

# British Conservatives' proposed tax cut backfires

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One week into the British general election campaign, and the media can barely contain their frustration with William Hague's Conservative Party.

Trailing badly in the opinion polls, the Tories unveiled their election manifesto last Thursday, identifying four main themes they hope will put clear blue water between themselves and the Labour government. Tax cuts worth £8 billion, a pledge to "save the pound" (stop Britain's adoption of the European single currency), a clampdown on asylum seekers and tougher measures on crime were given top billing. Under the slogan "common sense", Hague speaks of preserving a British way of life, endangered by Labour's reform of aspects of the constitution and its creeping "political correctness".

But whilst much of the press expressed sympathy with Hague's plans, they complained that the Conservative leader was not being "radical" enough. The tax cut pledge is another blatant attempt to emulate the policies of the Republican Party in the US. Yet the party is extremely vulnerable to claims that its tax cuts would further endanger an already severely strapped public sector. The press leaked that, in private, the Conservatives were toying with making tax cuts of up to £20bn during the first term of any government they formed. According to the *Financial Times*, a shadow cabinet minister had earlier disclosed that the present £8 billion pledge was part of a longer-term rolling programme of tax cuts. This long-term "aspiration" would mean public expenditure falling as a proportion of gross domestic product towards 35 percent, its lowest for more than three decades. Amidst demands that the Conservatives name which schools and hospitals would have to close as a result, Hague was immediately placed in a defensive position—refusing to comment on the £20 billion figure and reiterating his

more modest pledge for tax cuts.

Hague's refusal to grasp the nettle led to strong criticism, even amongst those broadly supportive of Tory aims. The press lamented the Conservatives' hesitancy in clearly setting out a right wing stall. There is already concern amongst some sections of the ruling class that Blair's susceptibility to public opinion could mean that, under conditions of an economic recession with tens of thousands losing their jobs, a Labour government will not have the necessary resolve to press ahead with cuts in public spending and other unpopular measures. If Labour should falter, however, the Tories' disarray would leave big business with no one able to step into the breach on its behalf.

A similar dilemma is faced by capital across Europe, *Financial Times* columnist Martin Wolf pointed out on May 14. Only Italy's Silvio Berlusconi seems to have bucked the trend of the right's political crisis, but that has been achieved by creating an entirely new right wing structure, Forza Italia, which in alliance with fascists and separatists has replaced the "moribund centre-right parties of old".

Wolf sets out four alternative visions for Britain's Conservatives. The nationalist variant has unfortunately been cornered by others in Scotland and Wales, and an outright appeal to English nationalism would threaten Tory commitment to preserving the United Kingdom, he states. Right-wing populism would appeal "strongly" to a minority, but it is not clear that it is a big vote winner. Hague could position his party "marginally to the right of Labour" and hope for the tide to turn. Finally, the Tories could articulate an "alternative philosophy" based on the small state, a big overhaul of the tax and welfare system and greater private sector involvement in health and education—the Bush option.

Instead, Wolf complains that Hague seems to be

attempting an eclectic mix of all four. "For a brief period in the 1970s and 1980s, the Tories ceased to be the stupid party. Under Mr Hague this seems no longer true".

Wolf puts the absence of a Tory vision down to the opposition's lack of intellectual rigour. Setting aside the implied assumption that the Labour Party is populated by great thinkers, in reality the Tories' ideological morass is the result of political divisions within the party, which in turn express deep social fissures within the country as a whole.

Throughout most of its political life, the Conservative Party managed to combine its role as the traditional party of British capital with maintaining a strong base of support amongst substantial layers of the middle class. This has been undermined by the changes in global economy. Whilst those sections of British capital oriented to the international markets have benefited, along with a thin layer of the privileged upper middle class, smaller sections of nationally-based capital, along with a large segment of the former middle classes, face increasing hardship and insecurity. The result was the virtual wipe out of the Conservatives in the 1997 general election and a continuous policy war within the party.

Hague's commitment to oppose British entry into the euro is targeted at the weaker sections of British business which fear international competition will drive them to the wall. But it is a policy opposed by internationally based corporations, many of whom only located in Britain in order to have cheap, ready access to the European market.

In an interview with the *Financial Times*, May 8, Hague agreed that the party's stance on the euro was most popular amongst small business before assuring the *FT*'s readership, "We do not see corporate Britain as an enemy in any way". That a Conservative leader should have to make such a statement is remarkable. Aimed at refuting allegations that the Tories were losing big business backing to Labour, it only serves to emphasise the shifting political landscape in Britain.

In its efforts to re-ingratiate itself with corporate Britain, the Tory Party risks queering its pitch to "Middle England". Hague's commitment to tax cuts was framed as a concession to all those hit by Labour's increases in indirect taxation. The Tory leader pledged to cut £1 billion from spending by a crackdown on

benefit fraud and further savings would be made by privatisations. But the Institute for Fiscal Studies showed that Hague's proposals would overwhelmingly favour the highest earners, with the richest 10 percent of the population gaining ten times more than the poorest. More importantly, greater cuts in public spending would wreck the vital services on which the overwhelming majority of working people and their families depend.

Former Prime Minister Margaret Thatcher has let her own vision of the Tories' future be known. In the closing days of Berlusconi's campaign, Thatcher issued a letter published in all Italian newspapers calling on voters to turn out en masse to ensure his victory.

The crisis of perspective facing the Conservatives will ultimately have to be fought out openly, and there are indications that the end result will not be a united organisation. The tenor of the type of showdown looming within the party after the election can be judged in the comments of former Conservative Prime Minister Edward Heath in an interview in the right-wing *Spectator* magazine marking his retirement from parliament. Published just as Hague prepared to launch the party's manifesto, Heath, who was ousted as party leader by Thatcher in 1975 and is identified with the "One Nation" wing of the Conservatives, derided the Tory leader as a "laughing stock" and forecast that, "the most likely thing [in the election] is that we shan't win".



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