

25th Anniversary Reprint

The Selsdon Group Manifesto - 19th September 1973

By Nicholas Ridley and Others

In 1969 Edward Heath held a meeting for the Shadow cabinet at the Selsdon Park Hotel. The aim of the meeting was to formulate policies for the 1970 General Election manifesto. The meeting produced a radical free market agenda, condemned immediately by Labour Prime Minister Harold Wilson as the work of "Selsdon Man".

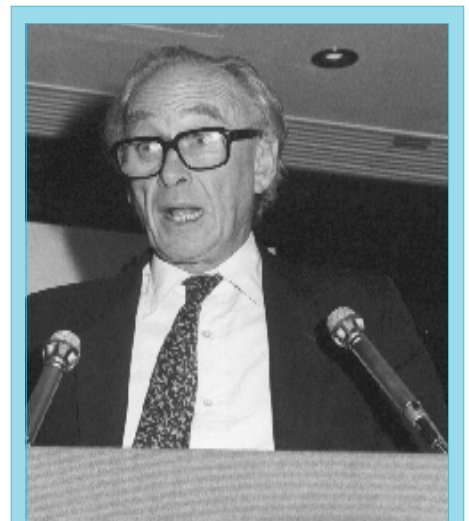
Wilson lost the subsequent General Election. But after a short period Edward Heath, in the face of bitter trade union opposition, abandoned the 1970 manifesto. The Selsdon Group was founded after this U-turn, to argue for the principles and policies which had underpinned the original manifesto and which had won us the election.

At the Group's inaugural dinner, in September 1973, Nicholas Ridley gave a speech, the text of which is reproduced here. Both the speech and the subsequently published "Selsdon Manifesto" were considered outrageous and disloyal by the Heath regime. However, many of the ideas contained in them subsequently became Conservative party policy during the Thatcher and Major administrations.

The Selsdon Park Speech

The aim of the Selsdon Group is to secure that free market conditions prevail to the greatest possible extent in the economy, providing the maximum choice of goods and services for all citizens. This is the aim which all Conservatives can share. The argument of the Defeatists is that this is an impractical aim, and that modern conditions and the present temper of the people mean that State intervention and regulation are inevitable on an ever increasing scale. Those who share the Selsdon Group's aim have to face up to the old chestnut that "Politics is the art of the possible".

Undoubtedly the temper of the people has been, whenever something appeared to be imperfect to say that "the Government should do something about it". How often has one heard these words and read them in constituents' letters whether they relate to an inadequate bus service, the shortage of housing or rising food prices, or whatever? It is never someone else who should "do something", it is always the Government. A Government in response can either do nothing, (which is probably often the right thing to do, but perhaps is asking too



Nicholas Ridley's speech to the Selsdon Group set the tone for the future Thatcher administration.

much of any Government), or it can set out to remedy the defects of the market, or it can take over or regulate the supply of the goods or service concerned. It usually does the latter.

Thus has the Government accumulated responsibility for half our economic life, by taking

over the four great welfare services; health, education, social security and housing; fifteen nationalised industries, and a heterogeneous collection of companies and services. The evils of this are manifest, but I wish to present them in a different way tonight.

The State fixes the charges made for all of these goods and services. Health and Education are virtually "free", at the time of use. The State determines, on political rather than economic grounds, how much it charges for state gas, council houses, state pensions, steel, NHS contraceptives, etc. etc., The political price for an article is determined by how much fuss there will be if it is put up. It is not related to the costs of providing it. The results of this are very serious. An enormous sum has to be found from taxes to make up the difference between the costs of providing these goods and services and their selling prices.

Secondly, the State can and often does reduce the selling prices selectively to drive out of business all private sector competitors. The private landlord providing housing to let is almost extinct, as are private providers of steel, coal and air services. So important do people even in the lower income groups find freedom of choice that there are still considerable private sectors in education and health, despite the fact that the State service is "free".

