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More Southern Discomfort : a year on – taxing and spending



*Giles Radice and
Stephen Pollard*

More Southern Discomfort: a year on – taxing and spending

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Introduction

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"Things have got so much worse."

"Just feathering their own nests."

"God knows where the money goes."

"We're not told the truth - whitewashed by the figures."

"They seem to want to keep everyone else down."

Last year these people voted for more Conservative government. Although they were 'floating' voters, and seriously considered voting Labour, they felt then that they trusted the Tories rather than Labour to manage the country. They no longer trust the Tories, but their experience of the past year of Conservative government has led not to a renewal of support for Labour, but to a distrust of all politicians.

This pamphlet, like *Southern Discomfort* published last year, is a study of political attitudes in 5 marginal constituencies which Labour failed to win at the 1992 general election - Gravesham, Harlow, Luton South, Slough and Stevenage. Last year we showed how, despite their concerns about the recession, their fear of losing their jobs and homes and their belief that the NHS and education were seriously underfunded, southern 'wavering' voters in the end came down in favour of the Conservatives because they did not trust Labour. They thought that a Labour government would mismanage the economy, put up taxes and would be in hock to the unions. More generally, they felt that Labour - seen as a class-based party - had nothing to offer upwardly mobile families such as their own.

This summer we have returned to the same 5 marginal constituencies and asked a series of questions of 10 groups (5 of men, 5 of women) comprised of interviewees drawn from the same white collar and skilled manual occupations (the so called C1/C2s). Like last year, they were all 'floating' voters who had seriously considered voting Labour but had voted Conservative in 1992. Many claimed to be 'floating' now. All were aged between 25-50 and all had children.

Some of the questions which we asked our groups were the same as last year, including ones about their hopes and fears, about their views on the economy and about their attitudes towards the Conservative and Labour parties. However, this year, in view of the fundamental review of taxation, public spending and social benefits by the government, Labour's own Commission on Social Justice, and other contributions to the debate, we have concentrated on issues

of tax, spending and benefits.

The findings of 'attitudes' surveys such as these Fabian reports have to be taken seriously because in-depth discussions with a representative sample of the population give a useful guide as to what people *really* think. This is not to argue that Labour should slavishly follow all the reactions of these voters or that we should abandon our deeply held values, but it must be sensible for a party which has suffered four successive election defeats to listen to what they have to say and to take account of their views before strategies and policies are drawn up and put to the electorate.

We should like to thank Opinion Leader Research for conducting the qualitative survey, and the Inland Revenue Staff Federation and Webb Trust for their financial support. We are grateful to Denyse Morrell for her skill and patience at the word processor and to Tina Howes for her Desk Top Publishing finesse. We are indebted to David Cowling for his advice on polling, to Simon Crine for his original initiative and for his valuable editorial insights and to Penny Cooper for her excellent research and constructive criticism.

Why southern voters matter

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If Labour is to win more seats in the South and so gain power at the next election, then it must improve its performance among the white collar and skilled manual groups - in the jargon of the pollsters, the C1s and C2s. These voters now comprise more than half the electorate - C1s account for 25% and C2s for 29%. Above all, they are the crucial swing voters whose behaviour decides elections.

These groups have a special significance for Labour. As the accompanying table of the main social groups at the last four elections (prepared for us by David Cowling, ITN's political analyst) shows, by 1992 Labour had more than restored its 1979 levels of support among the ABs (professional and managerial groups) and the DEs (unskilled manual groups and those living on state benefits). Indeed, the party had a big lead among its core supporters - the unskilled workers. But Labour was still doing badly among the C1s and C2s. Its 1992 share of both groups was lower than in 1979 - 1% less among the C1s and 3% less among the C2s.

Those who argue that the party can afford to ignore these crucial 'middle' groups where Labour has been underperforming and should instead concentrate on maximising its support among its 'core' voters forget that the DEs now amount to less than a third of the electorate. In any case, Labour's recovery among the DEs and also the ABs (where its 1992 share of the vote was impressively high) has already been achieved. It may be possible to do even better at the next election but it will be a harder task precisely because the party did well among these groups last time.

David Cowling summed up the priority for the party: "The white collar (C1) and skilled manual (C2) groups pose the greatest challenge for Labour. The possibilities for recovery among them are mathematically greater; and they also encompass many of the people whom the modern Labour Party seeks to embrace. They are 'middle Britain' and any party which gives them up for lost really ought to think seriously whether they want to be in the game at all."

