

Liberals have been locked in political conflict with Conservatives for most of the 150 years since the Liberal Party was formed. Yet there are signs that relations between them, which reached a nadir in the mid 1990s when the Liberal Democrats entered into an informal, anti-Tory alliance with Tony Blair's Labour party, are now improving.

In part, this is a simple consequence of their shared, decade long experience of opposing the Blair and Brown administrations. But, to a much greater extent than is commonly understood, it is also the result of a significant congruence of opinion between leaders David Cameron and Nick Clegg. These two declared liberals share a vision of a new, 'post-bureaucratic' politics in which power is devolved, not just from central to local government, but from government at all levels to individuals, families and communities.

Despite their similarities, the two parties and their leaders continue to attack each other with undiminished vigour. But are their differences as profound as they would have voters believe? In seeking to answer this question, this paper focuses on the underlying values, instincts and attitudes which shape the parties' policies. It seeks to identify whether, in each of the main policy areas, some form of cross party collaboration might be possible. Finally, it explores what this could mean in the event of the next general election resulting in a hung parliament.

### Values and approach

By challenging the Conservatives to become more socially liberal, David Cameron has made his party less objectionable to Liberal Democrats. By challenging the Liberal Democrats to become more economically liberal, Nick Clegg has made his party less objectionable to Conservatives. And by developing a similar liberal critique of the current government – as too centralised, too big and too interfering – Cameron and Clegg have committed their parties to the same over-arching political challenge: to break decisively from New Labour's top down, centrally planned approach to governance and put real power back in the hands of the British people.

This is how Nick Clegg summed it up in the autumn of 2007: "I want the Liberal Democrats to stand for a new kind of politics. A politics of people, not systems; of communities, not bureaucracies; of individual innovation, not administrative intervention. The days of big government solutions – of 'the man in Whitehall knows best' – are now coming to an end."

David Cameron, speaking in the same month, used similar language: "We've always been motivated by a strong and instinctive scepticism about the capacity of bureaucratic systems to deliver progress. Instead, we've always preferred to place our trust in the ingenuity of human beings, collaborating in messy and unplanned interaction, to deliver the best outcomes."

# LIB-CON:

## can the Lib Dems and Conservatives co-operate?

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Julian Astle  
Mark Bell

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Emboldened by the commonality of political purpose implicit in these statements (and no doubt keen to make mischief for the newly elected Liberal Democrat leader), Cameron subsequently invited the Liberal Democrats to join with him to "create a new progressive alliance to decentralise British politics". He added that the parties' social and environmental policy goals would never be achieved "as long as we rely on top down, centralised state mechanisms".

Clegg rebuffed the approach, pointing to the substantial differences that continue to distinguish the parties. Of these, two are particularly fundamental.

The first relates to the parties' attitudes to social justice. Conscious that his predecessors' perceived indifference to the plight of the poor had badly

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damaged the Tory brand, David Cameron was quick to promise a more compassionate, progressive form of conservatism. Shortly after becoming leader in 2005 he said: "In the end, the test for our policies will not be how they affect the better off, but how they help the worst off in our country – empowering them to climb the ladder from poverty to wealth". Yet two years later, the Conservatives made a £3 billion cut in inheritance tax (IHT) the centrepiece of their fiscal policy. According to the Institute for Fiscal Studies, this change would have benefited only the richest 6 per cent of the population. That it would likely also increase inequality and reduce social mobility was little commented on at the time. But it was noticed by Liberal Democrats, many of whom are deeply sceptical that the Conservative leadership will ever place the needs of the poor above the claims of its own more affluent supporter base.

The other touchstone issue for both Liberal Democrats and Conservatives relates to their views of Britain and its role in the world. The Liberal Democrats are an internationalist party that feels uncomfortable with overt patriotism. The Conservatives, by contrast, have tended to place greater emphasis on national identity: their annual conference no longer ends with a rendition of 'Land of hope and glory' but they remain deeply hostile towards the EU and squeamish about mass immigration.