In such cases, the Socialists itch to make it illegal to provide an alternative to the State service, as Mr. Short hinted and Mr. Hattersley has recently blurted out, regarding our private schools. It is already illegal to offer to supply electricity, gas, telephones or postal services. This is how choice is reduced, and as alternative suppliers are eliminated, so the State has to shoulder the burden of providing the whole service, and financing the resultant deficit.

Thirdly, there is no check upon the efficiency of the performance of the public sector. When one thinks of the armies of management consultants, O & M men, Price Commissioners, auditors and D.T.I. inspectors, who are constantly investigating private industry, it is extraordinary that we let the efficiency of about half our Gross National Product go virtually unchecked. There are no competitors against whom to compare performance. Most State industries are not even meant to make a profit, and few of them do. Indeed, no effective tests exist by which we can judge the efficiency of the public sector.

Price Controls

There is now a new way of increasing the public Sector. It is through price control. Historically, we have seen it at work in the case of private



The Selsdon Park hotel, scene of the Selsdon Group's formation dinner and previously the launching place for the Conservative Election manifesto for 1970 - which gave rise to the name "Selsdon Man".

unfurnished housing to rent, which has been controlled by Statute for over 50 years. The result has been the slow and painful elimination of private landlords, often very poor themselves. The State has had to provide the houses that the private landlord can no longer afford to provide. Progressively, the housing shortage has got worse, and the options for the homeless have narrowed.

In all of this it is the public who are the losers. They pay for the subsidies, either through increased taxation or through inflation. With each addition to the public sector they lose further freedom of choice, which is another source of competitive endeavour. One more slice of our economy is transferred from the "efficient" to the "amorphous" sector of the economy.

I believe the public now realise that this is so. The cry is now that the Government should "do something" about the Civil Service, the Nationalised Industries, The Welfare State - or the "Farewell State" as I have heard it called. The complaints about the standard of service and the lack of choice in M.P.'s mail keep growing. There is resentment at being at the mercy of one provider of State goods and services. But what should the Government do?

We must eliminate many of the subsidies, by raising prices and requiring each public sector unit to

charge enough to make a return on the taxpayer's capital invested in it. It then becomes sensible to make decisions about how to help low income people to pay for what they want. It may be that supplementary benefit levels and rent rebates should be increased; in some cases a voucher system may be appropriate; in some cases there is no need for subsidy at all.

With full cost pricing the way is open to private sector competitors also to provide the goods or service on fair terms. They too can be the recipients of any subsidy given to consumers. Choice is then restored, the State corporation is put on its mettle to compete, and the drain on the Exchequer is reduced.

Adam Smith was violently opposed to the Poor Law, on the grounds that it interfered with the mobility of labour. But, I have for a long time supported the concept of a minimum income - which is but an extension of the principle of supplementary benefit. Everyone's income should be topped up to a minimum level varying with his or her family circumstances, enabling them to have the necessities of life. If the price of necessities is increased, or charges made for those hitherto free, as it would be under these policies, the minimum income level can be increased accordingly. That must be a better way to help the needy than to make a good or service cheap or free for rich and poor alike.

The interventionists would ask what the inflationary effects of such a policy would be. If the cost of fuel and transport, housing and pensions, education and health are to rise, would that not create an impossible inflationary situation?

My answer is not a popular one. Holding down a price by subsidy, whether from the public or a private purse, is one of the main engines of inflation. Rising prices, whether of food or mortgages or rents, take purchasing power away from the people and reduce their capacity to bid up the prices of other goods. The addition of further Government subsidies to food, or rents or mortgages would, unless taxes were increased, both leave more money in the public's hands, and also increase the Government's deficit. This in turn would increase the rate of inflation. Thus it is that good intentions can be ultimately be very counter-productive.

Debased Currency

It is this middle-of-the-road, politics-is-the-art-of-the-possible profligacy which has led to the debasement of the currency. I attach no blame, no criticism. I merely say that no Government's expenditure can exceed its income by £4,400 million without unpleasant consequences resulting. The unpleasant consequences are very high interest rates and very steeply rising prices. The deficit is so big that to finance it by domestic borrowing must take money from industrial and housing investment, because it becomes necessary to outbid the banks, the stock market and the Building Societies for the available funds. Nor is it my remedy to ask such institutions to use up their reserves.