SOCIO-ECONOMIC GROUP VOTING ANALYSIS

	CON	LAB	LIB-DEM
	%	%	%
AB (professional & managerial)			
1979	61	20	15
1983	55	15	27
1987	54	13	30
1992	53	22	21
C1 (white collar)			
1979	52	29	16
1983	49	20	29
1987	47	24	26
1992	48	28	20
C2 (skilled manual)			
1979	39	42	14
1983	38	32	26
1987	42	35	21
1992	40	39	18
DE (unskilled manual and those receiving only state benefits)			
1979	33	51	12
1983	30	45	22
1987	31	46	20
1992	29	52	13

Source: *ITN/Harris Exit Polls*

This year's Fabian survey of political attitudes has been conducted among C1s and C2s in the same 5 South East marginal constituencies as last year. We chose these seats because the South East has more white collar and qualified employees than any other region and because the key to a Labour victory at the next election is the South - the region with the largest number of seats. This research is of course relevant to seats outside of the South, since the population mix is much the same in many parts of 'middle England', and the issues and attitudes similar. But the sheer number of seats in the South gives it great importance. In the South East alone there are 109 seats (excluding London), and in the South as a whole there are 261 - of which Labour holds a paltry 45 (including London).

It is now commonplace to say that the Labour Party suffers from a crippling weakness in southern England. At the last election, Labour did not do badly in

London. But outside the capital, it won only 10 seats out of 177 south of a line from the Wash to the Bristol Channel. In the South East, outside London, the Labour Party is in an even weaker position. In 1992 it won only 3 seats out of 109 in the region, capturing but 2 of its 10 target seats. Taken as a whole, the region was a huge Tory safe seat, with the Conservatives getting 55%, the Liberals 23% and Labour only 21%.

The Labour Party therefore cannot afford to write off the South or southern voters. Though there are still 'target' seats to be gained in other regions, including the North West, the East Midlands and Yorkshire, there are not enough extra winnable seats in these areas to guarantee a Labour victory. Labour cannot win without doing better in the South.

The May 1993 County Council elections showed that the party can pick up seats in the South - at least at local level. Labour gained 63 seats in the 18 counties in the South East and South West regions. For the first time, it became the largest party in Essex and Bedfordshire - and was also the largest party in Hertfordshire. Following the county elections, Labour is in a leadership role in Kent, Hampshire, Berkshire and East Sussex.

But there is still a long way to go. In the same elections, the Liberals gained 262 seats in the 18 southern counties. In July 1993 a MORI poll gave the Liberals 39% of the vote in the South (excluding London and East Anglia). And an analysis of recent council by-elections by Colin Rallings and Michael Thrasher of the Local Government Chronicle shows that "there is now a constant drip of council seats away from the Tories and a growing core of Lib-Dem support". Following their dramatic by-election victories at Newbury and Christchurch, there is a real danger that the Liberals could take away votes at the next election not only from the Tories but also from Labour - even in those southern seats where Labour is a clear challenger to the Tories. In any case, it would be wrong for the Labour Party to view some southern seats as 'alien territory'. To do so is a dangerously self-fulfilling prophesy; once the decision is taken to write them off then so Labour retreats further from its necessary role as a national Party and so it damages further its chances of winning again - a vicious circle.

The Labour Party cannot therefore rely on the unpopularity of the Tories alone to drive the southern swing voters into its arms. It has to make a positive appeal to the white collar and skilled employees who will decide the future of the marginal seats in southern England at the next election. It has to show it understands the concerns and aspirations of upwardly mobile, homeowning, 'middle Britain'.

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Tax, spending and benefits

As the economy is likely again to be the battleground of the next election, we have concentrated this time on 'money matters' - what they feel about the economy, their attitudes towards wealth and the wealthy, what they think of taxation and benefits and who they trust most on these areas.

The general mood is even more pessimistic than last summer. Last year we described the mood as insecure and fearful: "There's always that fear at the back of your mind"... "I keep thinking, he's out before me, but I'm out before the gov'nor". This year that fear has become a reality so that, although many then were disenchanted, they now feel depressed: "it's dire - we've hit the bottom and can't go any further". When we asked them last year what they hoped for from the next five years, their gloom was reflected in the fact that most wanted to maintain the status quo: "keep the house"... "keep my job"... "the main thing would be to keep my present standards - not to drop down". This year's groups show how, for most, that desire has not been met. It is no longer the economy as an abstract that is doing badly; now, the recession is being felt personally through unemployment or longer hours at work for the same money and difficulties with the mortgage.

The prime motivation of these swing voters remains the material advancement of themselves and their families, so as to pass on a healthy inheritance to their children: "You want them to end up better than you did". But they are fearful of their children's prospects: "I'm scared stiff for their future - my son's been turned down for 5 interviews"... "They're getting trained, but what jobs are they going to have at the end of it?"

Home ownership

Quite apart from the inherent virtues of owning their own homes, they are proud of having something tangible to pass on to the next generation: "Why buy a house if it's not to pass it on to your children?"... "I think, well, at least they'll get the house; that'll see them alright." They are thus extremely concerned about any proposals to make the elderly realise the equity in their homes to pay for nursing care: "The government plan is that in old age you 'realise your assets'

- it's just another way of screwing money out of you".

