



## FRASER NELSON\*

### “WINNING IS NOT ENOUGH”

## THE 2010 KEITH JOSEPH MEMORIAL LECTURE

### INTRODUCTION

1. It a great, unexpected and thoroughly undeserved honour to be asked to give this lecture. I'm of a generation that has no contemporary recollection of Keith Joseph – but, like anyone who seeks to understand today's politics, I have drawn on the articles, pamphlets and speeches that he wrote when battling for the free society 33 years ago. I wish I could say that I read them out of a sense of history, or nostalgia – but they are all too current. His words could have been written today, for tomorrow's problems. The issues we face – the politics of decline, wealth creation, taxation, the burden of big government – are arguments which the right had thought were settled years ago. But if Keith Joseph were here today, he'd be appalled at the extent to which today's politics looks like a remake of a 1976 horror-film. The original cast – people like Angus Maude, John Vaizey, Shirley Letwin and Tony Benn – have been replaced on the political stage by their offspring. Some of the narrative details are the same: the threat of an IMF bailout looms; a Tory by the name of Nigel Lawson is still raising hell on the backbenches. But, most ominously, the political fallacies of the 1970s are leaping out from their graves. The notion that you squeeze more out of the rich by increasing their marginal tax rate. The idea that one improves the health service by pouring money into it. The ideological demons that Keith Joseph had thought slain have come back again. And, just like last time, some of these demons are wearing a blue rosette.
2. David Cameron was elected Conservative leader at a very different time – when politics seemed to be about tone, style and image. His mission was to detoxify the Tory brand so it was no longer seen as the “nasty party.” Yet, soon, he will end up fighting a blood-and-guts battle for Britain's solvency – and its future – just as the Conservatives had to do in the seventies. This leads us to awkward question.

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If this is a political time warp, then which part of that awful decade have we landed in? Is this 1970 or 1979? In both years, the Tories won power. But in both years, winning in itself was not enough: to actually take power is a whole different process. Lady Thatcher did so. Ted Heath did not.

### ELECTIONS ARE NOT TURNING POINTS

3. Keith Joseph’s great insight was that the dividing lines in politics do not fall neatly into party political divisions. When the Tory Party adopts collectivist ideas – whether out of strategic considerations, or because its politicians are genuinely converted – then it becomes part of the problem. It is ideas, not parties, that shape Britain for good or for ill. If a new government signs up to the ideas of the old one, then that’s not change. It’s more of the same.
4. This is why, so often, election victories tend not to be the turning points in British politics. The main inflection points of modern times have been 1976, when the IMF bailed out the country and Callaghan told his party that we needed spending cuts – so that, when Thatcher took over, much of the work on the deficit had already been done. And, then, in 1982, when victory in the Falklands War bolstered Thatcher’s authority, and the Labour/SDP split weakened her rivals – allowing her to fix rocket boosters onto what, until then, had been a rather shaky revolution.
5. Even 1997 was not really a turning point. Labour took power only after declaring that – to quote its manifesto: “The myth – that the solution to every problem is increased spending – has been comprehensively dispelled under the Conservatives.” Had Keith Joseph lived three more years, he would have loved this sentence: it contained the terms of Labour’s intellectual surrender. Milton Friedman himself went on to observe that the new Prime Minister was “Thatcherite in policy, and Blairite in... talk<sup>1</sup>.” So Blair may have been in office, but, in economic terms, the Tories continued to govern, posthumously, for the remainder of that decade. Even Gordon Brown kept to Tory spending plans with a fidelity that Ken Clarke would not have managed. State spending fell to a post-war low of 36.6 per cent of GDP.
6. But Mr Brown was playing a long game. As the Tories started to implode as a party – unable to decide whether to update or repudiate their Thatcherite inheritance – so the then-Chancellor embarked upon the largest and most audacious expansion of any government machine in modern times. When confronted with economic slowdown, he expanded government further still. State spending will this year reach 53 per cent of GDP.<sup>2</sup> To put this in context, the Russian Prime Minister Dmitry Medvedev recently said that his state spending is

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<sup>1</sup> Milton Friedman interview with Charlie Rose, broadcast December 2005.

