

How strange that George Osborne should be pleased to be at DEMOS – an organization acknowledged to be a key support think tank for New Labour. Created shortly before Tony Blair came to power.

Even more surprising that the Conservatives are also working with DEMOS. He states:

“Over the past six months, the Conservative Party has been working with Demos on a series of seminars on the post-bureaucratic age, and with Richard in charge, we're looking forward to strengthening and broadening this relationship in the months ahead”.

So both the Conservatives and New Labour are working with Fabian Marxist DEMOS. Geoff Mulgan, the founder of DEMOS and close colleague of Julia Middleton Common Purpose, also helped create the Young Foundation. This is another Fabian think tank, favoured by Conservative Leader David Cameron. Francis Maude MP Conservative allegedly stated at a local Conservative Association meeting, that the Tories err....ummmm helped create Common Purpose. What a tangled web of “third way...third sector” influence.

Could it be that we are watching a Tory Labour and Lib Dem (in the shadows) one party state, being driven by Fabian think tanks such as DEMOS, Common Purpose, Young Foundation, Clore, Duffield, Joseph Rowntree and others? The evidence is growing that far from our MPs running the country, they are in fact puppets of ‘think tanks’, backed by huge wealth. Cameron was given substantial financial donations towards his leadership campaign from wealthy people who are also backing and pulling the strings for think-tanks such as those just mentioned. Accountability...probity???

Meanwhile Osborne and the conservatives are working for the post bureaucratic age. He really means post democratic age.

Mr Osborne’s speech follows:

20th August 2008

Demos - On Fairness

In a speech about *fairness* to Demos today, Shadow Chancellor, George Osborne said:

(Full text – check against delivery)

“It's a pleasure to be here at Demos.

I'd like to thank Richard Reeves – the new Director of Demos – for hosting this speech.

As his recent Prospect article on the importance of teaching character showed, Richard is a brilliant and creative thinker, who I know will ensure Demos is right at the heart of the policy debate.

Over the past six months, the Conservative Party has been working with Demos on a series of seminars on the post-bureaucratic age, and with Richard in charge, we're looking forward to strengthening and broadening this relationship in the months ahead.

When Gordon Brown stood on the steps of Downing Street last July, he announced that 'change' would be the central theme of his premiership. Last autumn it was 'aspiration'.

Then the slogan was 'on your side'

Now, before it's even started, leaks from Number 10 tell us the next re-launch will be based around the theme of 'fairness'.

I know why. I've seen the focus groups too. People like the word 'fair'.

They think government is 'unfair' to those who work hard and play by the rules.

They want a 'fair deal' and 'fair play'.

And when you're in trouble as a political party there is a temptation to cling desperately to the words that focus groups throw up.

I remember an attempted Conservative re-launch in 2003 was based on the theme 'A Fair Deal for Everyone'. It was not a great success – indeed we lost our Party Leader that autumn.

And I suspect that Gordon Brown's re-launch too will fairly and squarely fail.

Why?

Because it is nothing other than a political rescue plan, not a coherent organising principle.

The British public will see right through it.

But surely 'fairness' can be more than a political slogan?

After all, fairness is such a deep seated and emotive principle.

One of the first sentences children utter is "it's not fair".

Fairness is one of the strongest impulses that underpins our social fabric, forms the basis of our relationships, and as political thinkers from Locke to Lincoln have argued, gives our democracy legitimacy.

But over the past decade or so, has become less fair.

That's not to deny that there have been advances.

I think the legislation to create civil partnerships was progressive and fair.

Modern Conservatives acknowledge the fairness of a minimum wage. But even many on the left would now agree, we have made far too little progress on the road to a fair society in the last decade.

There are 900,000 more people living in severe poverty than there were in 1997.

The gap in infant mortality between the poorest and richest households has actually grown.

Educational inequalities are expanding and social mobility is declining.

Why these failures?

Unlike Gordon Brown, I don't refuse to see anything good in the ambitions of my political opponents.

I know Labour politicians who came into politics for the noblest reasons, and who have made it their life's goal to reduce poverty and tackle injustice.

