

“The Liberal Democrats
should exist to promote
real liberalism...”

A LIBERAL INSIDE

Richard Reeves

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Contents

1	Introduction	9
2	Coalition policies: the good, the bad, the ugly	19
3	Coalition culture: tribalism versus pluralism	35
4	What would JS Mill think?	41
5	What liberals do next	51
	Notes	57
	References	61

1 Introduction

From the distance of a few weeks and a few thousand miles, the UK's Coalition Government looks pretty good. Of course there have been plenty of bumps and scrapes. Many mistakes have been made, although mostly on relatively minor issues. Exaggerated 'split' stories—always the easiest to write—continue to fill the pages of the politically inclined newspapers. As I write, there is apparently a row raging over some unexceptional comments by Nick Clegg about his desire to tax wealth more (although it seems to me that if, as the leader of the Liberal Party he did not, that would be a real story). No doubt by the time you are reading this, a different row will be 'raging'.

But from my new vantage point in Washington DC, the sight of two very different political parties running a broadly successful government together in perilous economic times is little short of miraculous.

Contemporary American politics is characterised by a debilitating tribalism, which has killed all attempts to reach an agreement on long-term deficit reduction. This narrow partisanship, and the resulting failure to deliver good policy, is a stark contrast to the statesmanship demonstrated by David Cameron and Nick Clegg and their respective parties in the critical year of 2010.

Whether coalition will change politics for the longer term is a different question. Political journalists, party donors, parliamentarians, party activists, lobbyists and civil servants are all, to varying degrees, wrestling with the strange beast of coalition government. Many are simply biding their time, waiting for 'normal' politics to resume. Although the coalition is a genuine departure, it has not 'broken the mould' of politics. It will take at least one more coalition to do that—fortunately, as things stand, another coalition is quite likely.

This essay is a brief attempt to assess the performance of the Coalition to date, from an unapologetically liberal perspective. How good is this Government? How liberal is its track record so far? And what next for the liberal cause?

It hardly needs saying that my viewpoint is far from objective, given that I served alongside Nick Clegg for two years as his Director of Strategy. It would also be ridiculous for me to pose as anything other than a staunch liberal. My thought-question tends to be ‘what would Mill think?’ In Nick’s office, it was standard procedure to use me as a kind of in-house liberal litmus test; colleagues would wander into my office and say: ‘Policy so-and-so. Liberal or not liberal?’ And I would give a thumbs-up or down. (Disappointingly, this was not treated as the final word on the matter.)

I have also been careful to treat private conversations as just that; what was private then remains private now. There are no juicy secrets or personal details in what follows. And to say that my coverage of policy is patchy would be an understatement. I’ve ignored whole swathes of government activity while others are examined in some detail. I wish I could think of some elegant, even if *post-hoc*, rationale for the selection. But the truth is that I have simply written about things I know at least something about; that I care about; and/or that I think are important in getting a sense of how the Coalition is doing.

It is also difficult to prevent the necessarily personal loyalties of politics from distorting the picture. But I have striven to be fair, and to be as tough on my former colleagues as on their political rivals. In any case I have always believed that the tribal territories of party politics obscure more than they reveal. There are liberals in all the main parties, and conservatives in them all too. People are liberal on some issues, but not on others. But I have also seen at first hand how hard it is to let tribalism go. In an era demanding pluralism, tribalism still too often prevails.

The Coalition has certainly acted as a force for political pluralism within the corridors of government, even if not more widely. The presence of two parties in the room has

created the need and space for policy discussions based on the merits of competing arguments, rather than the adoption of tribal, pre-ordained positions. It is invigorating to see two cabinet ministers of different parties go hammer and tongs at each other on the substance of one issue on one day, but be united against other colleagues on another. It doesn’t happen all the time, perhaps not even most of the time, but it has happened a lot, and a lot more than under the previous government. For liberals who believe in the vital importance of a productive collision of ideas, this is refreshing.

Of course there are costs to coalition too. Decisions require more time—although that is no bad thing in most cases. More significant is the danger of splitting differences between existing party policies rather than taking the opportunity to do something different, and potentially more exciting. The difference-splitting danger is increasing as the parliament proceeds. But rather than splitting differences in each individual area of policy, it is generally better to make bigger deals—to concede lots of ground in one area, in exchange for large gains in another. This requires both parties to be willing to make that kind of trade, and that willingness is diminishing.

The 2012 budget, for example, could have been more radical for both parties. One option on the table was a cut in the top rate of income tax to 40p, funded by the introduction of a ‘mansion tax’ on high value property. The top rate cut would have been a big Tory prize, but one that any self-respecting liberal could live with: after all, one of Clegg’s achievements was to wean his party off its 50p top rate policy. And the first proper wealth tax on the British statute books would have been a big liberal prize, but one that any self-respecting ‘compassionate’ conservative should be able to stomach.

But in the end the Prime Minister couldn’t make the leap: the hostility to any kind of wealth tax on his backbenches and in the Tory shires scared him off. So we ended up with a 5p cut in the top rate—enough to give Labour an attack angle about a ‘budget for millionaires’ but not enough to win much more than lukewarm support from business and the conservative press—and a minimum tax rate

for the better off, that few in Whitehall, let alone the general public, understand. What could have been a radical budget was barely a reforming one. Only the above-expectations increase in the income tax threshold lent real substance.

I started, though, by saying the Coalition looks pretty good: it looks better, in fact, than it felt when I was in it. When you are inside the machine, the squalls and squabbles of everyday politics cloud the very substantial achievements of the Government, especially on the fiscal front. You do not have to agree with every aspect of the Government's deficit reduction plan—and I do not, as you will see—to salute the Coalition's early and decisive action on the public finances. The UK economy remains perilously weak. But it is hard to overstate the importance of avoiding a sovereign debt crisis.

And those involved made the big decisions with their eyes open. Cameron, Clegg and Osborne knew how unpopular many of the resulting measures would be. In 2010, it was assumed that the Government would face massive protests, significant unpopularity and possibly even riots. Those assumptions turned out to be correct. But they took the decisions anyway. So on the biggest test of all I think the Coalition has been a model of courage and statesmanship. It may be even more unfashionable right now to praise George Osborne than Nick Clegg; but credit where it is due.

On a whole range of other areas—economic growth, welfare, civil liberties, the NHS, education, political reform, localisation, the environment—the picture is a patchier one. The general direction of reforms in education and health care is a positive, indeed liberal, one: transferring power from institutional bureaucracies to people. But the politics of health were badly botched. The main elements of a welfare reform package that promote work and independence are welcome, but the implementation challenges are huge. On civil liberties, the worst excesses of the Labour years have been curbed (it is impossible to repress a shudder at the appointment of Chris Grayling as Justice Secretary, however).

There has been a significant increase in the power of local authorities, but a missed opportunity to pepper the

land with elected mayors. The 'greenest government ever' ambition is in jeopardy. The Government has an irrational policy on immigration but has held to its commitment on international development.

It has to be said that in most of these areas the Coalition's record is at least as good as that of any of the Labour governments since 1997. It would be hard to deny that the Coalition is a serious, reforming government, attempting real changes against a horrible economic backdrop. But against a different benchmark—the challenges facing us as a nation—the Coalition has to be judged at less successful. It has offered reform rather than radicalism.

This is where the political standpoint of whoever is doing the judging makes a critical difference. Your view of how far the Government has been radical enough will depend on the degree of radicalism you think was required in the first place.

The Conservatives believe that the architecture of the British nation state is basically fine. They want to curb public spending and get the public finances firmly under control. They want to reduce—modestly—the size and reach of the state. They want to continue the Blairite path on education, health and welfare reform. They want to slightly loosen our ties with the rest of the European Union. And that's about it. Actually, given that the nature of Conservatives is to be proudly incremental in government, that's quite a full plate.

