenure for a substantial proportion of the population.

How will such a policy work in practice? In the first place, there is the practical problem of whether council tenants can afford to buy their dwellings, even with discounts. In many parts of Britain, the relationship between wages and house prices makes a significant number of sales very unlikely (especially as many public tenants are also public sector workers who under a Tory government will have their wages strictly controlled). On the other hand, such sales as do take place will be of the best housing in the public stock: no one is going to want poor quality housing in poor locations, high rise flats and the like. Thus the public sector will, if the policy succeeds to any degree, come to contain poorer and poorer quality housing. This severely restricts choice for the remaining public sector tenants and for those entering the public sector for the first time. Many tenants improve their housing conditions by transfers within the public stock. This would be made very difficult. The curtailing of choice would be even more severe for so-called "problem families". The Tories recognise that people will not buy their council houses unless they have been given undertakings that problem families are not housed nearby in homes unsold as this would adversely affect the value of their property (Sale of Council Housing, Conservative Central Office, 1978). This policy then is an open invitation to concentrate problem families in poor quality estates. Selling council houses merely increases the likelihood of segregation.

It seems that the Tory policy of extending owner occupation is an attempt to systematically undermine one of the main props of the welfare state. Public housing has its faults and its problems, but it has been the means whereby many working class families have been able to obtain good housing—better housing than they could ever have commanded in the market. Given a continuation of the existing distribution of income, this will remain true. The Tories wish to reduce the role of the public sector, to destroy its legitimacy as an acceptable and desirable form of housing provision which has been slowly and painfully built up during this century. This legitimacy was based considerably on the large size of the sector and the wide cross-section of the people in it. Society is much more likely to be tolerant of large groups than of small: 30 per cent of the population can hardly be stigmatised. As the public sector becomes associated with the failures in society, standards will inevitably fall.

The Tories housing policy reflects a lack of concern with the housing problems of ordinary families in housing need. Such groups do not involve just the aged and the disabled but also those in old local authority property in the inner city, those in poor conditions in the private rented sector and young couples having to share with in-laws with no hope, given housing costs and low incomes, of obtaining private housing. Other than measures to help first time buyers with deposits, there are few positive policies to help these people and a large number of negative policies to hinder them.

If we take what Tory spokesmen have been talking about for the last 18 months, the priorities within the housing programme will be the sale of council housing, raising rents, the repeal of the Community Land Act, the reduction of the development tax and the introduction of short-hold tenure. These priorities can give scant comfort to those of our people still remaining in poor housing conditions.

**tax credits: radical reform or damp squib?**

Central to the Conservatives' future plans for social security is the tax credits scheme. It is central because it provides them with a vehicle for introducing a number of more specific policies. These include proposals about child support, taxing unemployment and sickness benefits and more help for the elderly. The Conservatives argue that tax credits
would represent a major step forward. Surely, they argue, it is illogical and wasteful to have the two separate systems. On the one hand, the Inland Revenue concerned primarily with collecting money, but also with allowing tax deductions for children, house purchase, insurance and so on. On the other hand, a system of social security that pays money out on the basis of need—to the old, the unemployed, the sick, to families with children via a host of stigmatising means tests. The failure to co-ordinate the two systems has caused a number of problems. Thus many poor people claiming means tested benefits are paying income tax and are often caught in a poverty trap.

Under the Conservatives’ original tax credit scheme in 1972, personal tax allowances are converted into a non-taxable credit. Depending on a family’s income and size, tax would either be payable or a “credit” awarded. Thus one of the advantages of the scheme is the benefit to low income families of credits as against tax allowances (which they may be too poor to benefit from).

A further advantage of the 1972 proposals was that “something like a million national insurance beneficiaries, most of them retirement pensioners, might have their incomes raised above supplementary benefits levels” (Proposals for a Tax Credit System, HMSO, 1972). Additional attractions include the sheer clarity of the scheme and the theoretical possibility of its future extension to include housing costs. In principle, tax credits have many advantages and the scheme has a number of Labour supporters. However, much depends on the details of any proposal. The Tories 1972 plan was open to a number of criticisms.

First, due to the simplicity of the proposed system, the distribution of benefits would be far from equitable. As Joel Barnett and Robert Sheldon observed: “In the illustrative scheme, to provide £150 million for those with income less than £1,000 (9,850,000) it is necessary to give £45 million to 650,000 with incomes over £5,000. In all 88½ per cent of the total goes in benefits to those with over £1,000.”