They are as dismayed at the results after ten years of a Labour Government as we are.

So it is not the wrong motives that have led to a less fair society, but the wrong methods.

At the root of the left's failure on fairness in government is a stubbornly-held but severely mistaken belief, best expressed in Gordon Brown's assertion that "only the state can guarantee fairness".

It is a belief with which I profoundly disagree, and a belief which helps explain how so much money could have been spent in the last decade, but so little achieved.

Today I want to explain why the state alone cannot guarantee fairness.

I want to do so by looking at three different characteristics of a fair society – and show how on each it is the right in British politics which is now making the running.

The first characteristic of a fair society is one where people are properly rewarded for their effort and ability. And the great victory for the right in my lifetime, across the world, has been to show that

this is best achieved through free markets operating within the framework of the rule of law, a fair tax system and strong social norms.

The second characteristic of a fair society is one in which there is equality of opportunity, so that people can achieve their aspirations regardless of their background and no one is left behind. And I believe here in my party is now winning the argument that the progressive goals of reducing poverty and increasing mobility are best achieved by Conservative means.

The third characteristic of a fair society is less familiar but as important – that the current generation should not saddle the next generation with the costs of its own mistakes, be they environmental, social or fiscal. And I can see a new debate emerging in British politics in the coming months in which Conservatives show that we offer long term inter-generational fairness in contrast to a government willing to mortgage the country for its own short term survival.

Let me take each characteristic of a fair society in turn.

First, a fair society is one where people are properly rewarded for their effort and ability.

We have established, after a long and bitter ideological argument over two centuries, that the free market economy is the fairest way of rewarding people for their efforts.

Indeed, when the state tries to replace the market and allocate resources then great unfairness follows.

Look not just at the extreme cases, like the mass destitution of or the sullen poverty of the Soviet Union .

In my lifetime the British state confiscated 98% of people's incomes in the name of fairness.

It is easy to forget how contested was the view that free markets were the foundation of a fair economy.

There was once a young Member of Parliament who urged "a coherent strategy ... to cancel the logic of capitalism".

He pledged that "the goal would not simply be the minimalist one of equalizing opportunities", but fairness delivered through "a planned economy".

Gordon Brown, like many others on the left, was forced by defeat to recognise that he was wrong. But you still see in their current thinking some of the assumptions that led them to their original errors.

These false assumptions underpin the Prime Minister's assertion that only the state can guarantee fairness.

Let me give you a recent example: two years ago the Prime Minister declared that needed fourteen million skilled workers by 2020. Not thirteen million or fifteen million.

How on earth does he know? Did he predict twenty years ago that today the British workforce would consist of tens of thousands of web designers, software writers and mobile phone retailers?

Of course not. No one did.

What was true when Gordon Brown was railing against capitalism is as true now that he hangs out with the world's greatest capitalists.

A planned economy may seem fair in theory but is unfair in practice.

As economists from Adam Smith to Francis Edgeworth to Frederick Hayek have demonstrated, however well intentioned the central planners and bureaucrats may be, they will never have the knowledge to allocate resources fairly. They will never have anything approaching perfect knowledge of everyone's needs, abilities and efforts. Only the invisible hand of the market, where

people choose freely to transact with other people, is able to do that a consistent way.

If that asymmetry of information between the market and the state was true when the Conservative Party devoted some of its precious post-war paper ration to printing copies of the Road to Serfdom, then think how much more it is the case in the age of globalization and the world wide web.

But just as Conservatives have always stood against the utopianism of controlled economies, so too have we recognised that unfettered free markets are also flawed.

The pursuit of self-interest without any constraints does not lead to the fair reward of effort – it leads to the abuse of power and the emergence of monopoly.

It is this understanding that differentiates Conservatives – who believe in markets that work – from libertarians and their laissez faire assumption that the pursuit of self interest is enough.

Adam Smith recognized the limitations of the unconstrained market two centuries ago. In the Wealth of Nations, he argued that: "people of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices."