<sup>2</sup> OECD, *World Economic Outlook*, Annex Table 25.



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too high at 40 per cent of GDP<sup>3</sup>, and disparages Mr Brown as someone who is “raising taxes all the time”<sup>4</sup>. Things have come to a pretty pass when the Kremlin derides Britain for having an oversized state.

7. Whatever you may think about the Prime Minister, he has been astonishingly effective at pursuing his aims. His fiscal debauchery was disguised in the language of prudence, and he set the terms of debate to the extent that, at the last election, the Tories actually proposed *increasing* both state spending and the tax burden. On top of that, an ineptly-regulated banking system took risks that were unthinkable ten years ago, and the economy was pumped full of the steroids of underpriced debt. This was the dangerous consensus which led to the crash of 2007.

## GOVERNING POSTHUMOUSLY

8. The ability to cast a long intellectual shadow fascinates leftists of a certain kind. When Ernest Bevin was appointed to run Britain’s wartime economy, he saw his chance to fix policy for decades. “They say Gladstone was at the Treasury from 1860 to 1930” he declared. “Well, I will be at the Ministry of Labour from 1940 to 1990.” Gordon Brown intends to be on Downing St, either in body or spirit, from 1997 until at least 2020 – and he has already planned accordingly. From global warming targets to the Equality Bill, Mr Brown is passing legislation intended to tie the hands of the Tory government. He has established a network of quangos, choc full of Labour placemen, who will act as his government in exile; hoarding both power and money. And, while Mr Cameron may well declare that a burglar leaves his human rights at the door when he crosses a threshold, it is Strasbourg which has the final say. The same with abolishing school expulsion tribunals, and a thousand other areas of governance. Never before have the keys to No10 carried with them so little power.
9. It is possible to return this power – not just to the Prime Minister’s office, but to Britain. But this would mean an almighty battle. And Mr Brown is confident that Mr Cameron does not have the stomach for it. In short, he believes that while the Tories may win the election, they will lose the battle of ideas. And the latter, as Mr Brown knows, is far more important.

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<sup>3</sup> Tony Halpin, “Russia Must Cast off Communist Legacy or Collapse, says Medvedev,” *The Times*, 13 November 2009.

<sup>4</sup> Sam Fleming, “Bank Tax Rebellion: World’s Finance Chiefs Pour Cold Water on Gordon Brown’s Plan for a Levy on All Transactions,” *The Daily Mail*, 8 November 2009.



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### THE SNARES

10. To win the debate, you have to set the terms of debate – as Keith Joseph understood very well. He had a phrase for it: the “verbal snares” which Labour set for their opponents. Such snares can be found all over Westminster today, cutting deep into the flesh of unsuspecting Tories. Any Conservative who talks about “investment” when they mean “spending” or “cost” has succumbed to one of Mr Brown’s snares. Even when Mr Cameron denies he will make “swingeing cuts,” he is deploying Brownite lingo which suggests that cuts, while necessary, are still some form of evil.
11. When this thinking seeps into policy, it can all too easily become an intellectual snare. This is what befalls Andrew Lansley when he claims that protecting the health budget means that you care about health. Since when did *care* mean *cash*? Defence will almost certainly be cut by the Tories: does this mean they don’t care about our armed forces? Repeating Gordon Brown’s language means incorporating Brown’s ideas.
12. Two intellectual snares are worth focusing on. One is copying Labour’s pledge to raise the international development budget by more than 50 per cent. This would be equivalent to a DFID levy averaging a remarkable £460 per household. Let us go back to the basic question of the role of government: why should the state forcibly collect charitable donations through the tax system? The extraordinary response to the Haiti earthquake shows that, even in recession, Britain is a remarkably generous country. It is the *Labour* way to assume that people, if left to *keep* their own money, will spend it either selfishly or foolishly. It should be the Conservative way to place faith in the people. Increasing a DFID levy shows no such confidence. Nor does it represent change.
13. Perhaps the most pernicious snare is the 50p tax on the richest. Even Mr Brown does not plan to introduce it until the last 23 days of Labour’s 4,700-day rule. (Not that I am counting). Those leaving Britain now to escape this tax are leaving because of what they expect to happen under the *Conservatives*, not Labour. Open Swiss newspapers, and there are frequent stories of the newcomers from London. These tax exiles are not fleeing Gordon Brown. They are fleeing George Osborne.
14. Keith Joseph observed that “making the rich poorer does not make the poor richer, but it does make the state stronger.” Yet in this era of globalisation, where people and their money have never been more mobile, it does neither. It simply chases the wealth creators away – and leaves the poorer to shoulder a higher