But for Liberals, the nation's problems go much deeper than the hole in the public finances. For us, the root cause of our malaise is a tired, myopic and deeply conservative establishment. The hyper-concentration of power in British society is no longer simply a mildly embarrassing political shortcoming, but a fatal flaw in the national character.

The liberal analysis of the failings of established institutions does not fit into the categories of the traditional party politics. The standard positions of left and right, and certainly of Ed Miliband and David Cameron, are captured by the dualism of 'government good, market bad' or 'government bad, market good'. But here's the thing: people have lost trust in both. They don't trust government to do the right thing by

them, but nor do they trust businesses or the workings of the free market. They feel ripped off, and let down. And they are right to feel this way. Too much power is resting in too few hands, rendering too many people powerless. That's the problem.

We need to redistribute power within our economy, towards both shareholders and employees. We need a wholesale rewriting of our national accounts and a massive public investment programme. We need to cut the banks down to size not in a few years hence, but now. We need to restore our parliament to legitimacy with Lords reform, state funding of political parties, proper rights to recall MPs. We need to turn our education system on its head so that the poorest kids, not the richest ones, get the best teachers. We need to grow up about the NHS and give more choice to patients. We need a tax system that asks more of the wealthy and less of the working poor.

We need radicalism not reformism. Whiggish incrementalism is fine most of the time, and it is usually the British way. But it won't do right now. And against this benchmark of necessary radicalism, the Coalition falls short. That it is because it has been insufficiently liberal. But it is also because the liberals within it have been insufficiently radical.

Clegg is wrongly portrayed as more conservative than his party. The truth is that he is simply more liberal. There is a radical, anti-establishment streak to his politics that burned brightly during the election campaign. That light has been harder to see through the fog of cuts and fees, and the necessities of government. But he has now earned the right to be bolder. The government is stable and functional. People understand that there are two parties in power, who will often disagree. The Coalition can now 'show more of its working' without fear of crisis or implosion, so long as each partner respects the other and keeps the lines of communication open. Clegg can release his inner radical.

And he should complete the journey he has been taking his party on since inheriting the leadership in 2007 to make it a more truly liberal, and therefore more distinct and more radical, party. The party must stick with him on this journey,

rather than succumbing to the temptation to settle back comfortably into homely, vaguely left-of-centre opposition after a temporary and dangerous flirtation with real political power.

As luck would have it, after decades in opposition, this has been one of the hardest times in recent decades to end up in government. The paradox of coalition for the junior partner is that a taste of real power comes, almost automatically, with a loss of electoral support. Some bad mistakes have been made by Clegg and those of us advising him—most obviously the political handling of university tuition fees. And some leading figures in the party seem more interested in positioning themselves within the party than in the wider opportunities presented for the radical liberal agenda.

But the UK badly needs modern liberalism, not least as an antidote to creeping conservatism of both left and right. In times of economic crisis, there is a natural tendency for societies to turn inwards, look backwards and search for scapegoats. The liberal promise of progress through openness is harder to sustain—but all the more important to stick to.

It will not be easy, as Clegg knows. It is easy to write liberal think-tank essays. It is brutally hard, especially in such difficult times, to do liberal politics. The odds are stacked against him. But he has little to lose from going for it. And it is absolutely clear that there is nobody else who would stand any chance at all. For liberals, right now, it is Clegg or bust.

So: a stable, functional government with a grip on the nation's finances—a precious national asset in times like these. But also a government failing to live up to its radical potential.

Having two parties in the government can provide a twin turbine, with more power, more ideas, more courage, and more surprises. Or the two parties can act as a brake on each other's ambitions, slowing or even stalling progress. There has been evidence of both processes, but with a trend towards the latter. The danger is that both partners—but perhaps especially the Liberal Democrats—set too much store by the list of things they have stopped their partners from doing, rather than what they have achieved together in government.

The temptation is to celebrate every time you pull the handbrake on the other party's progress. But in the end that just brings the car to a halt.

The next election is still almost a thousand days away. It is not too late to rediscover a more radical purpose. Both parties — and especially the radical liberals within each — should raise their sights again.

2 Coalition policies: the good, the bad, the ugly

By any reasonable standard, the Coalition has proved to be a mostly successful government — nailing the idea that coalitions can't work. On the central task facing the Government — restoring order and confidence to the public finances — the success of two parties to find common cause and stick to their guns is one of the most remarkable (though little remarked-upon) achievements of recent political history. In other areas of policy the picture is mixed.

Economics: Hamilton *versus* Jefferson, sort of

There's only one place to start: the economy. I do not propose to engage here in a detailed defence of the Coalition Government's fiscal policy. There are plenty better qualified to do so. And while the government and opposition are required by the rules of politics to pretend that their approach is the one true path, while their opponents are following a roadmap to ruin, the truth is that everyone has to make a judgement call. Nobody knows for sure whether tightening at the pace set by the Coalition Government has choked off growth, or laid the foundations for recovery.

For what it is worth, I think the Coalition tightened a little more than necessary in the first two years; relied a bit too much on spending cuts rather than tax rises to fill the hole; and above all has taken a myopically conservative approach to borrowing for investment. In ordinary times these would be searing criticisms. Today they must count as modest demurrals from what has essentially been the right course of action. Nor should much store be set by the idea that the deficit reduction programme masks an ideological

desire to shrink the state. At the end of this parliament, government spending as a proportion of GDP will be the same as it was in 2008/9. Indeed the real heirs to Thatcher like John Redwood accuse the Government of being lily-livered.

In any case, when it comes to the short-term economic outlook, the state of the Eurozone is the big factor—and one that lies largely outside our control. In government, economic discussions often had a slightly surreal feeling: we could make decisions about our own fiscal stance, but the risks to the British economy posed by a deepening of the Eurozone crisis remained enormous. It was like knowing that however carefully you were driving, there was a good chance you were going to be hit by a drunk driver in any case.

In broad macro-economic terms there has been impressive unity and discipline within the Coalition Government. There has been a valiant economic rescue. But there has been limited economic reform. Here the Conservatives, and in particular George Osborne, have been the roadblock. This is not obstructionism. His assessment is that the economy does not need reforming. The economic agenda is short: the state needs to spend less; the labour market could do with a bit more flexibility; the banks need to be regulated a little more carefully. But beyond that, the role of the government is to get out of the way and let free markets do the heavy lifting.

It is a fine approach, as far as it goes. The trouble is that it does not go anything like far enough. It is not liberal economics, it is neoliberal economics. Liberals are in favour of free markets when they disperse power away from institutions towards people. They favour tough regulations against the tendency of certain markets to monopolies or cartels, which reverse the power dynamic in markets.

In the UK, economic debate is too often sterilised by terms such as ‘small state conservative’ or ‘free market liberal’. Thinking about economics in terms of the size of the state is a sign of being trapped by defunct ideology. Any government ought to be concerned with increasing the material resources available to its citizens, in order to expand

their choices, opportunities and capabilities. Within fairly broad parameters, the question is not how much money the government spends, but how it spends it.

A dichotomy borrowed from the US is more instructive. American historians, and notably Michael Lind in his latest book *Land of Promise*,¹ distinguish between Jeffersonian and Hamiltonian liberals. Thomas Jefferson was sceptical of government, urbanisation and industrialisation. He wanted a republic of ‘yeoman farmers’ and small, locally based firms, no national bank or nationally funded infrastructure. Business and government should not collaborate. The role of the government was largely to stay out of the way, acting as ‘night watchman’ except occasionally to forcibly break up ‘big’ businesses.

By contrast Alexander Hamilton had a mercantilist, or ‘developmental’ view of economics. Given the central place of the nation as the primary economic unit, the government should act to promote national economic interests. This meant investing in infrastructure, innovation, transport, energy and education. It also meant, when appropriate, introducing measures to protect infant industries from foreign competition—just as Britain did in the first chapter of the industrial revolution. Hamiltonian economics sees the government not as an umpire, but as a partner to business.

