



Poll Tax Troubles Blue Blooded Revolt

The government is in deep trouble. The poll tax has become a powerful focus for popular discontent and Labour is in confident mood.

Andrew Gamble
examines the Tories'
plight



he decision to reform local taxation by introducing a new community charge, the poll tax, may prove critical for the survival of this government and the Thatcherite project. When it was first announced, it was part of a series of measures designed to seize back the political initiatives and renew the radical momentum of the Thatcher government in its third term.

It fulfilled the prime minister's longstanding ambition to get rid of the rates, which had become such an unpopular tax because of their visibility and anomalies. It also offered a way of curbing local authority spending by forcing councils to raise the finance for extra spending directly from individual poll-tax payers. It was meant to be popular.

From the beginning, many Conservatives considered the community charge to be a policy of high risk and dubious political advantage. Their worst fears have now been realised. The tax has erupted with explosive force into the political arena. When Conservative councillors start resigning the party whip, the earth is beginning to move.

Taxes are always difficult for governments to manage, as they are a natural focus of popular resentment and resistance. But once established, taxes gain acceptance through inertia and familiarity. Introducing a new tax, however, can be fraught with political danger, especially when the losers from the change outnumber the gainers. Issues of taxation are never simply administrative questions. They also con-

cern the legitimacy of a political order and its capacity to survive. A government that cannot collect taxes soon ceases to be a government.

The full magnitude of the disaster now engulfing the Conservatives has unfolded only slowly. They have had opportunities to rethink and to postpone the implementation of the tax. But the warning signs have been disregarded. The Thatcher government has often been pragmatic in its policies and has backed down when it judged the time not to be ripe for pursuing them. This has not happened with the poll tax. Despite the political damage the poll tax has done in Scotland, not just to the Conservative cause but to the legitimacy of the Union, the government has not been deflected from its path.

The introduction of the poll tax in England and Wales has coincided with a severe bout of mid-term unpopularity for the government, brought on by the impact of some of its other policies, in particular the performance of the economy. The poll tax has become a focus for widespread discontent with the current style and policies of the Conservatives, both inside the party and among voters.

With the Conservatives in disarray, Labour is now achieving opinion-poll ratings as high as it has ever achieved since opinion polling began in the 1940s. It is reaching 50-52% on some polls and may yet go higher. The Conservatives have begun to fall sharply and the other parties remain flat. Labour has consequently begun to register leads of 19-20%. These are approaching the highest

leads registered by an opposition party in any parliament since 1945.

Many Conservatives and commentators remain sceptical as to whether a permanent shift in voting intention is taking place. The odds against Labour winning next time are still stacked quite high. To form a majority government after the next election Labour has to win more seats than it has ever won before; it has to achieve a higher swing than it has ever achieved before, and it has to win a large number of constituencies in places where at the last election it did not even gain second place. The Conservatives enjoy all the advantages of an incumbent government, including news management and the timing of the election. Given reasonable luck with the economic cycle they should be able to bring down interest rates during 1991 and allow some expansion of demand and living standards for the necessary six to nine months before the election which must be held by June 1992. On most observers' calculations the Conservatives will be very hard to dislodge.

The party leadership is currently working very hard to persuade its MPs that the furore over the poll tax will blow itself out. Bad by-election and local election results in mid-term are only to be expected. The party has plenty of time to recover. Despite its face-lift, Labour is not a serious alternative and its inadequacies will be exposed at the time of the next election. By that time the row over the poll tax will be forgotten and the election will be fought on the issue of which party is most competent to manage the economy.

Many Conservatives are, however, coming to think this attitude far too complacent. The poll tax may be a different kind of issue - one that has the capacity to inflict lasting damage upon the Conservative Party and its leader. It has given large numbers of voters reasons for nurturing a strong grievance against the government. The promises that extra concessions will be made next year to cushion the blow are not believed. Poll-tax rebels thought they had extracted major concessions from the government at last October's Conservative Party Conference. These concessions, however, have not prevented the fiasco this spring.

Most Tory MPs still declare themselves in favour of the principle of the tax but grumble about how it has been implemented. Voters are blaming the government for the high levels of the tax, which on average are 33% above government estimates of what councils should charge. Ministers argue that the high rates of poll tax should be blamed on overspending by local councils. So far, the electorate refuses to see it this way.