**Verdict:** The Liberal Democrats and Conservatives have developed a common liberal critique of the current government. In the process, they have highlighted the high degree of overlap between their conceptions of good governance. But profound differences remain. Most Liberal Democrats are deeply suspicious of the Conservatives' commitment to social justice. And on the issue of how 'open' Britain should be to the outside world, the parties remain poles apart.

### **The environment**

The Liberal Democrats have long championed the environmental agenda and have put in place a number of detailed, costed green policies. They are committed to an £18 billion 'green tax switch' (cutting income tax and raising taxes on polluters and the very rich) as part of their plans to achieve a carbon neutral Britain by 2050. In addition, the party advocates the development of a non-carbon, non-nuclear power system, and a radical shift in the transport balance – away from road and air travel, towards rail.

The environmental umbrella group, The Green Standard, gave the Liberal Democrats the highest marks of the three parties in its report 'How green are the parties?'. It argued that the Liberal Democrats offered: "The strongest set of policies on climate change, green taxation and green living." The report's verdict on the Conservatives was more mixed. It noted that under Cameron the

Conservatives have substantially raised the profile of environmental issues. However, it criticised the lack of defined policy positions and raised concern as to whether they would take firm action on environmental issues in government.

To what extent this concern proves justified will depend on whether the recommendations of the Conservative's Quality of Life Commission win out over those of its Competitiveness Commission. The two reports contain very different analyses and recommendations. While the broad aims of the Quality of Life Commission's report were warmly welcomed by David Cameron, his shadow chancellor George Osborne has since distanced the leadership from several of its more controversial proposals.

The Conservatives have also shifted their position on nuclear power in recent months. Having previously viewed nuclear as an option of last resort, they now support the building of a new generation of power stations – something the Liberal Democrats have consistently opposed.

**Verdict:** The Liberal Democrats will be watching closely to see whether David Cameron's rhetorical commitment to the environment is translated into hard policy. Should that happen, there is good reason to believe that the two parties could co-operate on the environmental agenda – and possibly more broadly – in the future. In the event that the Conservatives and Liberal Democrats were to form a coalition government, this issue would probably provide the rationale: the argument being that by mixing Tory blue and Lib Dem yellow, you do indeed get green.

### **Security, home affairs and immigration**

The Liberal Democrats and Conservatives have stood together in opposing important parts of the government's national security and counter terrorism agenda. Both are opposed to the introduction of ID cards. Similarly, the parties worked together with Labour backbenchers to defeat the proposed extension of detention without charge to 90 days.

On crime and punishment, by contrast, the parties remain some distance apart. Nick Clegg has repeatedly condemned the government and Conservative party for competing to appear 'tough on crime', which he believes has stifled debate about the effectiveness of the criminal justice system. Although David Cameron pledged to tackle the causes, as well as the symptoms, of crime (in what the media dubbed his 'hug a hoodie' speech), his criminal justice policy differs little from those of his predecessors. Warning of "anarchy in the UK", Cameron promises to bring "zero tolerance policing to the streets of Britain", increase the number of prison places and scrap the government's early release scheme.

But it is on immigration where the most significant differences between the two parties lie. The Conservatives remain sceptical of the benefits of mass immigration and have proposed annual limits at a level "substantially below" the current rate. The Liberal Democrat emphasis is different. They too favour a points-based system for managing the flow of economic migrants into Britain. However, they are not prepared to set annual limits and do not share David Cameron's view that there are

significantly too many foreigners entering the UK at present. Further, the Liberal Democrats stand alone in offering the estimated 500,000 illegal immigrants in the country an 'earned' route to British citizenship.

**Verdict:** Although the parties share some common ground on civil liberties, the gulf between them on crime and punishment and on immigration currently looks unbridgeable.

### Foreign policy

In a speech in 2006, David Cameron declared himself a "liberal conservative" on foreign affairs: "Liberal, because I support the aim of spreading freedom and democracy, and support humanitarian intervention; conservative, because I recognise the complexities of human nature and am sceptical of grand schemes to remake the world."

Many Liberal Democrats, while agreeing with the sentiment, would argue that Cameron's liberal rhetoric contrasts with his more neo-conservative record. Conservatives, both in parliament and in the country, backed Tony Blair's decision to invade Iraq with much greater enthusiasm than did the former prime minister's own Labour party colleagues.