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share of the burden. An intellectually self-confident Conservative party would explain that rather than swallow Labour’s bait.

15. The Thatcher government had a sound formula for squeezing the rich. In 1979, the top 1 per cent contributed just 11 per cent of income tax collected. By 1999, this had doubled to 22 per cent. What happened? What was the magic trick which made this happen? Simple. Halving the top rate of tax to 40 percent<sup>5</sup> in the Budget of 1988. With that, the richest had an incentive to earn and declare more. Entrepreneurs flocked to London, filling the Treasury’s coffers. If it is fair that the richest shoulder the greatest burden, then Nigel Lawson can claim to be the fairest chancellor of them all. Almost every country in the world is facing a deficit, yet no country has raised the top rate of tax. A Tory government will have to introduce taxes. But would it be *such* a bad idea to come up with taxes that actually raise revenue? To copy Labour’s 50p tax is perhaps the most expensive and needless mistake that Mr Cameron will make. Worst of all, it makes him look as if he has no ideas of his own.

## MIDDLE GROUND v COMMON GROUND

16. Given that Labour’s policies have led to economic ruin, why compromise with them? Not for their electoral popularity: at the last European Parliament elections, just 5 per cent of those eligible to vote went for Labour. To put it into perspective, this is about the same proportion who believe that Elvis is still alive. No, the Tory strategy is simply a misguided election-fighting tactic. To close down Labour attack lines by adopting Labour policy. To avoid Mr Brown’s clunking great fist by hugging him in a boxer’s clinch. To hire his advisers, sign up to his targets.
17. Part of this is also pure, political reflex. Westminster is notoriously slow to work out which direction the country has taken – and which ideas have been abandoned by the public as not fit for purpose. It is a common political error, described by Lord Salisbury in 1877: *“The commonest error in politics,”* he wrote, *“is sticking to the carcasses of dead policies. When a mast falls overboard, you do not try to save a rope here and a spar there in memory of their former utility. You cut away the hamper altogether. It should be the same with policy, but it is not so. We cling to the shred of an old policy after it has been torn to pieces, and to the shadow of the shred after the rag itself has been torn away.”*<sup>6</sup>
18. Westminster is awash with the rags of the failed Labour agenda. But we must remember that the Conservative Party is, to an extent, still in therapy; shell-shocked not just by three election defeats, but by the trauma of its own internal

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<sup>5</sup> Figures provided to author on request from HM Revenue & Customs.

<sup>6</sup> Lady Gwendolen Cecil, *‘Salisbury’*, p145.



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warfare. The temptation is to get rid of anything that anyone might criticise, and become politically neutral: provoking neither hatred nor enthusiasm. Here, the Conservatives are in danger of forgetting Keith Joseph’s most enduring lesson: the difference between the Middle Ground and the Common Ground.