The difficulties the Conservatives are experiencing with the poll tax are not accidental. They are difficulties inherent in the Thatcherite project itself, a project now looking rather beleaguered. The poll tax is an ambitious

piece of Thatcherite social engineering. It seeks to promote the cause of popular capitalism while ensuring that local government expenditure is brought under much stricter central control. The Thatcher government's policy towards local authorities has been complicated by the conflict between the Conservatives' traditional reputation as the party that defends local autonomy against the centre, and its objective of maintaining strict central control over public expenditure.

Like all governments, the Thatcher government found that in practice it had to encroach on local autonomy in order to restrain public spending. In its first 10 years it succeeded in reducing the proportion of local government finance provided directly by the central exchequer from 69% to 50%. But direct control over how the money was spent remained with local authorities, which had their own electoral priorities.

Local authorities tried to preserve their spending programmes from central government cuts by raising the rates, the one source of revenue under their control. The Thatcher government responded by imposing penalties on errant councils and by placing ceilings on the amount by which rates could be increased (rate-capping).

The intensity of this conflict through the 1980s made the government search for alternative ways of controlling spending. The idea of replacing the rates by an individual community charge and a uniform business rate appeared to offer a way of reducing the burden of local taxation on many businesses and making local councils more accountable to their electorates. The government also expected that it would impose greater restraint on local spending than central controls had achieved because every extra pound above government guidelines which a council wished to spend would have to be raised from personal poll-tax payers.

Ministers argued that in many areas the rates were only paid by a minority of ratepayers and that an unfair burden fell on local business and the upper-income groups, as well as single parents and elderly people living alone. They had to finance the services which the local electorate was demanding through the ballot box. But many of the local electorate paid nothing directly towards the cost.

The community charge was therefore designed not simply to raise taxes towards the cost of local services, but to help restructure local government to make it much more accountable to its electorate and therefore much more likely to restrain spending.

In practice this objective was fatally compromised, because local authorities were still expected to be the agents of central government, and received the bulk of their income from the central exchequer. A radical solution would have been to transfer several major

items of local government expenditure, such as education, to Whitehall. What was left under local government control could then be financed predominantly by poll tax. There would be a clear link between what a council spent and the poll tax it charged.

No such clarity exists in the present arrangements. The government has been obliged to announce a range of rebates to cushion low-income earners, a safety net to protect authorities with high levels of need, as well as threatening to place a limit on councils that set a community charge too far above government guidelines. The tax is harder to collect than the rates and more expensive to administer. In its first year it is producing higher government spending and a higher tax burden without any increase in accountability.

Ministers say that local councils should reduce their spending. Their problem is that Conservative councils have raised their spending almost as much as Labour councils, well above government estimates of what they should spend. For the community charge to succeed, the government needs a hundred Wandsworths, Westminster and Bradfords. At the moment these three model Thatcherite councils are rather isolated. Most other Conservative councils remain stubbornly attached to the idea that they are supposed to be providing public services rather than presiding over the sale of council assets and the privatisation of council services.

As in other areas, the Thatcherite project has run ahead of itself. The objectives are plain, but the political instruments and agencies for achieving them do not yet exist. Community charge is intended to push a great many more councils into programmes of privatisation in order to avoid large increases in community charge. But most councils are maintaining their spending, setting an appropriate rate for community charge, and blaming the government.

The government hopes that eventually, as more and more schools opt out of local government control, and as more local authority services are privatised, a point will be reached where the community charge becomes a small residual charge for those services which are still contracted through the public sector. The difficulty is that the government has to face an election in the middle of this process of transition.

The community charge is causing such disquiet among Conservatives not only because of its implications for local government, but also because of its implications for Conservative electoral strategy. The objective behind the charge is that all individuals should be independent, self-reliant and equal before the law. In principle everyone should make the same contribution towards the services they receive. This egalitarian vision of a nation of citizens cuts right across not only the collectivist values which became so firmly en-

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Trends

Voting Intentions

(% support, Jan 89-Mar 90)

	Jan 89	Jun 89	Oct 89	Jan 90	Feb 90	Mar 90
Conservative	45	40	36	38	36	29
Labour	36	42	46	45	45	52

Satisfaction with the government

(%) Jan 89 - Mar 90

	Jan 89	Jun 89	Oct 89	Jan 90	Feb 90	Mar 90
Satisfied	35	30	22	27	21	17
Dissatisfied	44	50	59	53	60	69
Neither/ Don't know	21	21	19	20	20	15

Satisfaction with Mrs Thatcher

(%) Jan 89 - Mar 90

	Jan 89	Jun 89	Oct 89	Jan 90	Feb 90	Mar 90
Satisfied	45	38	32	32	28	21
Dissatisfied	39	48	55	53	57	67
Neither/ Don't know	15	13	13	14	15	12

Survey figures from NOP

trenched in the reforms of the 1940s, but also the values of paternalist One Nation Toryism.