Today, Martin Wolf puts this argument into a modern context. In his recent contribution to Bill Gates' Creative Capitalism web forum, he rightly argues that the state must put a strong framework around the market: "There have to be rules, ethical norms and institutional constraints governing profit-maximizing behaviour, to ensure that the maximization operates for the social good."

Without these limitations, the strong restrict competition for their own benefit. Indeed we find that where the state is too weak to govern the market, instead of fair reward for effort we find expropriation.

In the free-for-all of in the immediate aftermath of the collapse of communism, instead of fair reward for effort we saw the unfair wholesale transfer of state resources to individuals.

Here in we have developed over many centuries the framework that allows the free market to operate in a fair and creative way.

Of course, that framework involves state intervention to prevent the emergence of unfair cartels and the exploitation of individual workers – and Conservatives have been at the forefront of that state intervention since the days of Wilberforce's campaign to end the slave trade Shaftesbury's fight against the Manchester Liberals for legal limits to factory hours.

Today we continue to champion sensible government steps to create a robust framework for a free and fair economy.

It was the Conservative Party under David Cameron that two years ago was the first party to call for a general right for all parents to ask for flexible leave.

It was the Conservative Party that at our Conference last year was the first party to propose that non-domicile residents had to make a fairer contribution to the exchequer.

It is the Conservative Party now that has proposed greater controls on consumer credit to protect consumers from excessive debt.

And it is the Conservative Party that has been calling for the break up of BAA's airport monopoly in the South East – and I'm glad to see today's findings from the Competition Commission.

We understand that tax can get in the way of rewards for effort – so we want to see not just lower taxes but fairer taxes too.

The public outcry against the 10p tax rate said something very interesting about the British people's sense of fairness. Even those on middle incomes who found themselves better off from the tax changes felt it was profoundly unfair that they were benefiting at the expense of higher tax bills for those on lower incomes. It was a good old fashioned British tax revolt.

Equally unfair are the extremely high marginal tax rates faced by those on low incomes. The Government's own figures show that when someone on £100 a week increases their income, for every pound of extra pay they take home just 6p.

And the recent renewal of calls from a Government Minister for a 50p top rate of tax on the grounds of "fairness" would not in fact make our country fairer. When will the left learn that higher marginal tax rates are not the route to either prosperity or fairness?

It would damage our economy by undermining enterprise and wealth creation.

But, as Conservatives, we understand that the state alone cannot guarantee a fair framework for the free market.

Where markets work well, they aren't just constrained by formal rules, but by institutions, social norms, self-regulation, and the character and personal responsibility of those who act within them.

When we make the argument that businesses should recognise their role as part of society, and that they have responsibilities that go beyond those owed simply to the shareholder, or when we argue that we can nudge behaviour through social norms, it is because as Conservatives we appreciate the limitations of government action by itself divorced from the values of the society in which it operates.

It is why we see the error in the claim that only the state can guarantee fairness.

So if the first characteristic of a fair society is that people are fairly rewarded for their efforts, and if Conservatives have decisively won the argument that this best achieved through free markets that operate within robust social frameworks that prevent abuse – what about the second characteristic?

That in a fair society there is equality of opportunity, so that people can achieve their aspirations regardless of their background and no one is left behind.

Let me explain why I think we are now winning the argument that the progressive goals of extending opportunity, reducing poverty and increasing mobility are best achieved by Conservative means.

There is agreement across British politics that poverty scars a civilised society.

We agree that relative poverty matters as well as absolute poverty.

We agree that child poverty should be eliminated.

Where we disagree is how we achieve it.

As an opposition, the Conservative Party has an advantage. We have been able to see how the government's approach is clearly not succeeding.

This is not for lack of effort or good will. I take Gordon Brown at his word when he says tackling poverty is one of the causes that brought him into politics.

Yet his approach of using redistribution as the sole policy tool to tackle poverty has failed. After a decade of means-tested cash payments, we are left with greater inequality of health, education, and ambition than we have seen for decades.

Child poverty has been rising for two years in succession.

The number of people in extreme poverty has risen by a staggering 900,000.

In the words of Alan Milburn, poverty has become "more entrenched" under Labour.

As the Joseph Rowntree Foundation has concluded: "The strategy against poverty and social exclusion pursued since the late 1990s is now largely exhausted."