The most eloquent recent political exponent of a Hamiltonian approach in the UK was Peter Mandelson, especially during his role at the Department for Business, Innovation and Skills. Mandelson was therefore critical of the Coalition’s early decision to cancel a planned loan to Sheffield Forgemasters to help the firm buy a 15,000-tonne press needed to make nuclear reactors. He accused the Government of taking the decision ‘rather on the hoof without listening to all the facts and also without considering its importance not just to Sheffield Forgemasters but to the whole of the supply chain for the nuclear industry’.

He was absolutely right. Forget about the awful politics for Nick Clegg, a Sheffield MP now seen as unable to look after his own city. The Forgemasters decision,

strongly pushed by Treasury ministers, was a sign that the Coalition was not thinking long term enough about economic competitiveness.

There are new elements of developmentalism in the Coalition's programme, almost all pushed by the Liberal Democrats over Conservative misgivings, and almost all watered down in the process. Vince Cable's proposed new Business Bank. A green investment bank (but too timidly and too slowly); an expansion of apprenticeships (though at the cost in some cases of lower quality); a regional growth fund distributing £2.5 billion to firms in areas in most need; a new network of innovation institutes and advanced manufacturing 'hubs'; commitment to a new high-speed rail link (although improving the rail network in the south east and metropolitan areas may have been a better investment); the implementation of the Vickers Commission to create some firewalls between retail and investment banking (though too low, and too slow); and a youth contract offering wage subsidies and work experience to curb long-term unemployment.

Good stuff; but mostly pretty modest stuff—tinkering rather than reconstruction. A rare political and an economic opportunity is being lost as a result. The Coalition had a good deal of political room for manoeuvre following the financial crash. There was appetite for a new political economy.

And with interest rates at historic lows, the Government is missing the opportunity to borrow to invest in much-needed infrastructure improvements. There is of course a danger that borrowing more will reduce the Government's credibility on deficit reduction. This looms large in the minds of Treasury ministers, who are justifiably proud of the Government's hard-won reputation on the public finances. But this danger is overstated. And it could be addressed by adopting a more rational approach to the national balance sheet—by which I mean actually having a national balance sheet.

Right now, the Treasury relies on cash accounts, and some of the brightest minds in Whitehall spend their time trying to think up ways to keep spending 'off the books'. That's why Labour resorted to the financial spaghetti of the

Private Finance Initiative (PFI). Labour, and in particular Gordon Brown, also did the nation a disservice by repeatedly rebadging spending as 'investment', even when it was obvious to everyone, and certainly everyone in the financial markets, that there was no return on it. Rebuilding social care homes for the elderly is not an 'investment', in the economic sense that it will yield productivity or other gains for the economy. (Which is not to say it is not the right thing to do.)

What the Coalition should have done—and perhaps, can still do—is to draw up a proper balance sheet for the government. As Professor Dieter Helm, now head of the Natural Capital Committee, wrote in his submission on PFI to the Treasury Select Committee:

A national balance sheet would enable rational decisions to be made about borrowing and investing, and hence allow the low public cost of debt to be translated into lower costs of capital for infrastructure projects. The absence of proper balance sheet accounts therefore has a real deadweight welfare cost: the higher cost of capital on highly capital-intensive projects.²

If the Coalition borrows money to invest in infrastructure projects with clear economic returns, the bond markets will not flinch. A national infrastructure bank could act as the agent for investment projects. (I nominate Professor Helm as its head.) The creation of the Office for Budget Responsibility (OBR) was a genuine institutional departure, similar to Brown's creation of an independent Bank of England. But there is no rule saying chancellors are only allowed one institutional reform.

One of the most painful experiences of being in government was looking in one direction at an ocean of absurdly cheap capital, and in another at a transport and energy infrastructure crying out for investment—and knowing that outdated Treasury practices and a Tory version of Jeffersonian economics was all that stood between them.

In economic terms, the role of a 'developmental' government is not to fiddle incessantly with the tax system, or churn out hundreds of small initiatives for the film

industry and IT entrepreneurs, however tempting, especially when you are casting around for morsels with which to feed the maw of the media. Labour seemed to succumb to the micro-economics temptation almost weekly. Everyone has their own cause. One of mine was employee-owned firms. We all do it. Absent an overarching economic strategy, it is the only thing to do.

But the government should do fewer, bigger, better things. In between the macroeconomic stance and the minutiae of tax breaks and regulations is a ‘mezzanine’ level of economic activity where government can really add value. So, borrow to invest. Update our transport infrastructure by providing better regional rail networks and more airport capacity. Update the creaking energy sector and build a charging network for electric cars. Invest in vocational skills and science.

As I said, little of this finds much favour on the Conservative side of the coalition. Number 10 is a bit obsessed with small businesses, ‘red tape’ and employment regulations. The Treasury is blinkered by its focus on deficit reduction and market credibility. And the Liberal Democrats, bound by their commitment to deficit reduction, have been too reluctant to spell out a more ambitious vision of technocratically sound, rational public investment.

But perhaps this is also an area where party tribalism gets in the way. Long-term investments require cross-party support to be treated credibly in any of the related markets. The temptation for an opposition party will be to leap on any departure from fiscal orthodoxy as a sign of weakness or, God forbid, a U-turn. So in practical terms, the immediate goal should establish a cross-party commission to draw up proposals for creating a true national balance sheet, and for creating a national infrastructure bank. I doubt Ed Miliband would oppose that.

‘Strong reforms’ –welfare, health, education

Following the recent reshuffle, No 10 briefed that it has left ‘strong reformers’ in place in education and welfare. Actually it turns out that Iain Duncan Smith (IDS) simply refused

to move. And obviously Andrew Lansley was not a ‘strong reformer’: he got the boot, at last.

There is no space here for a detailed examination of the reform programmes in each of these areas. In summary, they are mostly positive, broadly liberal, but facing significant risks on the implementation side.

On welfare, the broad thrust of IDS’s approach is right: a simpler system, designed to ensure work pays, along with a tighter conditionality regime. Some of what the Government is doing is similar to what Frank Field wanted to do in 1997 (I was his adviser at the time), but he was stymied by Gordon Brown— who saw tax credits as the only welfare reform in town, and the Department for Social Security (now the Department for Work and Pensions) as merely an arm of the Treasury.

The tragedy is that many of the reforms being carried out, especially to housing and disability benefits, would be less painful if there was more money available for transitional costs—as there was in 1997. The Coalition is essentially trying to carry out what should have been Blair’s welfare reform programme, but without Blair’s money.

There have been some bad decisions, such as the cutting of the childcare component of the Working Tax Credit, a painful hit to lower-earning families. And along with sensible changes in a number of areas, there have been some unedifying shifts of position, including the decision to lift the income level above which Child Benefit will be withdrawn, which went some way to appease the right-wing press, but also cost £500 million a year.

The risk now is one of delivery rather than design. Universal Credit makes sense, but it is a huge project, requiring investments in new IT, new systems and staff training. Not a soul in the Treasury would lose a wink of sleep if Universal Credit were to collapse, but if that happens, the legacy of the Coalition Government will be a cheaper welfare system, not a better one.

It is hardly courting controversy to suggest that the NHS reforms were something of a mess. Lansley was like a doctor operating, without warning, on a patient unaware they were sick, leaving his scalpel in their belly, and then blaming them.

The Conservatives were foolhardy to allow such a political storm to blow up over health. One of the three reasons Cameron didn't win a majority in 2010 was lack of trust in the Tories on the NHS.

