In the few weeks since I became the leader of the Conservative party, my shadow cabinet colleagues and I have begun to set out a new vision.

We have begun to show what we mean by modern, compassionate Conservatism. It is based on two principles: trusting people and sharing responsibility.

Our approach has certainly created interest. And seems to be prompting people to look again at the Conservative party.

But, as ever in politics, there has been criticism. Some have argued that our first principle, trusting people, contradicts our second, sharing responsibility.

They argue that trusting people should mean giving responsibility solely to individuals, rather than trying to share responsibility between individuals, society and the state.

But that argument, pressed to its conclusion, leads to anarchy. Some, from the left, have argued that trusting people and sharing responsibility means leaving people to look after themselves.

They seem to deny the huge role that businesses, social enterprises, voluntary organisations, individuals and families can play in building a stronger society.

Gordon Brown has set his face against sharing responsibility by arguing in response to our vision that 'only the state can guarantee fairness'.

That argument - denying shared responsibility - pressed to its conclusion, leads to monolithic state provision of public services.

A further, more sophisticated critique has focused on the need for us to be clearer about how we intend to share responsibility, with whom, and for what. It argues that the principle of shared responsibility on its own doesn't tell you very much.
Let me answer each of these criticisms in turn. The first two need not detain us for very long.

Plainly we aren't in favour of anarchy. And we aren't in favour of monolithic state provision. We are in favour of striking a balance.

And this is our response to the third criticism. The purpose of the policy review process we have established is precisely to establish clear borders of responsibility, by working out what is best done by the state, what is best done by civil society and what is best done by the individual.

But, in seeking that balance, we start with an instinctive desire to put more trust in civil society and in the individual, rather than in the bureaucratic apparatus of the state.

This Conservative instinct to trust people has found many forms over the years. Council house sales; employee share ownership; facilitating choice in public services; local management of schools.

It doesn't mean we are limited in our aspirations for government. But we do start with this instinctive desire to trust people because we recognise the inherent limitations of government. We know that, in dealing with the vast and interlocking complexities of our economy, our society, and our environment, government is typically unable to provide sustainable, long-term solutions on its own.

So precisely because we have such high aspirations for government we have to be realistic about what government can achieve through bureaucratic intervention and about what is better achieved through civil society and individual action.

But some people also say our approach is somehow a betrayal of our Conservative inheritance. It is to those people that I want mainly to address my remarks today.

I want to set out my view of recent British political history. And I want to explain the role of today's Conservative party in the context of that history. Increasingly, during the 1950s, 1960s and 1970s, Britain suffered from two, interrelated problems: economic decline and an 'us v them' mentality.

The economic decline was embodied in inflation, stagnation and rising unemployment. The 'us v them' mentality was embodied in deteriorating industrial relations: unions v management; workers v the bosses. In a vicious spiral, the economic decline accentuated the industrial warfare, and the industrial warfare accentuated the economic decline.
In 1950, Britain's productivity per worker was about half as much again as in France, Italy and West Germany. By 1979, it was about 20% less. In 1950, 1,389,000 days were lost to industrial action.

By 1979, this had multiplied to 29,474,000 - the highest on record. Margaret Thatcher set out to deal not only with the symptoms of this British disease but also with its causes.

She identified a means of transforming both the British economy and British society. With huge courage and perseverance, she turned Britain into a different country: less deferential, more socially mobile, a country where more and more people could aspire to - and achieve - a middle class lifestyle.

She brought the unions under the democratic control of their members. And prevented them being used as tools for subverting the democratically elected government.

But, more fundamentally, she gave to millions of union members and their families the chance for the first time to participate in a property-owning democracy. Council house sales - contributing to 4 million more home-owners by 1997.

Pension funds - with more invested in them than in the rest of the EU put together. Share ownership - with 7 million more individuals owning shares by 1997. Monetary and fiscal control matched by supply-side reform.

Gradually, Britain became a more middle-class country with a functioning market economy. Industrial warfare and the 'us vs them' mentality that underpinned it became quaint anachronisms.

Among the many things that the Thatcher revolution changed was the Labour party. Gradually, the Labour leadership came to realise that the changes of the 1980s were irreversible, because people didn't want to reverse them.

People didn't want to go back to Clause 4, class warfare and industrial strife. A more middle class Britain wanted a middle class lifestyle based on a prosperous market economy.

Tony Blair understood this - profoundly understood it. And people could see he understood it. So they could see that New Labour really was new.

But there was something else that Tony Blair understood. He understood that some people had been left behind. In point of fact, he wasn't the first person to understand that.
Margaret Thatcher herself became increasingly worried that not everyone was participating in her property-owning democracy.

She became increasingly worried that the new, open economy was not tackling problems of family breakdown, crime, poor schooling, drug dependency and the decline of respect in parts of our inner cities.

She made a famous speech invoking religion as a means of enriching our sense of social obligation.