But one cannot just view the question of distribution in terms of benefits. The distribution of the costs of the scheme is also critical. The Green Paper was extremely vague on the question of where the money was to be found (in 1972, £1,300 million) and feebly stated that it would only be possible to introduce the scheme at a substantial cost. Critics of the proposed scheme argued that this was a fundamental question and that on its answer depended very much the overall equity and redistributive effects of tax credits.

Another major criticism of the scheme was the relatively limited impact on means testing. Only 43 would be largely replaced, leaving some 43 means tests intact. It is also arguable that with the resources available for tax credits, more could be done to directly attack poverty by raising pensions and other benefits.

Moreover, the essence of tax credits is simplicity but the price of a very simple scheme is a less progressive tax system than that operative under PAYE. The reasons for this are clear. Under the Conservatives’ Green Paper proposals, the vast majority—an estimated 99 per cent of income tax payers—would pay tax at the basic rate. A more progressive tax credit system, with more tax rate bands, is possible but would need more staff (in fact more staff than are now required to administer PAYE). Given the Tories’ obsessive desire to reduce the number of civil servants, it is very unlikely that such a change would be contemplated.

What is the current Conservative position on tax credits? How has the party’s position changed since the 1972 Green Paper? In brief, tax credits remain central to their policies on social security. The Right Approach regards them as “the greatest step forward in social security reform and provision for the poor since Beveridge”. However, since 1972 the Conservatives have become more cautious in their advocacy of tax credits. As well
they might, for the cost of implementing the Green Paper proposals is now colossal—estimated at £6,000 million. Consequently, Patrick Jenkin told the 1976 Conservative Party Conference: “I give you this pledge: we remain totally committed to the tax credit principle. But...we have to recognise that we cannot do it all at once.”

The scheme would have to be phased in. The first step is the development of the child benefit scheme (introduced, albeit after some hesitation, by the Labour government). This has already integrated family allowances and child tax allowances. Despite Mr Jenkin’s view that “we must concentrate relief where there are dependent children” (Blackpool, 1977), it is doubtful whether this pledge can be honoured. His leader is committed to public expenditure cuts and to selectivity. Frank Field has noted that “he has yet to be supported in public by any of his senior colleagues and Mrs Thatcher remains as ignorant as anyone on the extent to which families have been discriminated against over the last few years” (Guardian, 2 March 1978).

The second part of the tax credit package concerns pensioners. This involves substituting tax credits for personal tax allowances. This is an attractive policy and could, depending on the level of credits, lead to a substantial reduction in the numbers of the elderly drawing means tested supplementary pensions. But it would prove very costly and therefore would be out of character for a new Tory administration.

Moreover, the administrative burden on employers would be formidable, if not impossible. They would have to use the present cumulative PAYE scheme for those under pension age and a non-cumulative tax credit based scheme which taxed every £1 for those over pension age. It is unlikely that pensioners would understand why every £1 they earned was taxed. There would be widespread confusion and evasion. This is the typical shallow thinking of Tory policy makers. The third part of the strategy concerns the non-elderly poor. Here the Tories use a curious argument to demonstrate how tax credits could be introduced for this group. They argue that, since tax thresholds are so low and consequently the number not paying tax is so small, tax credits for this group will be very inexpensive: “Since significantly fewer people will benefit the cost of tax credits is reduced correspondingly. Indeed, the tax allowances are now so abysmally low that the substitution of tax credits for this section of the population can probably be achieved at virtually nil cost” (Campaign Guide).

Will the Tories introduce tax credits for this group “at virtually nil cost” with a net benefit for only a small number? Or will they raise tax thresholds as they are pledged to do? Surely, priority must be given to raising the threshold, rather than using its low level as a way of introducing tax credits on the cheap? However, if thresholds are raised, the tax credit proposal will become expensive and will therefore be given low priority by a new penny-pinching government. In any case nothing can be done quickly. A lead-in time of about four years is essential to introduce such a complicated system—to prepare computers and get employers to understand it.

The tax credit scheme is at the centre of Tory social policy, but close examination shows it to be either positively undesirable or, at best, a damp squib. The cost of introducing the type of simple scheme then advanced in 1972 would be greater inequity in our tax system. A substantial scheme (such as that proposed in the 1972 Green Paper) would be very expensive, much of the money spent would benefit the better off, and more positive and equitable ways could be found of spending such resources. But any future Tory administration will not fund a substantial scheme. The introduction of a scheme at nil cost would make no impact on poverty, but the Conservatives are unlikely to give any real priority to tax credits. Massive means testing will remain and even grow as a result of increased, and possibly new, social service charges, housing policies and the rising tide of unemployment.
4. increasing inequalities

"There is a saying in the Middle West of the United States of America: 'Don't cut down the tall poppies—let them rather grow tall'. I say 'Let our children grow tall—and some grow taller than others, if they have it in them to do so.'" Margaret Thatcher, New York, 15 September 1975.