Meanwhile, the Liberal Democrats were, to be candid, all over the shop. First in favour of the bill and then against significant elements of it, following party pressure in spring 2011. The party's left seized an opportunity to strike, attempting in some cases to junk the party's own policies on health, which were pro-choice and pro-diversity in provision.

The result was a policy goulash. Lansley's plan was sold in the worst fashion, and indeed did not need to be a 'plan' at all—he could have just got on with it—but it was intellectually fairly coherent. More coherent, at least, than the bill eventually passed. It would have been better to get rid of Lansley and the bill in the spring or summer of 2011, and to have started again. Spilt milk, though.

And there are elements of the reforms to welcome. Public health responsibilities devolved to local authorities; more choice of provider and lower barriers to entry; greater democratic accountability in commissioning; decisions taken nearer to the patient. To be honest, there is little here that Blairites would object to. Indeed the objections from Alan Milburn have been that the reforms don't go far enough.

But the political failure could have longer-term consequences, beyond the impact on the Coalition parties. British politics shares with US politics an inability to conduct a rational, sober conversation about health care. In the US, any hint of a move towards more collective provision, such as 'Obamacare', is decried as socialist central planning and an assault on individual liberty. In the UK any suggestion of greater patient choice or more care by non-state providers is condemned as 'privatisation' of the hallowed NHS, our national religious icon—to which homage was paid in Danny Boyle's Olympic opening ceremony.

The real cost of the Lansley episode may be a reluctance of any politicians of any party to go near NHS reform again. This matters, because reform is badly needed to turn our

health service into one fit for the demographic challenges and patient demands of the twenty-first century.

Perhaps the 'strongest' reformer has been Michael Gove, overseeing a sensible, liberal package of school reforms. The reforms are not as radical as the opponents fear, or supporters wish. It has really been Blair–Adonis Act II: greater autonomy for schools and more choice for parents. The funding system has been tilted in a slightly more progressive direction, through the Clegg-inspired Pupil Premium.

This is one area where an essentially liberal reform programme has if anything been held back by the Liberal Democrats. Education is an area where the party's claim to be free of 'vested interests' in education is weak. Indeed the Liberal Democrat party contains strong representation of local education authorities and the teaching profession, and this fosters policy conservatism.

While Jo Grimond was attracted to a voucher system in education, many of today's Liberal Democrats oppose even the reforms of the Labour years. The party conference in 2010 passed a motion attacking Gove's plans for free schools (new schools with academy status). The motion claimed that they would 'increase social divisiveness and inequity'. As it turns out, most free schools have been opened in poorer areas and there is every reason to hope they will provide a better education to the children who need one most.

The proposer of the motion, Peter Downes, said: 'Free schools will provide competition, so that underperforming or failing schools will have to improve their performance or wither and die.'³ On the face of it, this seems an odd reason to oppose them.

I think anyone with a liberal bone in their body should welcome free schools, and academies, and greater power and choice for parents, and greater independence for state schools. Those like Mr Downes who complain that Gove wants to introduce a market into education should take a look around them. There already is a market in education. It is simply conducted at one remove, via house prices and catchment areas, or through the private school system.

What we need in education is a real market, open to all, and rigged in favour of the least well-off. If schools make a profit by making their pupils well educated, good. If terrible schools, committing the moral crime of failing to educate our poorest children, are forced to close, good. If teachers so incompetent that their pupils effectively stand still for a year lose their jobs, good.

I remember a very senior, centrist Labour figure saying to me about ten years ago that if the Conservatives started arguing for a voucher system weighted in favour of the less well-off, he would 'really struggle to argue against that'. Me too.

The insertion of David Laws into the Education Department alongside Gove gives some cause for hope. Perhaps here at least some of the early spirit of the Coalition can be recaptured. Perhaps real courage can be shown on both sides: by the Liberal Democrats in dropping their social democrat objections to choice, profits and diversity; and by the Conservatives by allowing a doubling in the size of the Pupil Premium and a relentless focus on tilting the field in favour of the less affluent. Let's see.

'The greenest government ever'

Remember 'Vote Blue, Go Green'? Remember the huskies and the chimney-top wind turbine? The Conservative pitch to be a party of the environment was an important part of the 'detoxification' process undertaken by David Cameron, under the guidance of the now-departed Steve Hilton. The Coalition promised to be the 'greenest government ever' — which actually sets the bar quite low.

There has been real progress in substance, building in many cases on the positive legacy of successive Labour ministers of the Department of Energy and Climate Change (DECC), including Ed Miliband. The Green Investment Bank; the Green Deal — potentially hugely significant if it takes off — to provide financing for home insulation; a fourth carbon budget (over Conservative objections), taking the UK's carbon reduction commitments out to 2023; investments in wind and

biomass power generation. This is not simply a question of environmental impact: there is also a huge challenge in ensuring there is a reliable, long-term and affordable supply of energy for households and industry.

There are at least three significant challenges ahead. First, getting the Green Deal up and running in a big enough way to make a difference. This is an implementation and communications challenge, for Ed Davey and the whole Government.

Second, properly addressing the question of airport capacity. It is clear that we need more; equally clear that it does not necessarily mean more runways, or that Heathrow is the answer. And any expansion in capacity should be seen through an environmental as well as an economic lens. What fiscal or regulatory measures can counterbalance greater airport capacity?

Third, there is a political challenge within the Government to resolve the tension between a chancellor determined that 'green' does not get in the way of 'growth', a deputy prime minister convinced they can and must go together, and a prime minister who has yet properly to declare his hand. This argument is simmering within the Coalition, but it will soon enough come to a boil.

Civil liberties

On civil liberties, the Coalition has done well, going a long way to meeting the promise of Cameron and Clegg to 'restore the rights and freedoms and individuals in the face of encroaching state power'.⁴ In June 2012, the *Guardian* newspaper conducted an online poll asking whether the previous Labour governments or the Coalition had the best record on civil liberties. *Guardian*-reading respondents split down the middle — which from that particular electorate is tantamount to a bell-ringing endorsement of Cameron and Clegg.

The Coalition has reversed or halted some of Labour's most illiberal measures: 28 days detention without trial; ID cards and the National Identity Register; child detention;

the data of innocents on the DNA database; fingerprinting of children in school; the intrusive ContactPoint database; and the onerous and ill-targeted Criminal Records Bureau (CRB) system. Libel law is being reformed to protect journalists and scientists, and end London's unenviable reputation as the liberal tourism capital of the world. Trial by jury has been strengthened. Control orders have not exactly been scrapped, but they have been considerably reformed.

So far, not bad. It is not Shami Chakrabarti's government, but it is—so far—a moderately liberal one. Whether it remains so until 2015 is another matter. The Conservatives may calculate that any damage they have accrued from abandoning pretensions to being liberal will be more than offset by gains from appearing 'strong' on national security—essentially the same calculation made by both Blair and Brown. Casting resistant Lib Dems as the friends of terrorists and paedophiles might seem good political sport for some.

There is in fact a test looming, in the shape of the Communications Data Bill. This is a retread of a Labour proposal to force internet service providers to store details of the emails and website activity of individuals. It has been branded a 'Snooper's Charter' by opponents. A special parliamentary committee has been established to scrutinise the bill. Nick Clegg has said that it will not simply be 'rammed' into law. The truth is that the bill should never become law at all. It should never have been published. David Davis, the former Conservative shadow home secretary, has accurately described the measures as 'unnecessary and a huge invasion' of privacy.

Now certainly there is a case for this kind of measure. It will make the task of monitoring potential terrorists or serious criminals easier. That's why the security services want it. During conversations on the bill within government somebody will always interject along the lines of, 'but if there is a terrorist atrocity that could have been prevented by this, and we don't do it, we'll get the blame. People will say we've got blood on our hands.'