Fear of both their own and their children's future means that home ownership is not just the fulfilment of a dream ("It's what you would dream of, having your own place. You think 'I'm doing really well, my own house, nice furniture, little garden' and all that", remarked a respondent last year); it is now one of the few levers of control they feel they have over their own destiny.

The central position of home ownership in their psyche, and all that enables or threatens it, has, of course, profound implications for any plans to alter Mortgage Interest Tax Relief. Although some polling suggests that the population as a whole is willing to see the abolition of such tax relief (a Gallup/*Daily Telegraph* poll conducted in July 1993 found that 15%, spread evenly throughout supporters of all parties and across all occupational groups, suggested it as their favoured method of revenue raising), the attitudes of these key swing voters is quite the opposite. Any such proposal was taken as a direct and personal threat: "First interest rates, then that - you're kidding"... "Blimey, that's all we need"... "That'd just about finish me off". It would also hinder recovery: "It would kill off any chance of recovery". Far from being willing to see it end, most would like it extended!

It would be difficult to overstate the hostility towards anything which might adversely affect the benefits of home ownership. Thus, any proposal to increase the scope of inheritance taxes would be similarly unpopular: how, they ask, can it be right to levy a tax again on money which has already been taxed as income? The salvation for their children in times of recession is the inheritance of their home; an inheritance tax would be seen as blocking that escape route. No matter how high the threshold suggested, they find the principle itself objectionable.

Who's wealthy?

When asked who was wealthy, and where they placed themselves on a scale of wealth, the respondents demonstrated clearly that, although they were aware of their absolute increase in living standards over their parents and the earlier years of their own lives, they felt that they were still relatively poor, placing themselves at the top end of the 'less well off' category: slightly closer to poor than rich on a continuum of wealth. Home owners or not, 'people like us' are still at the mercy of forces outside their control which determine such things as whether or not they will have a job. These days, they think, wealth is as much to do with security as money: "Not having to worry about how you'll pay the mortgage next month"... "I know my job will go soon - it's only a matter of time"... "I just don't know how we are going to manage in the coming months"... "My wife's out of work - it's a struggle to meet our commitments"... "You keep thinking it can't get any worse, but it can!". The rich enjoy a better quality of life if for no other reason than that the security of their lifestyle is so much better.

Probably the most depressing finding for the Labour Party is that, despite

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the collapse in support for the government since April 1992, and despite its appalling economic blunders, Labour has made little or no headway with these key voters (although there is little cheer for the Tories either: "it was better the devil you know, but never again" is a common refrain). At best, some argued that if Labour had won "it couldn't be worse", but a significant proportion felt it could well be: "God knows how we'd be"... "How would they pay for it all?". On the key area of economic competence, the Tories win hands down, despite the evidence to the contrary being all around, if for no other reason than that "it's their reputation". Labour is also dogged by many voters' experiences of their local Labour council. As a panellist remarked last year: "If you want to know how they'd be in government, just look at how they run their councils". Labour is simply not trusted to spend wisely: "Look at Labour's record of management at a local level - spending money on silly things like lesbian festivals"... "they just throw money at lost causes".

So who is rich? Apart from the obvious responses repeated from last year ("The Queen", "sports and entertainment personalities", "landed gentry", "top professionals" and last year's favourite again, "Richard Branson"), this year's respondents introduced a new category: politicians. Last year they felt that politicians were perhaps a race apart, but their criticisms were the traditional jibes: "They scream at each other in parliament - and that's our future they're talking about...or they're snoring at the back". This year reveals a new contempt. They do not just mean the government; all politicians, they feel, are "just feathering their own nests"... "They seem to want to keep everyone else down". All the groups, spontaneously, introduced politicians as wealthy and secure. The contempt felt towards them and, by implication, the parliamentary process, was a recurring theme.

Politicians

And Labour is tarred just as much as the Conservatives with the brush of just being in it for themselves. It is the political class as a whole which is hated, not just the party in power. There is here a real opening for a party that can show itself to be different from the prevailing political types - a party that is 'of the people' rather than 'of the politicians'. The Liberal Democrats seem to be gaining advantage simply from not being the Government or Opposition, rather than for what they stand for. The voters of Newbury and Christchurch hardly embraced Liberalism after a 'road to Damascus' conversion; they simply voted against the Government.

Those groups that were described as poor included "anyone in the building trade" which often described themselves. Other groups were (perhaps surprisingly) "teachers" (the experience of education cuts in schools has engendered a certain sympathy with teachers who have to cope with ever decreasing resources), "nurses", "postmen", "labourers", "shop workers", "cleaners", "women", and - in a sign of how the recession has changed many of the attitudes of C1s

and C2s - "students"; for many, widespread unemployment meant that staying on at school was the only way for their children to occupy their time.