Her successor, John Major, was even more acutely aware of the problem of those left behind. It was he who sought to make Britain a nation at ease with itself. It was he who formulated the desire to make Britain a truly classless society explicitly wanting to tackle the problems of an underclass of people left behind.

But it was Tony Blair who made the aims of a stronger economy and more decent society most explicit, with his twin focus on 'social justice and economic efficiency'. His aims were not markedly different to Mrs Thatcher's aims, or John Major's aims.

But they were new for Labour. The 'new bit' of New Labour was the equivalence granted to economic efficiency.

Tony Blair saw that the task of New Labour was to preserve the fruits of the Thatcher revolution - the open market economy and the end of the 'us vs them' mentality - whilst making real progress to include the excluded minority. On that prospectus, he won the 1997 election.

Tony Blair's victory in that election created a problem for the Conservative party. It was not the same sort of problem that Old Labour had faced. It was not a problem that arose from the failure of our ideas.

It was, on the contrary, a problem that arose from the triumph of our ideas. There was in truth nothing fundamentally new about the New Labour analysis except that the party offering it was Labour.

The market economy New Labour set out to protect was a market economy that Conservatives had fostered. The social ills New Labour set out to cure were social ills that Conservatives - Margaret Thatcher and John Major alike - had tried to cure.

So we, as a party, were left opposing a prime minister who claimed that his aims were far closer to our own. From this fundamental fact sprang most of the difficulties we faced over the last decade. We knew how to rescue Britain from Old Labour.
We knew how to win the battle of ideas with Old Labour. We did not know how to deal with our own victory in that battle of ideas.

That victory left us with an identity crisis. Having defined ourselves for many years as the anti-socialist party, how were we to define ourselves once full-blooded socialism had disappeared from the political landscape? We made terrible strategic and tactical mistakes. Sometimes we tried to claim that Labour had not really changed - that it was still the same old Labour party.

Other times we said that Labour were stealing our clothes but that people would prefer 'the real thing'. But the Conservative reaction in the 1990s to the changes Labour made then had serious consequences.

As Labour moved towards the centre ground, the Conservative party moved to the right. Instead of focusing on the areas where we now agreed with Labour on our aims highlighting the different prescriptions that arose from our different values and principles we ended up focusing on those areas where we didn't agree.

Tax cuts. Immigration. Europe. This was despite the best efforts of successive Conservative leaders, all of whom understood the need for change.

William Hague spoke in his first party conference speech about the need to make the party less extreme. Iain Duncan Smith initiated a new emphasis on "helping the vulnerable", a legacy which we are building on to this day. Michael Howard spoke in his famous remarks at the Saatchi Gallery of the need for the Conservative party to stand for "for all Britain and all Britons."

But well-intentioned cheerleaders on the right exerted a powerful gravitational pull. The force of the gravitational pull was increased by one of the inherent difficulties of opposition: unless you say something strikingly different, no one pays much attention. Embracing a "new politics" and accepting that in many areas New Labour was closer to the Conservative party was a difficult thing to do.

But nevertheless it was the right thing to do. Not least because it's true. And make no mistake - I will stick to this path. The alternative to fighting for the centre-ground is irrelevance, defeat and failure.

Holding fast to this approach needs to be combined with rejecting another temptation of opposition - easy answers based on one-dimensional thinking.
Thinking which said that there's only one way to promote social mobility, and that's to bring back grammar schools. Or thinking which said that there's only one way to cut crime, and that's to put more bobbies on the beat.

Thinking which said that there's only one way to build a competitive economy, and that's through tax cuts.

People know that life isn't as simple as that. Social mobility; safer streets; a strong economy are good Conservative aims. And we now need to think of new Conservative ways to deliver them. We must start by understanding what we will inherit.

Almost 10 years on we are in a position to judge which elements of the 1997 prospectus have been fulfilled and which have not. On the plus side, we have to acknowledge that the Bank of England has maintained admirable monetary stability, and that spending on public services has markedly increased.

These are, in essence, what Tony Blair and Gordon Brown say whenever anyone asks them anything general about the achievements of their government. I'm not surprised. It would be genuinely difficult to identify other respects in which the positive elements of the 1997 prospectus have been fulfilled.

Despite its 1997 prospectus, the government has failed to maintain the competitiveness of our economy, and has failed to lift the excluded out of the trap of multiple deprivation in which they find themselves. We have seen neither economic efficiency, nor social justice.

Britain has dropped from fourth to 13th in the international competitiveness league. Our productivity growth has halved from 2.6% a year to 1.3% a year - and has recently fallen as low as 0.5% a year.

And Britain's growth rate is less than half the global average. At the same time, social mobility has fallen - to a lower level than in the 1950s. The gap between life expectancy for the richest and poorest in our country is now greater than at any time since Queen Victoria.

And almost a third of disabled adults of working age live in poverty - more than a decade ago. The reasons for these failures are instructive. In both domains - economic and social - the Blair/Brown government has put its faith in legislation, regulation and bureaucracy.