But it is on the question of Europe that the parties are most at odds. While the Liberal Democrats emphasise the need for institutional and budgetary reform, they remain Britain's most pro-European party. Within the Conservative party, by contrast, euroscepticism is now the mainstream opinion: most pro-European Conservative MPs have defected, retired or died, leaving a party that, in David Cameron's view, can no longer remain a member of the European People's Party grouping of centre right parties. The Liberal Democrats and the Conservatives also disagree over the desirability of a referendum on the Lisbon Treaty, with the Liberal Democrats pushing instead for a plebiscite on Britain's membership of the European Union.

**Verdict:** David Cameron has attempted to distance his party from the Iraq war. However, his party's support for the war, combined with its enduring euroscepticism, is likely to strain relationships with the Liberal Democrats for the foreseeable future.

### Tax and benefits

Neither party is currently proposing to increase or decrease the overall level of taxation, but there the similarities end. The Liberal Democrats have promised a major re-balancing of the tax system, with a 4p reduction in the basic rate of income tax being offset by greater levels of green taxation and by closing various loopholes used by the very rich. In principle, the Conservatives also favour using the tax system to encourage environmentally sustainable behaviour, but are yet to make any detailed commitments. Their only specific tax pledges to date have been their promise to raise the IHT threshold to £1 million and to raise the stamp duty threshold to £250,000 for first time buyers. These will be paid for by a flat rate fee of £25,000 for 'non doms' (non domiciled foreign workers who work, but do not pay income tax, in the UK).

These proposals are fundamentally different. The Liberal Democrats' tax policies would benefit

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everyone on an income of £75,000 per year or less, while increasing the tax burden for those earning above that level. In contrast, the Conservative policy on IHT would have benefited only the richest 6 per cent of households, even prior to the government's recent increase of the IHT threshold. The impact of the Tory pledge on stamp duty would be felt lower down the income scale, but not so far down as to benefit the least well off. Cameron's pledge to use the tax system to support marriage also favours the more affluent. Since marriage and wealth correlate, any tax policy that discriminates against the unmarried will inevitably disadvantage the poor. The Conservatives hope that by doing so they will encourage poor, unmarried couples to marry – something they believe will benefit them, their children and the wider society. The Liberal Democrats reject both the policy and the logic on which it stands, arguing that in analysing the links between marriage and social welfare it is important not to confuse correlation and causation.

The two parties have voiced similar concerns about the complexity of Gordon Brown's means tested welfare system, and about the number of people on middle and upper incomes who have been drawn into it. They have welcomed the recent report by David Freud which called for the introduction of a single working age benefit and increased requirements on benefit claimants, with the particular aim of reducing the numbers on Incapacity Benefit (IB). The Conservatives intend to use any savings that accrue from these reforms to end the so-called 'couple penalty' in the tax credits system which gives single parents the same amount as is offered to couples. The Liberal Democrats are also in favour of removing the financial disincentives for couples with children to live together or to admit to doing so.

**Verdict:** There are substantial differences between the parties over taxation. The Conservatives plan to redistribute within the top income decile – taking from the 'super rich' to give to the 'rich'. The Liberal Democrats plan to redistribute more widely, using wealth and pollution taxes to reduce the tax burden for those on low and middle incomes.

### Education and health

Both parties believe decentralisation is key to driving up standards in education and health. To the Liberal Democrats, decentralisation has traditionally implied a shift of power from central to local government, though no further. But the appointment of two economically liberal MPs, David Laws and Norman Lamb, to the education and health portfolios has led to a shift of emphasis: where possible, decision making and purchasing powers are now to be devolved directly to parents and patients.

## ***Both the Liberal Democrats and the Conservatives are calling for radical supply side reforms to allow new independently run schools to open in the state funded sector***

Unsurprisingly, the Conservatives also support the greater use of market mechanisms (choice and competition) to drive up standards in schools and hospitals. But, in an important departure from previous policy, they are no longer seeking to provide escape routes out of the public sector – the objective of both the ‘patient passport’ and the ‘assisted places scheme’. Nor do they any longer propose “a grammar school in every town”, favouring instead a decentralised, diverse but non-selective education system as exists in Sweden. Both the Liberal Democrats and the Conservatives are calling for radical supply side reforms to allow independently run schools to open in the state funded sector. Both also propose the introduction of a ‘pupil premium’ – a quasi voucher system where money ‘follows’ the child with extra money following the most disadvantaged children.