The overriding conclusion from this review of Tory social policy is that a future Conservative Administration under the leadership of Mrs Thatcher would introduce policies that would produce more inequality in British life. To some extent, this will be the by-product of other policies, but it will also be a conscious strategy in its own right. It is based on a belief that capitalism needs more inequality, not less, and an assumption (much disputed) that Britain has become a more equal society. Margaret Thatcher has observed that "the fact about economic inequality (as opposed to the myth) is that the rich are getting poorer and the poor are getting richer" (Let Our Children Grow Tall).

The distribution of income will become more unequal under a Conservative government. The overall impact of proposed tax changes will favour higher income groups (and companies). Also the cost of living will rise as a result of their policies. The price of ordinary goods will increase, social service charges will be introduced or raised and both council and private tenants will have to pay substantially higher rents. Against this, rich owner occupiers will benefit considerably from Tory policy.

Poverty will become a growing problem. Many more workers will become unemployed and dependent on unemployment and supplementary benefits. Means testing will grow in importance and the Tory obsession with scrounging will ensure that means tested services become stigmatised ones.

The reduction in public spending will lead to vast cuts in the amount and quality of provision in education, health, welfare, recreation and other fields. The public would suffer from the increasing squalor and meanness of public provision, from less well equipped schools, poorer domiciliary services, higher charges for swimming pools and other recreational facilities, poorly kept parks and lower quality hospitals and clinics.

The better off will be protected from some of the adverse effects of this decline in public provision. They, but they alone, will be able—indeed encouraged—to buy education in the private sector for their children and to purchase preferential health care for themselves and their families. This is the inevitable consequence in a society where the ethics of the market place replace the values of public services.

Tory policies will also lead to growing inequalities between different geographical areas in Britain. Given the emphasis on enterprise and less governmental interference, any regional policy will be pursued with less vigour than in the past. Traditional industries will be left to decline or go out of business. Unemployment, affecting both skilled and unskilled workers, will bite hardest in the already depressed regions.

A similar approach to the problems of inner city residents must be expected. Without governmental intervention, there will be a decline in the number of jobs available in the inner cities. The physical environment will further deteriorate and social problems will multiply. If left unchecked, the forces of the free market will wreak havoc on the incomes, hopes and opportunities of inner city residents. Black and white alike will suffer, but in some areas problems will be perceived in racial terms. As a recent White Paper noted, increasing decline will lead to "mounting social bitterness and an increasing sense of alienation" (Policy for the Inner Cities, HMSO, 1977).

Towards the uncaring society

The social policies of the new Tory Party are determined by the market philosophy and monetarist beliefs of its economic strategy and are influenced by an ideol-
logical dislike of the welfare state. In this pamphlet, we have shown how the new Toryism will make its impact on the welfare state. We do not argue that a future Conservative administration would dismantle it—that is too crude. But we do say that the new policies would change the character of large parts of it and would effectively be the first steps towards a more selective and residual welfare approach.

This residual approach would be one of several Tory policies designed to lead British politics away from the middle ground. In the past, eminent Tories have proudly proclaimed their following of the "middle way". But no more, and with this change must go any pretence to represent "One Nation". The new Conservative politics is class politics. Its major beneficiaries will be the rich and the powerful; its main casualties, the poor and the weak. But this new approach is thwarted with danger. Social policies have become an established part of our democracy, offering a powerful force for social integration and unity. Moderate and wiser Conservatives recognised this and to them the welfare state became a way of building "One Nation". Will this now be thrown over because of a dangerous romance with the private market, a market which Peter Walker warns "condemns the weak and therefore becomes a powerful source of social disorder" (Guardian, 28 June 1978)?