Wherever they have seen a problem, they have seen action by the state as the solution. This is why we have seen an unprecedented growth in the size
of the administration - both in the civil service and in the public sector more widely.

The cost of government has gone up by 50%. The civil service has exploded: with 560,000 employees it is now bigger than Sheffield. The World Economic Forum estimates that for ease of dealing with bureaucracy, we are now just below the Dominican Republic, at 20th in the world.

The effects of the increasing bureaucracy has, predictably, been to fur up the arteries of the economy and in the social sphere, to engineer support mechanisms which are all too frequently inappropriate to the human beings they are aimed at supporting.

For business, the cost of new regulations has reached nearly £40bn. We're tied at 51st in the world for our regulatory burden - with Romania. And we're ranked 54th in the world for our tax burden on business, just below Trinidad and Tobago and Kazakhstan.

For people, the effects of this expansion of bureaucracy are more directly painful. 1.7 million eligible pensioners failing to receive the benefits they're entitled to. A backlog of over 330,000 cases at the Child Support Agency.

Over half of the 2.7 million people claiming incapacity benefit claiming for more than five years. Why has the government resorted to these failing bureaucratic measures? Partly because that is the natural instinct of the Labour party - and especially of Gordon Brown. Partly because, unless checked, it is the natural instinct of the civil service. But there is another reason.

Tony Blair wants results fast. He wants results visible. He wants results that are visibly the results of his actions. So he is not really interested in long-term changes of culture if they do not produce short-term effects. And now, with the quest for a legacy becoming an all-consuming mission, the short term just got shorter.

For Tony Blair, the short term is now not just next year; it's next month, next week. He is not really interested in sustainable change if it is brought about by businesses, social enterprises, neighbourhoods, families or individuals without a visible link to the actions of his government.

This is government governed by appearance, a government in which - to use David Blunkett's immortal phrase - a day without an initiative is seen as a day wasted. It is government of the short term, by the short term, for the short term.
The principal task for us is now clear. 'Social justice and economic efficiency' are the common ground of British politics. We have to find the means of succeeding where the government has failed.

As we set about this task, we have a clear picture in our minds of the Britain we are trying to build. And we have a clear idea of the way we are going to build it. We have at last come to terms with our own victory in the battle of ideas.

There is no need to refight those battles - because they have been won.

We now know that we have the opportunity to combine the preservation of the Conservative economic inheritance with the resolution of the social problems which were left unresolved at the end of our time in government, and which remain unresolved after a thousand short-term bureaucratic initiatives.

We have a picture in our minds of a Britain in which no child grows up trapped in the multiple deprivation of family breakdown, drug and alcohol dependency, decayed housing, dangerous neighbourhoods and poor education.

We have a picture in our minds of a Britain in which the financial power of a free, competitive, open market economy is harnessed to provide first-rate, universally available public services.

But we want to go further than this. We understand, unlike Labour, that social justice and economic efficiency are not enough to meet people's aspirations today.

We have a picture in our minds of a Britain in which the quality of life matters as much as the quantity of money. Where the passions of a new generation for a more beautiful and a more sustainable environment are fulfilled. And in which the relief of poverty across the globe is not an add-on, something additional to our aims, but a central part of our vision.

We also know that we cannot build such a Britain in a rush, with a hailstorm of government initiatives.

We know that the only way to build such a Britain is for government to lay solid foundations upon which civil society and the individual can rely, and then to release the boundless energies of civil society and of individuals.

Instead of issuing top-down instructions, we will enable bottom-up solutions. Instead of pulling the same statist levers and expecting different results, we will respond to state failure by empowering individuals and civil society.
Instead of public service reform at the pace of the Warwick agreement with the trades unions, we will deliver the improvements we need through real modernisation.

That is what we mean by trusting people and sharing responsibility. So my answer to those who say that the changes we are making in the Conservative party are a betrayal is this.

We have indeed begun to change. But the change is not a betrayal. It is a recognition and a fulfillment. It is a recognition that the challenges faced by Britain today are not the challenges of the 1970s.

We are not facing a spiral of economic decline. We are no longer a country divided by battles between 'us and them.'

The change we are making recognises that we have won the battle of ideas. That, as a result, our aspirations are shared by others on the common ground of British politics, aspirations for a vibrant open economy, a decent society in which no-one is left behind, and where everyone who needs it gets a second chance.

But we should also be clear that the change we are making takes us beyond those aspirations, to see happiness, quality of life, and environmental sustainability as central goals of progressive government.

Our process of change is also a recognition that, to realize these aspirations, we need to win the last battle, the battle to replace short term bureaucratic fixes with long term sustainable solutions, brought about by individuals and civil society, building on firm foundations laid by government.

And, as a Conservative party changed by those recognitions begins to build a better Britain, we will be fulfilling, not betraying our inheritance. We will be showing that we have understood our past, and that we can see the way to our future.