At least this is a politically honest argument. The trouble is, it can be used to justify pretty much any incursion of

civil liberties or privacy you care to mention. I interviewed Prof David Marquand before the 2010 election for a Radio 4 programme on the roots of liberalism, and he said:

*It is all very well being liberal about these things when you're in opposition. But when you sit in Government, and the hard-faced intelligence men come in and say 'it would be unfortunate if something were to happen that we could have stopped with this new power, Minister...' That's when it gets hard.*⁵

On issues of security and civil liberties, it is vastly easier to be a liberal in a pressure group, a think-tank, or on the opposition benches than it is to be a liberal in government. These are moments when the responsibility of being at the helm feels great. So the decision on this bill is hard. But it is also simple. In this instance, any loss of security is part of the price we must pay for our freedom.

Most people in Britain will be instinctively opposed to state employees having greater powers to see who they email or what websites they visit. And they will certainly expect Liberal Democrats to oppose such a measure. Very often on issues such as this, there is a sensible compromise, such as the one the Coalition found on control orders. But not on this one: the bill must be killed.

Political reform

Last, and in this case least, is political reform. The Coalition Government's record, in what is a signature tune issue for liberals, and following the enervating scandal of MPs' expenses, is deeply disappointing. Here the Conservatives must take the blame—or the credit, depending on your point of view.

The modest electoral modernisation hopes represented by the alternative vote (AV) were crushed between Conservative ruthlessness and Labour spinelessness. David Cameron failed to rally his own 'modern' Conservative party to a sensible package to bring the House of Lords closer to the twenty-first century. Despite a pledge to take the 'big money' out of

politics, party funding talks are stalled. The Conservatives have no interest or self-interest in reducing the flow of private or corporate money into political hands. The plans on recall of MPs are weak: only when an MP is jailed or censured for ‘serious wrongdoing’ by parliament (other MPs) can a recall petition be triggered, and even then 10 per cent of constituents have to sign up within eight weeks.

But it is wrong to see political reform as a series of only liberal disappointments. David Cameron, too, promised radical reform in these areas, and some others — for example, city mayors. Following the success of Labour’s introduction of an elected mayor for London, the Conservatives had a vision of dynamic individuals leading and being held to account by all the great cities of the UK. In the end, the policy was muddled and weak. The mayoralties would cover areas far too small to take any real powers — it would be nonsensical to devolve powers over transport or economic growth to the mayor of Manchester city centre. And it makes little sense to have elected mayors alongside entirely separate elected police commissioners. Everyone knew that we needed to recast the policy in favour of big-city mayors with powers similar to London, but nobody on the Conservative side was willing to risk the ‘U-turn’ headlines that would follow a change of policy.

Cameron, no doubt sensing defeat ahead, invested close to zero political capital in the ten referenda for elected mayors in May 2012. It worked, to the extent that when all but one of the referenda (in Bristol) were lost, there was limited coverage, and little damage was done to Cameron himself. But, again, a historic opportunity to rewire the political system — this time in a decidedly modern Tory direction — was lost.

Nor could Cameron manage to get his party to honour the deal for some sensible Lords reform. As a result, the Liberal Democrats have warned they will not support the redrawing of parliamentary boundaries — another sensible reform, but this time one that will favour the Conservatives at the next election. A good deal of anger has been generated

over this, with cries of treachery and betrayal in both directions. (I caused some of it myself in a departing interview with the *Independent*).

I am hardly unbiased, but it does seem to me that it was unrealistic of David Cameron to expect the Liberal Democrats to take a hammering on AV, give up any real prospect of proper reform of party funding, and leave the Lords untouched, but then vote through the one major political reform that favours the Conservatives.

In areas I have not touched on here, I think a similar assessment can be told: steady foreign policy; a broadly sensible approach to Europe underneath some of the inflammatory rhetoric; coherent reductions in defence spending (and, crucially, a delay in the Trident decision); much-needed liberalisation of planning laws; investment in early years education; and some steps towards a better tax system.

In policy terms then, the Coalition has produced not radicalism, but positive reform.

3 Coalition politics: tribalism v pluralism

What about the workings of the government itself? Coalition requires a different kind of statecraft. And as I said in the introduction, the nature of coalition and the characters of the two leaders have often allowed for a more deliberative style of government.

Although relations between the coalition partners have been severely strained at times — most prominently over the AV referendum and the NHS Bill, and in the row over Lords and parliamentary boundaries — I think this has occurred no more often than in single-party governments, and usually for a better reason. Even at the worst moments, none of the exchanges between Cameron and Clegg or their lieutenants have come anywhere near the nightmarish, stapler-throwing, phone-slamming ‘TB-GBs’ of the Labour years.

It has for the most part been a more civilised government than its immediate predecessors. But the Coalition could have been something very much more. In the first year or so, there was a real sense of excitement about the possibility of a different kind of politics. In their joint foreword to the programme for government, David Cameron and Nick Clegg wrote:

We have found that a combination of our parties’ best ideas and attitudes has produced a programme for government that is more radical and comprehensive than our individual manifestos... citizens empowered; individual opportunity extended; communities coming together to make lives better. We believe that the combination of our ideas will help us to create a much stronger society: one where those who can, do; and those who cannot, we always help.⁶

This wasn't just spin. Both leaders, and many of their senior advisers, thought something new was happening. That a more plural politics was on the cards. As Clegg said in his 2010 Conference speech: 'In life, two heads are usually better than one. And in politics, too, when the country faces grave challenges... two parties acting together can be braver, fairer and bolder than one party acting alone.'⁷

It is impossible to imagine such statements today. One of the tragedies of this government is that a moment for pluralism came — and went. There are those, not least on the Liberal Democrat side, who think the Conservative claims were a charade from the outset. That Cameron needed coalition to get through the door of Number 10, at least with any kind of certainty of staying there, and made the best of a bad job. That in his heart, and perhaps the heart of all Tories, liberals will always be enemies and coalitions will always be second best.

I do not agree with this assessment. I think that for the first year of the Government, Cameron was genuinely open to a wider range of political possibilities. Outriders like the brilliant Nick Boles (who has just been brought into the government as a planning minister) speculated about a two-term electoral pact between the two parties. Cameron himself talked to trusted aides and commentators about centre-right realignment, turning the dream of a 'progressive alliance' of the liberal-left on its head.

Veteran political scientist Andrew Gamble wrote that the Coalition gave Cameron the opportunity

*to achieve what Tony Blair had failed to achieve, a realignment of British politics, a big tent involving the full participation of two of the three national parties. The realignment of the centre left which had been the aspiration of so many progressives had been transformed by Cameron into a realignment of the centre right.*⁸

But by the middle of 2011, it was clear that the more ambitious ideas of 2010 had been abandoned. This was for three principal, and related, reasons.

First, the Conservative high command became more confident about their chances in 2015. The Liberal Democrats suffered a dramatic loss of electoral support following the debacle of tuition fees. Labour selected Ed Miliband, widely derided in Tory circles, as leader. And Cameron and his party enjoyed months of gravity-defying positive polls. Suddenly a majority in 2015 looked likely. The Liberal Democrats — and with them the flirtation with pluralism — could be junked in 2015. Business as usual would be restored.

Second, having been relatively relaxed about the May 2011 referendum on the AV system, Cameron — reportedly under pressure from major party donors — became convinced that a 'yes' vote would be disaster. This was less because of the electoral impact of AV itself (difficult to judge but not intrinsically anti-Tory), but more a fear that, having failed to win the election outright and, in the minds of some, having been outmanoeuvred during the coalition negotiations, Cameron could not afford to 'lose again'.

In the preceding few months, Cameron had said internally that he would essentially stay out of the argument and simply deliver a *pro forma* argument against reform. He even considered allowing his own ministers to speak in favour of AV — and at least one cabinet minister would have done so. There were Conservatives who saw AV as a potential precursor to a 'soft pact' with the Liberal Democrats, with the two parties urging supporters to direct their second preference votes to their coalition partners.