There will be some who will argue that, were Margaret Thatcher to form a government, her policies would in fact be moderate and sensible. Such observers dismiss the right wing noises emanating from the Tory Party as very much the stuff of opposition. Once in office, the argument runs, wiser counsels will prevail. We do not accept this easy scenario. It does not square with the determination that comes through Mrs Thatcher's and Sir Keith Joseph's speeches; it does not relate to the party's commitment to cutting taxation and public expenditure; and it assumes moderating influences that we find difficult to detect. Who will stand against the drift to the right, the so-called liberal wing of the Parlia-

mentary Conservative Party? These "liberals" have recently been tested and failed. Following their leader's announcement of her new "policy" on race (an issue where Tory moderates might have been expected to show their mettle), a strange and terrible disease gripped the "left" of the party, rendering all but a few brave individuals speechless. This affliction is certainly a recurring one and is likely to become more serious if the Conservatives gain power and the future of ambitious back benchers depends on the patronage of the right wing leadership.

So there is no reason to doubt that a considerable number of specific right wing proposals would be implemented. Yet just as worrying as these specific policies are the basic instincts of any Tory government, instincts which would operate when faced with a host of unforeseen events and circumstances. Conservatives, and Margaret Thatcher in particular, are proud to proclaim the values of enterprise, hard work, self-reliance and excellence; these could be realised by the extension of what they term personal "liberty". It is towards this political goal that most of their economic as well as social policies are directed. But it is the kind of liberty that Tawney warned us against fifty years ago: liberty to be greedy, to be selfish, indulgent, to be aggressive and unthoughtful and to disregard the plight of those in misfortune. The Tories would attempt to impose upon us a moral order based on selfishness and materialism. And it is for this that they should be indicted above all else.
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<table>
<thead>
<tr>
<th>Number</th>
<th>Author(s)</th>
<th>Title</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>320</td>
<td>Nicholas Falk, Haris Martinos</td>
<td>Inner city</td>
<td>45p</td>
</tr>
<tr>
<td>321</td>
<td>David Eversley</td>
<td>Planning without growth</td>
<td>45p</td>
</tr>
<tr>
<td>322</td>
<td>Paul Lewis and others</td>
<td>Inflation and low incomes</td>
<td>50p</td>
</tr>
<tr>
<td>327</td>
<td>Howard Glenister (ed)</td>
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<td>55p</td>
</tr>
<tr>
<td>328</td>
<td>Anne Corbett</td>
<td>Whose schools ?</td>
<td>40p</td>
</tr>
<tr>
<td>329</td>
<td>Rosalind Brooke</td>
<td>Advice services in welfare rights</td>
<td>60p</td>
</tr>
<tr>
<td>331</td>
<td>Chris Ralph</td>
<td>The picket and the law</td>
<td>60p</td>
</tr>
<tr>
<td>332</td>
<td>Roy Manley, Helen Hastings</td>
<td>Influencing Europe</td>
<td>55p</td>
</tr>
<tr>
<td>333</td>
<td>Nicholas Bosanquet</td>
<td>Economic strategy: a new social contract</td>
<td>75p</td>
</tr>
<tr>
<td>334</td>
<td>Carl Wilms Wright</td>
<td>Transnational corporations</td>
<td>75p</td>
</tr>
<tr>
<td>335</td>
<td>Vincent Cable</td>
<td>Import controls: the case against</td>
<td>70p</td>
</tr>
<tr>
<td>336</td>
<td>Christopher Parsons</td>
<td>Finance for development or survival ?</td>
<td>75p</td>
</tr>
<tr>
<td>337</td>
<td>Robin Cook, Dan Smith</td>
<td>What future in NATO ?</td>
<td>75p</td>
</tr>
</tbody>
</table>

### Tracts

<table>
<thead>
<tr>
<th>Number</th>
<th>Author(s)</th>
<th>Title</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>430</td>
<td>Jeremy Bray, Nicholas Falk</td>
<td>Towards a worker managed economy</td>
<td>30p</td>
</tr>
<tr>
<td>438</td>
<td>Anthony Crosland</td>
<td>Social democracy in Europe</td>
<td>55p</td>
</tr>
<tr>
<td>442</td>
<td>William Brown, Keith Sisson</td>
<td>A positive incomes policy</td>
<td>40p</td>
</tr>
<tr>
<td>444</td>
<td>Sue Ashitani</td>
<td>Britain's migrant workers</td>
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<tr>
<td>445</td>
<td>John Tilley</td>
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</tr>
<tr>
<td>446</td>
<td>John Gyford, Richard Baker</td>
<td>Labour and local politics</td>
<td>50p</td>
</tr>
<tr>
<td>447</td>
<td>Muir Gray and others</td>
<td>A policy for warmth</td>
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</tr>
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<td>448</td>
<td>Lisanne Radice</td>
<td>Reforming the House of Commons</td>
<td>50p</td>
</tr>
<tr>
<td>449</td>
<td>Rod Northaw, Richard Corbett</td>
<td>Electing Europe's first parliament</td>
<td>60p</td>
</tr>
<tr>
<td>450</td>
<td>Colin Phipps</td>
<td>What future for the Falklands ?</td>
<td>50p</td>
</tr>
<tr>
<td>451</td>
<td>Dianne Hayter</td>
<td>The labour party: crisis and prospects</td>
<td>60p</td>
</tr>
<tr>
<td>453</td>
<td>Nicholas Falk</td>
<td>Think small: enterprise and the economy</td>
<td>75p</td>
</tr>
<tr>
<td>454</td>
<td>Society of Labour Lawyers</td>
<td>Legal services for all</td>
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<td>David Watkins</td>
<td>Industrial common ownership</td>
<td>65p</td>
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<td>456</td>
<td>Chris Smith</td>
<td>National parks</td>
<td>65p</td>
</tr>
<tr>
<td>457</td>
<td>Tom Crowe, John H. Jones</td>
<td>The computer and society</td>
<td>50p</td>
</tr>
</tbody>
</table>