Scroungers

There was a more pronounced sympathy with the idea of 'deserving poor' than last year, the result of a recession which has hit many of those who escaped in the past: "Nowadays people who are broke are often the ones who worked hardest". This did not, though, lessen the strength of feeling that 'scroungers' remain a major problem. Those who were felt to be guilty included claimants from the ethnic minorities, single mothers (some of whom were felt to have had children deliberately: "Well, some do use it as an excuse to jump housing queues and the like") and the 'work shy': "You'll always get the scroungers...Some people won't help themselves". Certain benefits, they think, are almost invitations to scrounge - invalidity benefit, for instance, was too lax and should be better vetted: "A malingerer's test". These opinions are in line with the latest British Social Attitudes survey, which shows that from 1983 through to 1990 the proportion of respondents agreeing with the proposition that 'large numbers of people these days falsely claim benefits' has been almost unchanged at around 69%.

Personal experience of unemployment and its effects means that there is more sympathy for the unemployed than before. Even though there was unemployment last time, sentiments such as "you get what you deserve" and "some people spend their whole lives on benefit - others are just plain lazy" dominated. Now the feeling is that "that could be any one of us tomorrow". Contrary to the view of those such as the No Turning Back Group, there is no abstract feeling in favour of a 'Workfare' type scheme for the receipt of unemployment benefit. The essential pragmatism of these voters is just as pronounced in this area as it is with taxes: if a 'Workfare' job is good enough to do properly then it deserves to be a proper job; anything less than that and it would be like the old Youth Opportunity Programme: "a con and a rip off"... "slave labour". Some forms of 'scrounging' are thus, given the realities of life, acceptable: "(Unemployment benefit) is so low, you've got to fiddle".

Getting on

The crucial difference between rich and poor was "being born into it": those born wealthy were likely to stay that way, especially since they were likely to have been sent to a private school ("It's the school that you go to - it's all stitched up from then on"); born poor, and the only way up is through "hard work", which is why a man like Richard Branson, who is perceived (quite wrongly) as having been born into poverty and come "from nowhere and (done) it by sheer, bloody hard work", is regarded as such a hero: "I really respect the self-made man".

Although only too well aware of the economic crisis faced by the nation, there is little agreement as to the cause, let alone the solution. Rather, there are

attitudes and feelings which have become steadily entrenched. "We need to start making things again" was a sentiment which had some support. But gloom prevailed: "We'll never see manufacturing levels like we did in the past". Few were aware of the nature or scale of the PSBR problem, even when expressed as a simple concept. The most concrete finding was simply a complete lack of understanding of why the economy was in so bad a state - and why unpopular measures were being taken to deal with it. No one could comprehend how closing hospitals or raising VAT could bring about recovery.

Spending priorities

As we found last year - and as all quantitative polling of all social groups shows, too - health and education are the priorities for government spending.

There is a fear that we are being moved towards an "American system" of health care, but, even if passionately opposed to it, people are becoming resigned to more 'privatisation' of the NHS. When asked about the problems of the state education system, which is "vital" to our future ("We need our kids to be educated...it's everyone's future"), there were spontaneous suggestions that it might be acceptable to pay more to improve the system - although, without exception, every one of the respondents would send their children to private schools if they could afford to.

Taxes

Few understand how the tax system works, either. What they see is a section of their wage packet, labelled 'National Insurance', which appears to be arbitrarily arrived at and the purpose of which is a mystery. They have no idea what the rate of VAT is nor what is exempt. Nor, most disturbingly for Labour if it attempts to justify increasing marginal direct taxation for higher earners, is there any understanding of the concept of marginal bands - a common misconception is that the higher rate is paid on all income: "In the old days it was 95% wasn't it; well it's hardly worth going to work - why bother for that?".

Nonetheless, there seemed to be a (slightly) greater willingness than last year to tax the rich more heavily. For most, this meant an income something over £40,000 p.a.: "That should go up - they can afford it". Where last year Labour's 'Shadow Budget' figure of £21,000 was attacked as hitting a realistic goal for their own potential future incomes, a sign of the prevalent deep gloom was that far more now saw £25-30,000 as being in a similarly unachievable stratosphere as £40,000. Nonetheless, many still felt that "I used to earn that amount in the good days, and hope to again".

Where does it come from?