One unfortunate consequence of high interest rates is the very savage falls in the value of gilt-edged securities that are an inevitable consequence. I do not know how many thousands of million pounds have been wiped off the value of the Government debt due to the Bank of England pushing up the interest rate and thus pushing down the price of gilts. A policy of financing Government expenditure by filching the Post Office Pension Fund is bad enough, but one should not extend it to the savings of millions of humble people who have lent the Government money.

In so far as the Government is unable to borrow £4,400 million it must fall back on increasing the Money Supply, sowing the seeds of further inflation in the future. And the more it does this, the more the foreign exchange markets will mark down the value of the pound, causing food and other import prices to rise continually.

Monetary policy can deal with the marginal imbalance of the Government's day-to-day

transactions, but fiscal policy is needed to finance a deficit as big as our present one.

But again the motive is a kindly one. It is said that the alternative - to deflate - would cause unacceptable unemployment, throttling back economic growth, and a check to the rise in living standards. With regard to unemployment, I am afraid I do not accept the premise. It is possible to operate an economy with stable prices and high levels of employment. What is difficult is getting to that position from the present one. Some people might get hurt on the way for a time. But many people are getting hurt now; inflation is more damaging than unemployment, to a larger section of the population.

I do believe that it is possible to moderate the rate of inflation without causing high unemployment. To do so requires that Government explain to the public how the excessive growth of the Money Supply causes inflation. They must stop blaming foreign farmers, Trades Unions, speculators, Americans and property developers and the Gnomes of Zurich.

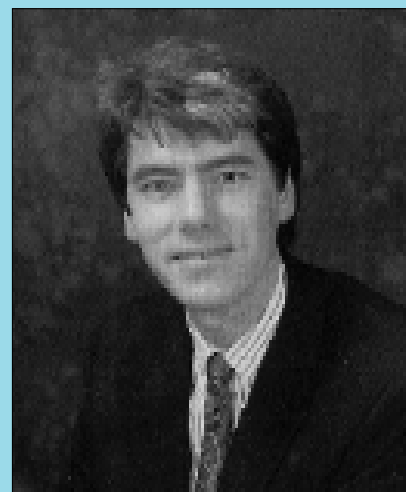
Many, including the Liberal Party, believe you can control inflation by statutory price and wage controls. Whether so many believe that now I do not know: for prices have been rising this year at an annual rate of over 9%, higher than the rate before the freeze. Statutory control causes distortions, shortages, black markets, inconveniences evasion and eventually contempt for the Law.

Sound Advice

In closing may I commend to you these words of Abraham Lincoln, which ring as true today as when he spoke them, and which could well become the guiding principle of the Selsdon Group.

"You cannot bring about prosperity by discouraging thrift. You cannot strengthen the weak by weakening the strong. You cannot help the wage earner by pulling down the wage payer. You cannot further the brotherhood of man by encouraging class hatred. You cannot help the poor by destroying the rich. *You cannot establish sound security on borrowed money. You cannot keep out of trouble by spending more than you earn.* You cannot build character and courage by taking away a man's initiative and independence. You cannot help men permanently by doing for them what they could and should do for themselves".

Nicholas Ridley
Selsdon Park Hotel.
19th September 1973



Today's Selsdon Group

After twenty five years the Group is in a strong position intellectually and in terms of its influence on the Conservative Party. To give but one example, our membership includes more than 10% of the Parliamentary Conservative Party and an overwhelming majority of the members of the Treasury and Trade and Industry teams.

As ever, we continue to advance our beliefs mainly by publishing policy papers, by hosting dinners and seminars attended by Group members, Conservative MPs, academics and journalists, and by hosting fringe events at Party Conference.

The Selsdon Manifesto and Nick Ridley's launch speech, re-printed here, were two of our first publications. Much of this original agenda has been achieved. But much remains to be done - rolling back the frontiers of the State, ensuring that rich and poor alike enjoy the responsibilities and freedoms of exercising their own personal choices, delivering a proper system of welfare. In addition, we now face the challenges and opportunities offered by political, social, and technological change as the new millenium approaches.