The two parties should therefore be able to co-operate on education policy. But to do so, the Conservative leadership must convince its members that schools *should not* be allowed to choose pupils, just as the Liberal Democrat leadership will have to convince its members that pupils and parents *should* be allowed to choose schools.

The same could also be true of health policy, although here the Conservatives’ reform plans have been largely crowded out by the party’s populist campaign to “stop the cuts” in local hospitals. Nonetheless, Tory plans to scrap central targets and to devolve real power to doctors and patients suggest a similar direction of travel to that set out by the Liberal Democrats.

**Verdict:** The parties have coalesced around an agenda of decentralisation, diversity and choice. Their shared desire to put service users at the heart of public services reform could provide a foundation for future collaboration. This emerging consensus remains fragile, however, and does not yet include many on the right of the Conservative party or the left of the Liberal Democrats.

### **Constitutional reform**

For the Liberal Democrats, the introduction of proportional representation for Westminster elections remains the ‘holy grail’ – the key to the pluralist political system for which they have long campaigned. The party also wants the House of Lords replaced by an elected Senate, the creation of a written constitution and a British Bill of Rights, and the devolution of significant powers – including revenue raising powers – to local government.

The Conservatives’ plans are more modest. Under the chairmanship of former Chancellor, Ken Clarke, a democracy taskforce was established to decide how best to restore integrity to the governmental decision making process and to assist Parliament in holding the government to account. Most Liberal

Democrats would view its recommendations – moving certain powers from the executive to the legislature, strengthening the ministerial code and reducing the role of special advisors – as sensible but limited.

**Verdict:** While there is little in the Conservatives’ plans that could offend a constitutional reformer, they go nowhere near as far as the Liberal Democrats would like. The fact that the Conservatives are warming to the ‘localism’ agenda will be welcomed. But their refusal to countenance the abolition of the ‘first past the post’ electoral system for the House of Commons stands as a large and possibly insuperable barrier to the prospect of a formal governing coalition with the Liberal Democrats.

### **Conclusion**

The election of a self styled ‘liberal Conservative’ as Tory leader should have increased the likelihood of meaningful co-operation between the two parties. So far, such co-operation has been conspicuous only by its absence. There are several reasons for this.

First, the parties have spent most of the last century and a half eyeing each other suspiciously over the progressive-conservative divide. This mutual suspicion runs deep and will not be quickly or easily overcome. Policy positions may be ever changing, but the culture of a party, and the core instincts of its members, are not.

Second, there are good reasons to believe that the Conservative party is not engaged in as fundamental a re-invention as David Cameron would like the electorate to believe. At its 2007 conference, the party committed to reducing significantly the number of foreigners entering the UK, increasing the number of people in prison, and introducing a £3 billion tax cut for the wealthiest families in the country. Meanwhile, its hostility towards the European Union remains undiminished. Such an agenda can be justified, but not by reference to liberalism.

Third, the Liberal Democrats and the Conservatives remain in direct opposition in much of the country, particularly in suburban and rural England where Labour has little or no real presence. As long as the success of each party depends on the failure of the other, co-operation will prove difficult, if not impossible.

However, none of these factors obscures the central point: that the Liberal Democrats are today closer to the Conservative Party than they have been for many years. By attacking the government from the left, Charles Kennedy, an instinctive social democrat, managed to distance his party from Labour without ever bringing it closer to the Conservatives (a policy continued by Menzies Campbell). The same cannot be said of Nick Clegg, an instinctive liberal with no interest in leading Britain’s most left wing party. Under his leadership, the Liberal Democrats have resumed a position of ‘equidistance’ between the other two parties – a position they will attempt to hold until the next general election. If that election proves inconclusive, no one can predict with certainty which way Clegg and his colleagues might jump – something that could not have been said of the Liberal Democrats under Paddy Ashdown, Charles Kennedy or Sir Menzies Campbell.