Confusion about all matters economic can be further seen from some of the spontaneous proposals for revenue raising. Accepting that it takes money to improve services (which, were it not for the fact that Labour is regarded as being

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unable to spend wisely, might be a sign of hope for the Labour Party), suggestions included the offer of "50p a week, I'd hardly miss that" ... "I'd go for 5p extra for everyone". When pressed what that might mean, it became obvious that it did not mean raising the standard rate by 5p in the £ since even that concept of taxation was not understood. A penny increase in the standard rate is taken to mean, literally, one extra penny paid in tax, so that individuals' tax bills will rise by 1p in total! When the government trumpets a fall in the standard rate from 33p to 25p in the £, the message that is received is that taxes have fallen - not how they have fallen. The only tax figures that are noticed in themselves are, to a penny, deductions off the wage packet. How they are arrived at and what the relationship is to the basic rate is, however, something of a mystery. So this apparent willingness to pay more by some should not be taken at face value.

In any case, many respondents now believed that any increase in direct taxes would be wrong: "Fine, if you want to cripple recovery". Those who think that such a view stems from greed are wrong. Such voters oppose tax increases because they can't afford to pay any more: "I know where every penny goes - how can I pay more?" ... "We're on our knees".

An increase in VAT on luxuries was less unpopular, although what defined a luxury was hotly disputed: "I mean a lot of people might say that a washing machine is a luxury; well it isn't in my book - not with my kids it isn't". Nonetheless, there is a feeling that indirect taxation is somehow fairer, preserving an element of choice: "I'd rather be taxed on what I buy than what I earn, because at least I have a choice". Any concrete proposals by some, however, were always disputed by others: "What about a higher rate, say 25% on luxury electrical goods?" ... "And kill off industry?"

The fear of health service privatisation referred to above is mirrored in the hostility towards the idea of further charges in the NHS, such as when visiting a G.P.: "a tax on the sick". All respondents, however, favoured having the option of paying for such things as cosmetic treatment and a better room or better food. There was a more mixed reaction to charges for road users; the women tended to support the idea, whilst the men thought business would be penalised.

As for Green taxes, not only did the concept lead to pained expressions of puzzlement, once explained and - just - understood, it was felt that the sums raised would be insignificant and that "if they get taxed, guess who'll end up paying? Muggins here!"

Most - especially women - favoured increasing excise taxes on alcohol and tobacco (although unaware of their nature as excise taxes): "Yes, if you want to kill yourself, fine, but you have to pay for it" ... "Smokers cost the NHS more anyway - it's fair enough".

The privatised utilities are regarded, however, as ripping people off. Their profits are viewed as "obscene", and their directors' pay rises equally. As monopolies, they are felt to be uniquely exploitative. Proposals to tax the

privatised utilities or to open them up to real competition would be welcomed with glee. But this applies specifically to privatised utilities, not to privatised companies per se or to companies in general; hardship caused to companies will be passed on: "They'll make the same profits - they'll just cut jobs". And industry is "on its knees" - any greater strain and many more would fold.

Contempt for politicians has given a new impetus to the idea of hypothecated or earmarked taxes. Since MPs are out to "feather their own nests", there needs to be a way of controlling taxation directly: "Like a company report"... "Local authorities do that and it's quite good"... "God knows where the money goes"... "They don't supply accounts, do they?"... "We're not told the truth - whitewashed by the figures". If taxes could be clearly shown to be directed towards a popular priority area then they might be slightly less unpopular: "I don't know about anyone else but I wouldn't mind paying more if I knew for sure that it was going on health"... "The NHS should always be there; it's sacrosanct. I don't think people mind paying for it".

Pensions were mentioned spontaneously as an example of where private provision was best. Although few felt that they could ever be in a position to have a private personal pension, all wanted to be: "Perhaps the government should organise private pensions" (this research was conducted over a month before the publication of Frank Field and Matthew Owen's *Private Pensions For All: Squaring the Circle*). But, as described above, they were also concerned lest the state pension decline further in value and they be forced to realise the equity in their homes to support themselves in old age.

The argument between universality and targeting was inconclusive. Although there were some who felt that child benefit should be means tested, there was also the view that if you contribute to something you should get it back; hence the support for the proposition that everyone is entitled to a decent pension. Others also favoured universal child benefits because, unlike their perception of most benefits, it can't be abused: "You can't make up the number of kids you've got!". It is especially popular with women: "It's my little bit of money to spend how I want". And unlike most benefits, its universality means that it is without stigma: "You can hold your head up, because everyone gets it".

Lessons for Labour

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This year's Fabian portrait of swing voters in key South East marginals reveals a mood of insecurity and pessimism about the future even greater than last year's and, disturbingly, a disillusionment with politics and politicians.

This feeling of disenchantment spills over into attitudes towards tax and spending. The interviewees are in favour of some types of public spending, particularly on health and education, but unenthusiastic about paying more in taxes - partly because of their perceived financial situation and partly because they do not trust politicians at either national or local level to spend their revenue wisely. In general, they are sceptical, ambivalent and often ill-informed about proposals either to raise taxes or to increase public spending, however desirable.