But that was before, and this was now. An April 2011 article by the influential political commentator Ben Brogan in the *Telegraph* captured the new mood:

*If the No camp is indeed assured of victory, it is because a chastened Prime Minister ordered money and men poured into the battle, and allowed them to fight dirty. The squeals of complaint from Mr Clegg and his supporters tell us that Mr Cameron has shown ruthlessness against his enemies, a quality his colleagues feared he had lost.*⁹

And fight dirty they did. The sanctioned attacks by the ‘No’ campaign focused on Nick Clegg, and the unpopularity he faced in light of tuition fees. Clegg-adorned leaflets and posters urged voters to ‘Save us from President Clegg’ and warned that AV meant ‘More broken promises’ like the reversal of policy by Clegg on fees.

This was a defining event for relationships within the coalition, and in particular between Nick Clegg and David Cameron. A good deal of trust was lost. Cameron, under huge pressure, chose tribal party loyalty over his coalition partner. Quite right too, in the eyes of most of his colleagues. But it meant that an important moment — a potentially historic moment — was lost.

Third, following the heavy defeat on AV, and a thumping in the local elections in May 2012, Clegg in turn came under huge pressure to begin showing what he called more ‘muscular liberalism’. The sense in spring 2011 was that the Liberal Democrats were naive sheep led by ruthless Tories to the slaughter — and that it was time to fight back. In a speech immediately after the election, Nick dismissed any talk of ‘realignment’ on either the left or the right and said, in effect, that the hopes of the previous year for a different relationship between political parties had been killed stone dead:

Recent weeks have served as a healthy reminder of the separateness of the coalition parties. The campaign has also shown that tribalism is still the dominant force in the other two main parties. The Conservative party closed ranks in Spartan fashion against AV... Of course, there are pluralists in both the other parties too, and we will always be open to working with them. But the pluralists are not, it is clear, in the ascendancy.¹⁰

In the weeks that followed, the Liberal Democrats cut up rough over the NHS Bill, announcing its withdrawal from parliament for redrafting. The voices of pluralism in the press were drowned out. Backbenchers in both parties became more restless. Both leaders — but especially

Clegg, bloodied by the losses of May — engaged in more ‘differentiation’ than ‘unity’. Internal politics became edgier, warier.

I spent months briefing journalists that talk of a ‘breakdown’ in internal relationships were overstated: that the ‘Rose Garden magic’ had been exaggerated by the media, and that the ‘AV fisticuffs’ was being overstated too. It was the truth, but not the whole truth. Something did get broken in the spring of 2011: the basic trust previously felt by the Liberal Democrats for their coalition partners. From this point onwards, politics returned to its more natural condition: more tactical, narrower, less intellectually exciting, more closed. It became more like a game of chess than a national endeavour.

It is fortunate, given the narrowing of political horizons in 2011, that the original agenda of the Coalition had been ambitious. Given the current political state of play, it seems likely that most of the Government’s positive achievements will have been agreed in the first weeks and months of its life.

Spring 2010 opened up a year of more fluid, more plural and less predictable politics. A politics that fleetingly felt like politics as it should be. A parallel might be drawn with early hopes of a new ‘post-partisan’ period in US politics following Obama’s election. But in spring 2011 the door was slammed shut again, as tribalism triumphed.

4 What would JS Mill think?

I was not entirely in jest when I posed the question ‘what would Mill think?’ So I might as well risk an answer. Not on specific policies, of course. But in general terms I can imagine Mill being excited by the possibilities of the coalition for the conduct of politics itself, and by the space for reform that had been opened up by the combination of the crisis in our established institutions, and a government made up of two parties.

I can imagine him taking Cameron seriously— perhaps more seriously than Cameron takes himself. I think he would have ended up disappointed in the Government’s lack of radicalism, especially on the economy; in the electorate’s apparent conservatism, witness AV; and in the retreat back to political business close to as usual. (More likely, all of this is just what I think, and I am just vainly imagining hoping that Mill would think the same.)

Perhaps less eccentrically, a legitimate question to pose is what a liberal of Mill’s broad school of thought (think Hobhouse, Russell) might make of this Government? How does the Coalition perform on a modern liberal litmus test?

Before applying the litmus test, some very brief intellectual ground clearing is necessary. Like freedom, as Berlin warned us, the word liberal is a ‘protean’ one. Indeed some writers suggest that it makes more sense to talk about ‘liberalisms’ than ‘liberalism’. Some liberalisms are even seen as polar opposites. According to a profile in the *New Yorker* Republican Paul Ryan, nominee for vice president, was influenced by ‘a fierce and outspoken libertarian in a faculty dominated by liberals’.¹¹ Of course Americans use the term ‘liberal’ in a different way from the British, but then so do the Austrians, the Australians, the French...

‘The only freedom worthy of the name’, wrote Mill in *On Liberty*, ‘is that of pursuing our own good in our own way.’ Our own good in our own way: that seems to me to pretty much do the job of defining the essence of what Alan Ryan calls ‘modern liberalism’. But for those needing more, here is Ryan’s own summary of it as ‘the belief that the freedom of the individual is the highest political value, and that institutions and practices are to be judged by their success in promoting it’.

This means that liberals have to be defenders of a sphere of free operations for individuals. That is where traditional concerns with both civil liberties and defences against a ‘nanny state’ come in. And in the last few decades, liberals have become used to making essentially defensive arguments, on behalf of individual freedoms and rights.

But today liberals can also offer a more positive prospectus. Liberalism—modern liberalism—is needed today not because precious liberties are in imminent danger (although the vigil has to be maintained), or even because of the gravitational tendency towards paternalism in the British governing classes (though that is still evident), but because liberalism contains the intellectual and political resources needed to meet today’s challenges.

Neither of the other two main parties’ political philosophies grasps the urgent need to modernise the UK’s outdated political and economic institutions: the banking system, parliament, the structure of our companies, the tax system, media ownership, party funding. In spite of the crises of recent years, the high commands of both Labour and the Conservatives still want to win a game in which the rules remain essentially unchanged.

The principal faults in our society—especially the multiple failures of our institutional establishment—require a liberal remedy, a radical redistribution of power, to which, in the end, only liberals are committed.

Three years ago Nick Clegg published a Demos pamphlet title *The Liberal Moment*.¹² He was making an essentially party political point: that Labour was intellectually bankrupt, the Conservative claims to reformism a mirage, and the Liberal Democrats poised to inherit the

progressive mantle. But there is a deeper truth to the claim: this is a moment for more liberalism in our politics, our economy and our society.

The values of a liberal, open society—pluralist in politics, international in outlook, obsessed with opportunity, intrinsically hostile to concentrated and arbitrary institutional power—are needed today more than ever. But this is modern liberalism: not classical liberalism of limited government, or the bastard offspring ‘neo’-liberalism, or libertarianism. Modern liberalism does not define itself by the freedom of markets but the freedom of people. Not by the size of the state, but by the power of citizens. This is the liberalism of Mill, Hobhouse and Amartya Sen.

A few key features are worth drawing out here in order to judge the Coalition’s degree of liberalism.

Internationalism

First, a commitment to internationalism. Free trade, based on fair rules especially with the surplus nations like China. This is not just a European imperative, but an Atlantic one. Clearly environmental action needs international coordination. This is tough right now, but only liberals are really sticking at it. The Coalition Government has stood by its commitment on international development spending, and to give credit, Cameron has never wavered on this.