Many Conservatives still think that the burden of taxation should be related to the amount that individuals are able to pay. The Thatcherites want to deny it. They see no argument in favour of progressive taxation. In principle everyone should be taxed equally for the services the state provides, locally or nationally.

Such radicalism is deeply unwelcome to many Conservatives. They believe that great wealth imposes great obligations. They argue that it is unfair that a person living in a mansion should pay the same as someone living in a cottage. They feel that some redistribution is desirable and expedient to maintain a social order in which there are reciprocal rights and duties.

The community charge is potentially so serious for the Conservatives because it strikes at one of the pillars of traditional Conservative support. It drives a wedge between rich Tories and poor Tories. Its message is uncompromising. Individual self-reliance, not social paternalism, is the Conservatism of the future. Nobody should vote Conservative out of deference, or traditional loyalty to the old established elite, but only out of regard to their self-interest and the interest of their families.

This message is particularly hard to digest in many rural constituencies, where Conservative voting is often an expression of a traditional political identity. The ideas behind the community charge are an affront to that, and are instinctively resisted by many Tories,

who do not wish to see the break-up of their traditional cross-class electoral coalition. Thatcherism offers no such guarantees.

In this respect, as in so many others, the Thatcherite project reveals its radical and subversive potential. Its practical achievements are often much more limited than its rhetoric suggests. But its capacity for forcing individuals to reassess their values and priorities remains powerful. Its instinct to reorganise extends into many institutions, including the Conservative Party.

The danger of the project overreaching itself, however, is always present. The community charge threatens not only to lose the Conservatives support among traditional Conservative voters, but even more seriously among large parts of the working class only recently attracted to the Conservative fold. Skilled workers, who voted in such large numbers for the Conservatives in 1979, 1983 and 1987, will be particularly hit by the community charge, as they will not qualify for rebates, will tend not to live in large houses, and in many cases will have more than two adults per household.

Brian Walden once urged the prime minister to ask herself each morning, 'What have I done for the C2s today?' if she wished to keep winning elections. The community charge, especially when coupled to very high interest rates, not only does nothing for skilled workers - it directly penalises them.

An electoral collapse of serious proportions now confronts the Tories. Blaming Labour for violent poll-tax demonstrations in the inner cities will

not convince many voters to return to the Conservatives. As the implementation of the poll tax proceeds there will be constant reminders of its injustices and anomalies, as individuals are pursued through the courts for non-payment. In Scotland there may be as many as 700,000 non-payers. The degree of bitterness and resentment which the tax is likely to stir up will continue to inflict damage upon the party and upon Margaret Thatcher.

For in the end it is her tax and her policy. Community charge symbolises so much what she herself stands for and wants to achieve. It is not just another policy that can be discarded. It is the symbol of the Thatcherite revolution. She has no choice but to stick with it.

Will the party stick with her? They have only recently voted to let her continue. Sir Anthony Meyer's challenge last December was easily contained. Most MPs seem to have accepted that she would lead them into the next election and retire shortly after it. The impact of the poll tax has begun to change the mood, but Thatcher still has strong support and until recently there has been no clear successor.

This is now changing. In the present crisis, Michael Heseltine has suddenly emerged as an alternative leader, with his own programme and electoral appeal. He is now the best-placed to inherit the leadership, but he would find it much easier to do so if Thatcher could be persuaded to step down and allow an open contest. There is no sign at all that she can be so persuaded. Heseltine will therefore have to decide whether a challenge this autumn could succeed. If he fails he might not get a second chance. But if he were to succeed he might find himself leading a very divided party, with a Thatcherite wing which might refuse to be reconciled to his leadership.

The caution of the Conservatives, their instinct to preserve unity, and the short time before the next election all make a leadership change before then unlikely. But the pace at which discontent with the government is growing could change that.

The leadership change, when it comes, will help determine the future direction of the party and the future of the Thatcherite project. The attraction of Heseltine to many Conservatives is that he offers not only their best prospect of staving off a Conservative defeat at the next election, but also of preserving the key gains of the Thatcher years in a new political project that recognises the different international and domestic agenda of the 1990s. Heseltine would pursue a different policy towards the EC and would develop a new industrial strategy based on partnership between the public and private sectors. The problem for the Conservative Party is that many Thatcherites would rather see Neil Kinnock as prime minister than entrust the future of Thatcherism to Michael Heseltine.0