This survey makes depressing reading for the Labour Party. The southern 'floaters' feel let down by the Tories but they do not yet trust Labour. For them, Labour is still an old fashioned party, remote from their concerns and aspirations, wedded to high taxation and extravagant expenditure and not competent to run the country. Despite their disgust with the government, they still believe that the Tories will win the next election.

The general disillusionment with the political class is especially bad news for Labour. Parties of the democratic left are, above all, dependent on creating a climate of hope, a belief that government can make a difference for the better. If voters come to believe that no politician can be trusted and that nothing can be done, then the main beneficiary is likely to be the Conservative Party, however badly they perform in office, with the Liberals making increasing gains as a "non political" party of protest. In the longer term, the big loser of such disillusionment could be democracy itself.

But it would be wrong to conclude that the Labour Party can never persuade the waverers. After all, though they still distrust Labour, some are now bitterly regretting their decision to vote Tory at the last election, a decision which was often taken only at the last minute. Many claim that they remain 'floating' voters. Their support is clearly there to be won, though there may not be much time left to gain their confidence.

Getting and spending

The 1992 and 1993 Fabian surveys provide a useful guide to what Labour has to do to earn their trust. But although the surveys elaborate their general attitudes to tax and spending, it would be unrealistic to expect any very clear pointers from these groups on important but inevitably somewhat technical issues such as the balance between tax increases and spending cuts, universality versus the targeting of benefits, and direct versus indirect taxation. Our survey reveals considerable ignorance about the tax and benefits system. Respondents often express views based on gut reaction, tempered by judicious self interest. The bottom line is "how is this going to affect me and my family".

In their Demos pamphlet *Reconnecting Taxation*, Geoff Mulgan and Robin Murray shrewdly comment: "governments find themselves at an impasse. On the one hand there is the resistance to tax, on the other a continuing demand for expenditure. Electorates say they want better public services, particularly health and education, yet they consistently vote against the means of delivering it". Our respondents share this ambivalence in full measure. One woman noted the paradox last year: "We want the earth, don't we? I mean we're all sitting here moaning about the run down of hospitals but we don't want to pay for them to be improved".

The main point to grasp is that our respondents were very unwilling to have to make a choice between tax increases and expenditure cuts at all. When forced to choose, they reluctantly come down on the side of tax increases which fall on the wealthy, a category specifically designed to exclude themselves. And, with respect to spending cuts, it very much depends on whether they receive any direct benefit.

Don't know

As the previous chapter shows, the debate between universal and targeted benefits was inconclusive. This is partly because our respondents found it difficult to decide between two conflicting ideas. Some undoubtedly feel that it might save money and provide more generously for those in need to confine eligibility for benefits such as child benefit to the less well off. On the other hand, there is also the strongly held view that the welfare state is a kind of 'savings bank' which their taxes and contributions help finance and on which they draw when they need it.

The groups also failed to make a connection between benefits and tax relief. The point recently made by the Commission on Social Justice (*Social Justice in a Changing World*) that those who object to universal child benefit do not usually object to mortgage tax relief is fully born out by our research. Without exception, our interviewees were in favour of the continuation of mortgage tax relief.

With respect to the balance between direct and indirect taxes, our groups

were agnostic. The key point is that they do not see taxes so much as fair or unfair but rather as a necessary evil. Within this overall context, however, a number of respondents saw an argument for VAT because "you can chose whether or not to spend". There is a lesson here for Labour politicians. The traditional case against indirect taxation on grounds that it is regressive has little resonance, except in special cases such as VAT on domestic fuel. The message for Labour is that voters are essentially pragmatic about tax, judging tax increases, whether direct or indirect, by the impact on their own living standards.

Hypothecation

There is an idea tentatively supported by many of our respondents, which should be thoroughly explored by Labour's Commission on Social Justice; and that is the notion of hypothecated taxes or directing taxes toward specific areas of spending. Hypothecation goes to the heart of one of the main problems over taxation - the 'disconnection' of the tax bill from the benefits which it finances. Mulgan and Murray point out that centralisation of tax collection and disbursement has undermined the link between tax and spending and that levels of taxation are shaped more by departmental and ministerial rivalries than by popular support. If, as the Fabian survey suggests, one of the reasons why voters are so hostile to tax increases is that they no longer trust politicians to spend revenue in a sensible way, then earmarking taxes to specific services, such as education and health, may be a way to overcome this distrust. There is also backing for more transparency generally in how taxes are spent. "They don't supply accounts do they?" was one comment. This suggests that a more conscious public effort to explain where national taxes are going would have strong support. In an interview in *The Guardian* in July 1993, Neil Kinnock appeared to recognise this, revealing that he favoured separating money spent on the N.H.S. from the basic rate, as a way of increasing support for extra health spending, and would as Prime Minister have pushed for the introduction of a 'N.H.S. Tax' of 13p in the £ and a lower basic rate of 12p in the £.