But internationalism also means having a positive approach to immigration. Certainly the levels of inward migration from Eastern Europe—much higher than expected—put pressure on the UK labour market and on public services. I think that with the benefit of hindsight few would act in exactly the same way again. But let us be clear: the benefits of immigration remain significant, especially if we take a broader view of social justice than just the nation state. The backlash on immigration is now posing a threat to our own economy: even the OBR has given a lower estimate for growth because of the Government’s immigration target of ‘tens of thousands’ of net immigrants. Universities are at

risk of losing revenue from overseas students. What is required in immigration is a cool-headed, evidence-based approach. All too often this is an area that the *Financial Times's* Phillip Stephens called 'policy-based evidence-making'.

Tolerance

Second, an instinct in favour of social tolerance, of letting people be so long as they are not harming others. Gay marriage, again over some Conservative objections, should be on the statute books by 2015. But in other areas, a strong dose of Tory paternalism has been evident: fiddly proposals for minimum alcohol pricing; intrusive ones to curb internet pornography use; and a raft of new rules on cigarette sales. Here Cameron has too often followed the lead of the 'nanny state' Labour ministers he used to mock. It seems from their recent record in government that, even in the midst of economic crisis, both social democrats and Conservatives find the urge to 'manage' people almost irresistible.

But far from indulging in more micro-management, the state should be easing up on people. There is a strong case for relaxing many of the drug laws — a case that police officers and civil servants make all the time, behind closed doors. At the very least we should decriminalise possession of cannabis and ecstasy and get a proper debate going. Again, the conservatism of the Conservatives is perhaps to be expected. But the Liberal Democrats can push at the political boundaries here. They should take their cue from the liberal philosopher Ronald Dworkin, who said the liberal state should keep its views to itself, 'like a tactful publican'.

Opportunity

Third, a commitment to equality in opportunity, or social mobility. The Government has committed to social mobility as the principal goal of its social policy; is publishing annually a series of indicators of mobility; and has created an independent

statutory Social Mobility and Child Poverty Commission, chaired by Alan Milburn, to monitor progress. In other words, a strong policy architecture has been put in place.

This is a key dividing line with Labour's social democrat approach to fairness, which in the end boils down to income equality. Mobility and inequality are related — substantively as well as statistically — but they are not the same thing. The UK is less mobile than other countries with similar levels of income inequality, such as Canada and Australia. (The US, for all the talk of the 'American Dream', does at least as poorly.)

And policies have followed suit: more investment in early years; a pupil premium in education; and a huge focus on improving access to higher education — underwritten by a considerable investment.

Policies should also aim to create more 'room at the top' by generating higher-skill jobs — allowing the gain of upwards intergenerational mobility without the pain of downwards mobility. But this is a long-term business, and reliant on economic as much as social progress. For the foreseeable future, upwards mobility will require downwards mobility. Few people are in favour of that. And no parent wants it, or ought to want it, for their own children. The affluent are skilled at 'opportunity hoarding' on behalf of their kids, otherwise known as getting them the best possible start in life. From a personal perspective, this is entirely rational. From a collective one, it is not.

Nobody sensible subscribes to the claim that social mobility in the UK has somehow gone into reverse. Any reasonable reading of the evidence shows the picture is more nuanced than that. The point is that our record doesn't need to have worsened; it is bad enough. From both an economic and moral perspective, we need our talent to rise.

When power is hoarded, opportunity can be hoarded too. And when you challenge those hoards, don't expect to be popular. If you criticise, as Clegg did, the practice of giving valuable internships to friends and family — easing their way into the best firms and professions — expect to be

vilified. Because at that point you are challenging the power of people to rig the market on behalf of their kith and kin, and insisting on something closer to a meritocracy instead.

The politics of social mobility are treacherous, because those who stand to lose are, by definition, richer, more powerful and more influential than those who stand to gain. It is a tribute to Clegg's radicalism that he has not backed away from the many fights that have erupted across the social mobility front.

Access to higher education offers a case in point. Very few people outside SW1, and only a few inside, have heard of OFFA. But the Office for Fair Access, 'an independent public body that helps safeguard and promote fair access to higher education', was the cause of some of the most heated discussions inside the Coalition Government.

When the Government was writing its first letter of guidance to the Director of OFFA, there was an internal battle over how far we should push OFFA to promote the use of 'contextual data' in university admissions. (In simple terms, using contextual data means making some allowance for an applicants' background, based on evidence.) Despite the expansion in higher education the relative chances of going to university by social background have remain static, and on some measures they have actually worsened.

On the day when the letter had to be issued, the Prime Minister himself, supported by very senior officials and advisers, was redrafting the wording. All day long the letter pinged between No 10 and the Deputy Prime Minister's office. In the end, and to everyone's credit, a pretty tough message was sent. A former Labour minister said to me, 'we'd never have dared to do that'. Absent the Liberal Democrats, it would never have happened.

A year later and the appointment of a new Director of OFFA caused a political firestorm. Fanned by the right-wing press and encouraged by senior government ministers, the Business, Innovation and Skills Select Committee monstered Professor Les Ebdon, the preferred candidate of David Willetts and Vince Cable.

Ebdon had made it clear that he saw a more activist role for OFFA, and warned that unlike his predecessors he was willing to use the 'nuclear option' of fining universities who failed to show sufficient progress in opening their doors. Huge pressure was put on Ebdon to withdraw, and on Cable, Willetts and indeed Nick Clegg to reverse course. They held firm, to the fury of the Tory backbenchers who had marched up the hill against Ebdon. We can expect a braver OFFA now he is at the helm.

The extent of the resistance within Whitehall, some elements of the Conservative party and large sections of the media, and among elite universities, to make more use of contextual data, is considerable. It is a classic example of a 'not broke, don't fix' mindset. And from the point of view of most of the people involved, the system works just fine. Affluent children from good schools—including the children of most politicians, editors and mandarins—grab most of the best university places. Senior civil servants get comfortable retirement berths as university chancellors or college wardens. Universities get to maintain their vaunted 'independence', while continuing to enjoy huge state subsidies.

The historic conservatism of our political and official class on this issue illustrates a general unwillingness to confront vested interests, to challenge the institutions that make up the establishment, and to face hard facts. And while it was hard-fought, the Coalition has taken a bolder stance than any previous government.

New economy

Fourth, a liberal economy, with power distributed more widely in the workplace; economic output more balanced across sectors and regions; and greater investment and innovation. I have already made the argument for a more radical approach to the national accounts and public investment. Suffice to say here that there is a grave danger that even if the Government succeeds in its battle against the structural deficit—and there is every reason to think it will—that the economy itself will remain

largely unreformed. Smaller than it should have been because of the crash, freer of debt because of the Coalition, but otherwise essentially unchanged.

New politics

Fifth, a rewiring of the political power grid to shift power from institutions and bureaucracies and into people. As we have seen, this is an area in which the Coalition has been almost entirely unsuccessful. It is a liberal tragedy that after five years of a Coalition between a supposedly ‘modern’ Conservative party and the Liberal Democrats, bishops will continue to pass our laws; MPs will continue to be elected with the support of a fraction of their constituents; and party coffers will be filled by the same union barons and city financiers as before.

Any Liberal Democrat will face the charge that their party will be the one to gain from many of these changes. To the extent this is true, it is an inescapable result of being the third party in what has been a fossilised two-party state. It stands to reason that such a party will enjoy better representation in a more representative political system. But it would be peculiarly unfair to suggest that self-interest is the primary motivation here.

The lack of progress on this front has however been an exercise in short-sightedness on the part of the Tories, who have missed a Disraelian chance to demonstrate their modernity via political reform. Perhaps the final word can be given to Mill himself. He famously accused the Conservatives of being ‘the stupid party’. But he was making a more subtle claim, as he explained in the Commons:

What I stated was, that the Conservative party was, by the law of its constitution, necessarily the stupidest party. [Laughter.] Now, I do not retract this assertion; but I did not mean that Conservatives are generally stupid; I meant, that stupid persons are generally Conservative. [Laughter and cheers.]... And I do not see why honourable Gentlemen should feel that position at all offensive to them; for it ensures their being always an extremely powerful party.