19. It was Harold Macmillan who infamously declared that the only honourable Conservative position was to be stuck in the middle<sup>7</sup>: with socialists on one end of the spectrum, and laissez-faire on the other. But there was a fatal flaw with this Middle Ground, which Keith Joseph identified. *“The Middle Ground,”* he said, *“Is not rooted in the way of life, thought and work of the British people. It is not related to any vision of society. It was simply the lowest common denominator obtained from a calculus of assumed electoral expediency, defined not by reference to popular feeling but by splitting the difference between Labour’s position and the Conservatives. Because the Conservatives became identified with the shifting middle ground, we were inhibited from fighting a vigorous battle of ideas. We became identified with an unworkable status quo.”*
20. Let us take a few examples. According to opinion polls, broadly 45 per cent of people want Britain to leave the European Union. This is true of precisely 0 percent of the main Westminster parties. Or immigration, which for the past eight years has constantly ranked as one of the most important topics with voters. Again, none of the main parties talk about it. Then, take the trust ratings. According to the Hansard Society, just 19 percent of people believe that “parliament is working for me”. We are witnessing less a political realignment than a complete disalignment. People are giving up on their political representatives. The most common complaint you hear is that “they are all the same”. The general election is seen as a Hobson’s Choice.
21. Seldom in British history has there been a bigger gulf between the Westminster consensus and the national debate – between the Middle Ground of Westminster and the Common Ground with the people. The erosion of old party allegiances is just one symptom of this. When Heath was elected in 1970, the Tories had 2.2 million members. Now it is barely a tenth of that. Labour’s membership has also fallen by a similar extent. This is not because the public is lazy or apathetic, as some politicians contemptuously claim. Over the same 40-year period, the National Trust and Royal Society for the Protection of Birds have seen their membership grow tenfold. The Countryside Alliance protest drew 400,000 people; the Iraq War protests some 1.2 million. Britain is still an intensely political country: issues excite us, but the current crop of political parties does not.

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<sup>7</sup> “The Middle Way”, Harold Macmillan, 1966, p10



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22. If the Conservatives are plotting a course to power, they must – of course – navigate by the most reliable stars. But very few of these stars are visible from the House of Commons. As a parliament it is exhausted and hated, its parties seem to stand, increasingly, for nothing. The rise of the BNP is sign of this malaise. I followed some BNP candidates on the campaign trail last year, and was struck by how their message was not about race, but rather about the cosy Westminster consensus. About how all three parties – what they call the “Lib Lab Con” – are mere ciphers of one another. It was always folly for the Conservatives to try to colonise a Middle Ground. But now, it would be suicidal.

## THE NEW COMMON GROUND

23. If the Conservative revolution means the empowerment of the many, then things outside politics have been going rather well. Globalisation and the digital revolution have transformed the everyday world in the last ten years – and for the better. Choice, fulfilment, free expression, the power of the consumer – these are the currents which civil society is riding into the future.
24. This transformation is happening without government’s comprehension, let alone its help. The Internet has made information available to everyone, and this has challenged old hierarchies in the same way that the printing press challenged the medieval church. Expert patients now turn up to surgeries with computer print-outs, grilling their doctors. Political journalists like myself no longer have exclusive access to press conferences and reports. We face fierce competition from bedroom bloggers who – though we hate to admit it – can often be sharper and quicker to a story. Newspapers are haemorrhaging sales and influence. Innovations like Sky Plus and BBC iPlayer mean that broadcasters are less able to decide what we watch, and when. Nor can they supply a captive audience to their advertisers. In more and more ways, the individual is king.
25. These great social and economic trends can be summed up on one word: empowerment. Out there, in the real world, the Keith Joseph revolution never really stopped. The new Common Ground is actually conservative ground.
26. The mistrust in political authority is a good sign for the Tories if their mission is, explicitly, to disempower government. Lady Thatcher won huge working-class support because she stood for a set of principles shared by those who wanted the power to improve their own lives: to buy their council house, to buy shares, to do what’s best by themselves and their family. Churchill once said that the difference between the two parties is that Conservatives stand for the ladder, and socialists stand for the queue. The opportunity for the Conservatives is that they



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stand for empowerment: moving government out of the way and letting the people do the rest. As Mr Cameron once put it “the next election will represent a transfer of power – not from Labour to Conservatives, but from the government to the people.” If he would genuinely do that, then the country would have something it has not had for almost 20 years: an election worth voting in.