Labour should also note that respondents, though in agreement that the state has a responsibility to see that pensions are provided for the elderly, welcome private pensions, which are perceived to be higher than state pensions. The support for proposals that government should organise private pensions for all suggests that schemes such as those put forward by Frank Field and Matthew Owen in their Fabian Discussion Paper, *Private Pensions For All: Squaring The Circle*, should be carefully considered.

A modern party

However, the crucial issue for the Labour Party is not so much detailed policies on tax and spending but winning the confidence of these floating voters. It could put forward the most persuasive tax and benefits policy ever at the next election

but it would still make little difference so long as it continues to be distrusted. What Labour has to do is to demonstrate that it is a modern party, which understands their aspirations and concerns and can be trusted to safeguard their interests and run the country competently.

Labour cannot afford to be seen as a class or trade union dominated party if it is to win the support of floating voters in the South and so win the next election. It must be the party of the individual citizen, the party which, in Tony Blair's words, "stands up for the individual against the vested interests that hold him or her back, whatever they are" (*Fabian Review* May 1992). A political strategy based on class is alien to the party's values. Labour works for not the victory of one class or group over another but for a genuinely classless society. It is also wrong in principle for the party to be seen to be run by an interest group. Of course, Labour must maintain close links with the trade unions and many more individual trade unionists must join the party. But the relationship with the unions has to be modernised and the role of the individual party member strengthened. The reform package proposed by John Smith and backed by the National Executive Committee, must be successfully implemented.

Opportunity

The Labour Party must be the party of genuine opportunity for all. This does not, repeat not, mean that we should abandon our fundamental commitment to helping those in need or fighting against unjustified inequalities. But, as the Commission on Social Justice puts it, "the aims of social justice can be served not only by redistribution, by bringing resources after the event to people who have done badly. Social justice requires as well that structures should be adapted and influenced in ways that can give more people a better chance in the first place. That is why opportunities and breaking down barriers to them, are so important" (*The Justice Gap*). Labour has to show that it is on the side of those who wish to "get on in life" and respects the achievement of those who have risen by their own efforts. As in 1945 and 1964, Labour must be once again the party which works to break down barriers to upward mobility and promote chances for individual progress and success.

Working the market

A potent symbol of Labour's modernisation would be the revision of Clause Four of the party constitution which sets out "the common ownership of the means of production, distribution, and exchange" as the party's primary objective. Some in the party argue that nobody takes Clause Four seriously and that it would be foolish to stir up trouble unnecessarily. But it would be absurd for the party to fight the next election on the basis of a clause which was devised in 1918 and on a doctrine in which it no longer believes. Rewriting the clause would give the Labour Party a positive chance to show that it is the party of genuine opportunity, and to show that it accepts the market economy but that it wants

it to work in the interests of all. It would be its Bad Godesburg, and would fulfil the need for a dramatic demonstration that Labour is no longer dragged down by its past but is a party with a vision of the future.

Labour's leadership has to fight on a number of fronts simultaneously. It has to oppose a Conservative government which is arguably the most incompetent and lacklustre administration this century, while at the same time reforming the Labour Party and persuading sceptical voters particularly in the South that Labour can be trusted to run the country. Time is not on our side.

5

Conclusion

This year's Fabian survey of swing voters in key South East marginals reveals a mood of insecurity even greater than last year's. All respondents felt worse off, many because of redundancy and negative equity problems, and were gloomy about the economy. Disturbingly, there is a new disillusionment not just with the Conservative government, but with politicians and politics in general.

This disenchantment and pessimism about the future shapes their largely sceptical and ambivalent attitude towards tax, spending and benefits. They judge proposals either to raise taxes or increase public spending almost entirely by the impact on their own living standards. Though they are in favour of some types of public expenditure, particularly on health and education, they are unenthusiastic about paying more in taxes - partly because of their perceived financial situation and partly because they do not trust politicians at either national or local level to spend revenue wisely. However, a number of our respondents saw the case for VAT because "you can choose whether or not to spend" - and there was some support for earmarking taxes towards specific areas of spending and more transparency in how taxes are spent.

Our survey makes depressing reading for the Labour Party. The Southern 'floaters' feel let down by the Tories but do not yet trust Labour. Last year the conclusion of *Southern Discomfort* was that "despite their fears and insecurities they voted Conservative in 1992 because they did not trust the Labour Party. While they perceive Labour as "caring" and "fair", they do not believe that the party is capable of running the economy. Even more important, they do not consider that it understands, rewards or respects those who want to 'get on'. Far from encouraging talent and opportunity, Labour is seen as the party that is likely to 'lobber' people. From the perspective of the 'aspiring' groups, voting Labour is not seen to be in their interests".