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<table>
<thead>
<tr>
<th>Number</th>
<th>Author(s)</th>
<th>Title</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>37</td>
<td>David R. Allan</td>
<td>Socialising the company</td>
<td>50p</td>
</tr>
<tr>
<td>38</td>
<td>Young Fabian steel group</td>
<td>Crisis in steel</td>
<td>30p</td>
</tr>
<tr>
<td>42</td>
<td>Martin Smith</td>
<td>Gypsies: where now ?</td>
<td>40p</td>
</tr>
<tr>
<td>43</td>
<td>David Heald</td>
<td>Making devolution work</td>
<td>70p</td>
</tr>
<tr>
<td>44</td>
<td>Melvyn Westlake</td>
<td>World poverty: the growing conflict</td>
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<tr>
<td>45</td>
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<td>David Elliott</td>
<td>The Lucas Aerospace workers' campaign</td>
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</tr>
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<td>47</td>
<td>Tom Schuller</td>
<td>Education through life</td>
<td>65p</td>
</tr>
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</table>

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<thead>
<tr>
<th>Author(s)</th>
<th>Title</th>
<th>Format</th>
<th>Price</th>
</tr>
</thead>
<tbody>
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<td>R. H. S. Crossman and others</td>
<td>New Fabian Essays</td>
<td>cased</td>
<td>£1.75</td>
</tr>
<tr>
<td>Brian Abel-Smith and others</td>
<td>Socialism and affluence</td>
<td>paper</td>
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<td>Peter Townsend and others</td>
<td>The fifth social service</td>
<td>paper</td>
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</tr>
<tr>
<td>George Cunningham (ed)</td>
<td>Britain and the world in the 1970s</td>
<td>cased</td>
<td>£3.00</td>
</tr>
</tbody>
</table>
deserting the middle ground: tory social policies
As we approach a general election, a group of Fabians have put together their assessment of what a government led by Margaret Thatcher could mean to our welfare state. Their conclusions do not make happy reading. The Conservatives’ recent sharp move to the right, to a philosophy of “freedom” for the privileged and minimum help for the disadvantaged, bodes ill for housing, education and social welfare provision. The enormous progress made in this country—by both Labour and Tory governments—in building a safety net to cushion those ill equipped (through age, infirmity or chance) to deal with the contingencies of modern life will be not just halted but reversed. Private provision—for the rich—in housing, education and health will be promoted, leaving a residual role for the public service which, in consequence, may be starved of talent and resources. This pamphlet shows what might happen if the Tories came to power and, by implication, points to the tremendous importance of retaining a Labour government.

fabian society
The Fabian Society exists to further socialist education and research. It is affiliated to the Labour Party, both nationally and locally, and embraces all shades of socialist opinion within its ranks—left, right and centre. Since 1884 the Fabian Society has enrolled thoughtful socialists who are prepared to discuss the essential questions of democratic socialism and relate them to practical plans for building socialism in a changing world. Beyond this the Society has no collective policy. It puts forward no resolutions of a political character. The Society’s members are active in their Labour parties, trade unions and co-operatives. They are representative of the labour movement, practical people concerned to study and discuss problems that matter.

The Society is organised nationally and locally. The national Society, directed by an elected Executive Committee, publishes pamphlets and holds schools and conferences of many kinds. Local Societies—there are one hundred of them—are self-governing and are lively centres of discussion and often undertake research.