[Hear, hear.]... There is a dense solid force in sheer stupidity — such, that a few able men, with that force pressing behind them, are assured of victory in many a struggle; and many a victory the Conservative party have owed to that force. [Laughter.]¹³

5 What liberals do now

For liberals in general, and Liberal Democrats in particular, the last three years have been a rollercoaster ride. In the space of just six months in 2010, Nick Clegg went from zero to hero, then from statesman to villain.

The impact of the Liberal Democrats on government has been strong and positive. But the impact of government on the Liberal Democrats has been devastating.

Part of the damage has been self-inflicted, not least from the terrible mishandling of the issue of university tuition fees in 2010. But the party has also too often looked inwards and backwards, licked its wounds and found reasons to blame each other—rather than looking outwards and communicating the real achievements in government. And for a liberal party, there has been too much conformity to ‘politics as usual’ in its style and protocol.

But the truth is that it would have been painful under any circumstances. The challenges of maintaining a distinct identity in coalition with the Conservatives pale by comparison to those the party would have faced in coalition with Labour. Even at the best of times, junior coalition partners lose electoral support the moment they walk into office. And the trials of austerity, which would have hurt any government—and have toppled political parties across Europe—are coming, as brute bad luck would have it, on the Liberal Democrat watch.

So what now? There are inevitably mutterings about Clegg’s leadership, perhaps not suprisingly, given his and his party’s poll ratings. But there is still plenty to play for. Political reputations are volatile. The electorate is all over the map. Opinions can shift, quite dramatically.

In any case, the question of the party leadership can only be settled once the party’s direction has been set. Right now the Liberal Democrats face a fateful choice: continue down

the hard path of liberalisation, or retreat to a slightly softer version of social democracy. Clegg seeks to lead his party, as he has from the outset, in a distinctly liberal direction. But the centre of gravity of the party remains to the left. That resulting tension must soon enough be resolved, one way or the other.

The painful issue of university tuition fees highlights the division within the party. Just to be clear, the political handling of this was awful—and we must all take our share of the blame. It is certainly my biggest political regret. We should never have agreed to an increase in fees unless Cameron made a similar sacrifice, for example on universal benefits to pensioners. We should certainly not have allowed the party to split three ways: far better to have all abstained, as the coalition agreement permitted. And the messaging was all wrong: the policy now in place is effectively a capped ‘graduate tax’ and we should have labelled it as such. As I said, awful.

But on the substance of the policy itself, the liberal analysis is that the original policy of scrapping fees was simply wrong—regressive, expensive and outdated—while the Coalition’s actual policy is to be applauded: a fairer contribution for those who benefit most from higher education; greater power and choice for students; and a step-change in efforts to promote wider access and thereby social mobility.

By contrast, for those on the left of the party—more politely, ‘social liberals’—the original policy was sound, and the Coalition’s legislation a sellout to market forces and an attack on the hallowed halls of universities. A clear test of the party’s direction, then, will come in the shape of its policy on university fees for 2015.

There is also a fissure in the Liberal Democrats between those who seek to govern—even though that means facing what Tony Blair called the ‘hard edges’ of real decisions—and those who, in their hearts, are more comfortable in opposition. (The 2010 university fees policy was a glaring example of policy-making for opposition, not power.)

It is small wonder the party has a strong streak of oppositionism, after so many decades in opposition. The question is whether opposition is the party’s preferred state. Again Clegg is very clearly in the ‘seek-to-govern’ camp: however messy and painful, it is always better to be making changes than advocating them.

It will come as little surprise that I strongly believe the party must choose the paths of both liberalism and government. This is for reasons of high and low politics.

The ‘high’ political argument is that the UK already has a perfectly decent social democratic party, while what it most needs is a robustly liberal party.

In *The Liberal Moment* Clegg argued that the Liberal Democrats could reclaim, from Labour, the progressive mantle.¹⁴ As it happens, I don’t agree with the political typology he laid out then; Labour can be every bit as conservative as the Tories.

But I do think that we are at a historical moment that requires liberalism, for some of the reasons set out in this pamphlet, and therefore requires a truly liberal party. The political agenda being pursued by Clegg—Cleggism if you like—is the most potent contemporary expression of the modern liberalism the nation needs: open, socially tolerant internationalist, economically radical, green, obsessed with opportunity, and free of vested interests.

The ‘low’ political argument is that posing as a left-of-centre party after five years of austerity government in partnership with the Conservatives will result in annihilation, and—in a sense—justifiably so. The left-wing votes ‘borrowed’ from Labour in 2010 will not be available in 2015.

If instead the Lib Dems run as essentially a different party in 2015 compared with the one of 2010—this time a truly liberal party—the risks are still high. It means winning new voters in the centre. But there is no sensible political alternative.

So for both high and low reasons, the party may as well fight for what it uniquely believes in, radical, modern liberalism, rather than attempt to slice and dice the electorate in some fiendishly clever psephological plan.

To say this will be an easy or risk-free path would be to invite ridicule. There are no easy paths left. To complete the journey to being a modern liberal party will require profound changes, and not just in some of the policy areas addressed in this pamphlet.

If it is to be a modern party, the Liberal Democrats have to look and sound like modern Britain, rather than the very establishment it seeks to challenge. So where are the female cabinet ministers? Where are the black MPs? Why so many public schoolboys? Clegg has admitted his party is 'too male and too pale'. It is now time for more radical steps towards doing something about it. If it is to be a party of openness, it should hold open primaries for the selection of candidates — at the very least for the London mayoral candidate.

In short, then: the UK needs modern liberalism. It therefore needs a modern Liberal Party. And Nick Clegg is the only credible leader of that party.

Thirty years ago Jo Grimond warned that there is 'no point keeping a liberal party alive unless it promotes liberalism'. His words ring just as true today.

A Liberal Party promoting real liberalism? It has to be worth a try.

Notes

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- 10 N Clegg, 'One year in: coalition and liberal politics—Nick Clegg's speech to mark the first anniversary of the Coalition', 11 May 2011, <http://tinyurl.com/95664wr> (accessed 11 Sep 2012).
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- 13 JS Mill, House of Commons Debates, *Hansard*, vol 183 cc1554–666, 31 May 1866, http://hansard.millbanksystems.com/commons/1866/may/31/committee-adjourned-debate#S3Vo183Po_18660531_HOC_32 (accessed 11 Sep 2012).
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As the first Coalition Government since the second world war reaches its mid-point, tensions between and within the two constituent parties continue to spill out into public. In this essay, Richard Reeves, former Director of Strategy for the Deputy Prime Minister, offers a first-hand account of life inside the Coalition Government. Reeves suggests that the public disagreements obscure more than they reveal. He argues that the Government has functioned remarkably well – better, in fact, than anyone expected.

This insider's account reveals the successes and failures, the miscalculations, the triumphs and the frustrations of the Liberal Democrats' first taste of power. Reeves describes the formation of the Coalition as a victory for pluralistic politics, a sentiment that was bruised by the tribalistic AV referendum campaign. In addition to arguing for a looser fiscal policy, the essay includes reflections on a liberal approach to industrial strategy; reforms to health, welfare and education; the environment and carbon reduction; civil liberties; and social mobility.

His advice to the leadership and the party is that they continue on the path of true liberalism, predicting any return to a variation on social democracy would lead to electoral oblivion. 'Cleggism' is the most potent contemporary expression of the modern liberalism the nation needs: open, internationalist, economically radical, green, obsessed with opportunity, and free of vested interests. With the next election almost a thousand days away, the essay suggests that now is the time for liberals to rediscover their radical purpose.

Richard Reeves is a writer and commentator. He was formerly Director of Strategy for the Deputy Prime Minister, Nick Clegg MP, and before that, Director of Demos.

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