In 1993 that is still true. They still think Labour is an old fashioned party, remote from their concerns and aspirations, wedded to high taxation and extravagant expenditure and not competent to run the country. Despite their

disgust with the government, they still think the Tories will win the next election.

Thus the crucial issue for the Labour Party is not so much detailed policies on tax and spending (important though these are) but winning the confidence as a party of these 'swing' voters. Labour has to demonstrate that it is modern, understands their hopes and fears and can be trusted to safeguard their interests and run the country competently.

If it is to do that, Labour cannot be seen as a class or trade union dominated party. The relationship with the unions must be modernised and the role of the individual party member strengthened.

The lesson of history is that Labour wins when, as in 1945 and 1964, it is seen as the party of genuine opportunity for all. That means that Labour must retain its fundamental commitment to helping those in need and fighting against unjustified inequalities. It also means that Labour should be seen as the party which works to break down barriers to upward mobility and promote chances for individual progress and success. A potent symbol of Labour's modernisation would be the revision of Clause Four of the party constitution. Rewriting the clause would give it a positive chance to show that it is the party of genuine opportunity, and to demonstrate that it accepts the market economy but wants it to work in the interest of all.

In winning over these crucial swing voters in the South, John Smith has a decisive contribution to make. He looks, sounds, and is reliable, somebody who can be trusted not to squander savings or sell off the nation's assets. His own impressive career is a practical demonstration that he understands the aspirations of those who want to "get on" in life, having risen primarily through his own intelligence and effort but also with the considerable help of the excellent Scottish education system. He is thus well placed to appeal to 'aspirational' southern voters. His strong moral belief is also a powerful antidote to the prevailing disillusionment with politicians. If he can combine moral outrage with a vision of Britain's future, he can help restore a badly needed sense of hope and purpose to national life, to the advantage of both the Labour Party and the country as a whole.

Recent Fabian Publications

Southern Discomfort. *Giles Radice.* Pamphlet No 555. £3.50. September 1992. Based on qualitative research into attitudes to the Labour Party in the South of England - analysis and recommendations for overcoming the lack of trust in Labour.

All for one: the future of the unions. *Philip Bassett and Alan Cave.* Pamphlet No. 559. £3.50 August 1993. Argues that unions must emphasise the individual rather than the collective if they are to survive.

Private Pensions for All: squaring the circle. *Frank Field and Matthew Owen.* Discussion Paper No 16. £10. July 1993. Proposes universal, compulsory private pensions.

Making Sense of Pensions. *Matthew Owen and Frank Field.* Pamphlet No. 557. £3.50. March 1993. Describes the complex workings of the world of pensions.

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Social Justice, Labour and the New Right. *Raymond Plant.* Pamphlet No 556. £3.50. February 1993. Counters the attacks on social justice and calls for a new redistributive consensus.

The union link. *Tom Sawyer, Kim Dewdney, Martin Linton, Tony Manwaring, Stephen Tindale, Tim Walsh, Simon Crine.* Fabian Review Vol 104 No 4. £2.50. Differing views on what Labour's links should be with the trade unions.

Available from the Fabian Society, 11 Dartmouth Street, London, SW1H 9BN. Please make cheques payable to the Fabian Society. Credit card orders accepted during office hours.

More Southern Discomfort: a year on – taxing and spending

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Last year the Fabian Society published *Southern Discomfort*, revealing the attitudes of key swing voters in the South of England whose support Labour must gain if it is to win again.

This pamphlet is based on new research carried out for the Society by Opinion Leader Research which returns to the same five marginal constituencies and the same types of 'floating voters' to see what, if any, progress Labour has made in the last year. This year's research probes in detail these voters' attitudes to taxes, benefits, public expenditure and the economy.

The pamphlet reveals that there is a mood of great insecurity. But although the Tories are no longer trusted, Labour is unable to benefit, being tarred just as much as the Conservatives by a new disdain for politicians as 'a race apart'. For the first time, there is now active hostility to politicians as a class.

Giles Radice and Stephen Pollard conclude that Labour must:

- consider with an open mind policies such as hypothesized taxes that will once more show that Labour believes in giving individuals control over their own lives;
- prove that it is no longer a trade union dominated party by giving individual members more say;
- demonstrate that it understands the modern world by rewriting Clause IV.

The Fabian Society brings together those who wish to relate democratic socialism to practical plans for building a better society in a changing world. It is affiliated to the Labour Party, and anyone who is eligible for membership of the Labour Party can join; others may become associate members. For details of Fabian membership, publications and activities, write to: Glenys Thornton, Acting General Secretary, Fabian Society, 11 Dartmouth St, London SW1H 9BN.

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