27. In some areas, the Tories seem to recognise the need to empower. Their schools agenda, for example, is simple, radical and transformative. If the voucher system works in Sweden, the most socialistic country in Europe, then imagine what it could do in Britain, where parental choice is almost an obsession, and parents are literally arrested for the tricks they get up to trying to place child in a good school. Their energies, under Michael Gove’s reforms, will be directed into serving their communities: with government doing the only thing it is really fit for in education: writing the cheque.

## THE CASE FOR URGENCY

28. It is always difficult to try to assess a British Prime Minister from how they do and say in opposition. But we have seen in Mr Cameron someone who is undoubtedly capable of the bravery and radicalism required. He stopped Gordon Brown’s plans for an early election in their tracks, with a courageous gambit on inheritance tax. He has plans for business tax cuts, Swedish-style schools and Wisconsin-style welfare reform. And when Lehman’s Brothers collapsed, there were about three people in Britain prepared to stand and speak in favour of the free market. David Cameron was one of them.
29. But against the good angel on Cameron’s shoulder, there is a bad angel urging caution. This angel will say that any meaningful policy is an unnecessary hostage to fortune. This angel wilts when it hears Labour misrepresent inheritance tax plans as a “tax cut for millionaires”. This angel whispers that those cuts might be cruel, after all. This angel will be trying its utmost to persuade Mr Cameron of the greatest political deception: that his party should be cautious now, and wait a few years before becoming radical.
30. This is the mission statement of every failed Prime Minister. Why? Because the radicalism tends never to arrive. A party which cares too much about what its opponents might say, about what the attack lines might be, will always find it difficult to slip out of election mode. Risks will be avoided, at all costs. And, even if they want to take some risks, they may find that they have expended too much political capital to do so. The staggering fall in Barack Obama’s popularity is



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testament to how quickly political capital can perish, and how impatient the electorate is for results.

31. The Tories won't have much political capital left in two years' time. Winning the election after next will be very difficult (unless Ed Balls, of course, is elected Labour leader). So there is no time like the present.
32. As an education minister, Keith Joseph declared himself “intellectually attracted” to what went on to become the Swedish Schools system – but he gave up in 1981, talked out of it by his department. It is so easy to be sidetracked. Tony Blair, who did come to realise the public sector reform, looks back on his time in power and says: “I wish I had listened to myself more”. Mr Cameron would be advised to listen to himself very carefully, for his room for manoeuvre will start to narrow the moment he is elected.
33. To win, David Cameron needs to inspire greatest single pro-Tory swing since 1931. So it is rich indeed to say that winning is not enough: winning would be little short of an electoral miracle. But if you end up wearing Labour's clothes, using its language, its targets, hamstringed by its quangos and locked within its mindset, victory would be hollow indeed.
34. Lady Thatcher started to govern not with a specific agenda or ideology, but with an instinct, principles – and incredible reserves of courage. And this is why she remains a lodestar for any politician who wishes to transform a country for the better. It could well be that Mr Cameron has such his courage: he has proven that is at his best when his back is against the wall. Just as well, as this is the position from which he will have to govern. He will either be a radical or a failure. There is no middle way.

## **CAMERON: STATUE OR BUST?**

35. Outside the House of Commons in members lobby, you can see statues of various Prime Ministers. The greats have a full length statue: Gladstone, Disraeli, Churchill and of course Thatcher. The fag-end Prime Ministers, those who won the race for office but simply stuck to the same script, are represented only with a bust. And there is a plinth that stands tantalisingly empty – as if to pose a challenge to Mr Cameron: which are you going to be? A bust or a statue? In just four months time, we will start to find out.