Why?

Because the causes of poverty run much deeper, and the consequences of poverty are much broader, than the narrow focus on redistribution of income that has been the dominant approach of this Labour government.

In seeking modern solutions to poverty, Conservatives are leading the way.

For we understand that to tackle deprivation, it is not enough simply to transfer money – we need to tackle the complex mix of entrenched worklessness, family breakdown, drug and alcohol abuse, and rising indebtedness that perpetuate the cycle of poverty.

We need to extend opportunity and aspiration if we want to tackle inequality and poverty.

The debate about these issues is now so prevalent that it is easy to forget how significant the Social Justice Commission report two years ago from Iain Duncan Smith was in propelling them on to the centre stage of British politics.

A major plank of our approach is the welfare reform agenda set out by Chris Grayling. That involves state action to ensure that in return for fair help for those who need it, those with the capacity have an obligation to seek and accept work. The evidence shows that is best for them, and it is what is fair to the rest of society that currently pays for the spiralling welfare bills.

Let me say, genuinely, that I am delighted that James Purnell is now adopted many of our proposals. We will support him if his efforts are frustrated by his own deeply hostile party or his own previously obstructive Prime Minister, for it opens the way for really substantial progress under the next Conservative Government.

I am more than happy to see the beachhead be opened up by a Labour Cabinet Minister.

But again, it is not just action by the state that can reduce the unfairness of poverty and deprivation.

Conservatives have long understood the power of communities to help their own, through non-state collective action. It is at the heart of Edmund Burke's work.

Families, charities, religious movements, and co-operatives all help the most vulnerable in society, often supported by, but not dependent on, the state.

Those who claim that only the state can guarantee fairness cut out

the powerful impact of these dynamic and emotionally important institutions.

It is their dynamism, emotional relevance and local knowledge that so often make them more effective than the remote outposts of the state bureaucracy to which Gordon Brown is so attached.

But ultimately we will only succeed in making British poverty history if we also make opportunity more equal.

All mainstream political parties now support the goal of equality of opportunity.

This represents, in my lifetime, a major victory for those who believe that the state should play a role in promoting equality of opportunity, but who reject the goal of guaranteeing equality of outcome – a goal which, for much of my childhood, the leading thinkers of the Labour Party, from Tony Crosland to Roy Hattersley, once fought for.

We know now that trying to guarantee equality of outcome, far from being fair, creates great unfairness.

That is because it is only possible to guarantee equal outcomes if you abandon the principle of due reward for effort. In other words, if you abandon the first characteristic of a fair society.

To some on the left, this puts the ideas of fairness and aspiration at loggerheads: you have to sacrifice a bit of aspiration to get a bit more fairness.

Indeed, I am told that a row raged in Downing Street earlier this summer about whether to make the theme of the forthcoming re-launch ‘fairness’ or ‘aspiration’.

Conservatives understand that you cannot choose between them: promoting aspiration is fundamental to promoting fairness. But we understand too that unequal outcomes come not just from

differences in effort but differences in opportunities.

As John Rawls set out in his concept of the veil of ignorance, a fair society not only promises equality under the law, but promotes the equality of opportunity, so that aspiration is available to all.

This is what Conservatives mean when we say that economic liberalism alone is not enough – we need economic empowerment.

And the most powerful tools of economic empowerment that we have are a decent education and good health.

But it is not enough just to talk about improving education and healthcare. We must deliver.

Again, I believe that Gordon Brown's maxim that "only the state can guarantee fairness" has held back progress in health and education over the past decade.

The left always used to say: state-provided public services will deliver fairness, if only they had more funding.

Well they've had their chance to prove that point – and on a spectacular scale, with spending on the NHS trebling since 1997 and spending on schools doubling.

Yet look at the results in both health and education – the poor do worse and the rich do better than in 1997.

Let me give you one staggering statistic in each area.

This year, only 176 pupils on free school meals made it into the 12% of all pupils who got three As at A-level.

And the gap between the life expectancy of the richest and the poorest in our society is now worse than at any time since the Victorian age.