The current committee, Mark Barrett, Paul Gray, Tim Roberts, Tim Loughton MP, Tim Butcher, Chris King, Malcolm Huttly, Paul Jemetta and I, remain committed to these ideals and will continue to advance the Group's objectives in the great battle of ideas and policies ahead.

Robert Marr
Chairman
30 October 1998

The Selsdon Manifesto

Britain is today approaching a state of crisis. We are suffering the worst bout of inflation for a quarter of a century, with the pound depreciating and mortgage rates rising at an unprecedented rate. The political situation has become increasingly volatile and unfavourable to the Government with dramatic by-election swings being registered against Conservative candidates as a result of a tremendous upsurge of support for the Liberals.

The fact that the Labour Opposition has not benefited as it should from the Government's unpopularity, because of internal divisions and the probability that the so-called "Liberal Revival" merely represents a simple albeit massive protest vote, does not in any way alleviate the seriousness of the situation in which the Conservative Party finds itself.

Electorally the situation is serious in that the continuing failure of the Government's counter-inflation strategy will, if prolonged, lead to nemesis at the polls; and to the victory of a Labour Party committed to the most extreme socialist programme since 1945; but electoral considerations are not all-important. What is of far greater moment is that the Government's apparent abandonment of its previous electoral commitment to the free economy invites the question 'whether the Conservative Party is at present fulfilling any meaningful function in British politics.'

As long as the Labour Party remains committed to a policy of state Socialism in education, welfare, and industry, the Conservative Party cannot afford to renege on its commitment to free enterprise and personal choice. To do otherwise is to hand Britain a one-way ticket to a state-controlled society and to destroy any significant distinction between the major Parties, in which case elections and the whole paraphernalia of democracy become a hollow mockery.

The Government's about turns in economic policy are, alas, bringing this situation about. At a time when the Labour Party is moving strongly in a more socialist direction, the Government's aid to industry (with the extension of political interference that entails) is vastly greater than under the last Labour administration. Public expenditure has soared, helping to produce the largest public Sector deficit in our financial history. Government controls over prices and incomes, once derided in opposition, have so ministers tell us, become essential weapons in the fight against inflation. Finally, the Government has done next to nothing to reduce the size of the public sector or to do anything really radical about extending the private

sector in welfare and education. If present trends continue, the electorate will only have a choice between two brands of collectivism at the next General Election: Socialism V. The Tory Corporate State.

To those of us who believe that genuine choice between the Parties gives politics its meaning and dignity, this state of affairs is intolerable and must be changed: hence the formation of the Selsdon Group.

As members of the Selsdon Group we wish to see a change in the direction of Government policy. We want the Conservative Party to devote itself to the cause of personal freedom and to embrace economic and social policies which extend the boundaries of personal choice. We want the Government to abandon its present ragbag of authoritarian collectivist policies which have so often been discredited in the past.

It must be emphasised that however critical we are of the present course of Government policy, we are only concerned with issues not personalities. It is not our intention either to initiate or to engage in any struggle with the Conservative leadership as such. We merely wish to start a serious discussion within the Party about its goals and the direction in which we want to see it move. To that end we submit the following policy statement for public consideration.

In this statement we outline our views on economic policy in a number of important and related fields. The subjects covered include: government spending and industry; regional policy; taxation; foreign commercial policy; the evolution of the European Economic Community; foreign aid; housing and planning; social policy; education; the rule of law; and prices and incomes. In all of these areas of policy we advocate radical changes and the abandonment of conventional shibboleths.

The common theme that runs through this policy statement is our conviction, as Classical Liberals, that only a policy of economic freedom can give the individual the degree of choice and independence essential to his dignity. We do not for a moment believe that the search for efficiency is the be-all and end-all of economic policy. The fundamental purpose of our economic liberalism is the protection of individual rights and the widening of opportunities upon which the achievement of all our non-economic ends depend.

Government Spending and Industry

A policy for freedom requires a relatively low level of public expenditure. The smaller the

government's share of the national income the smaller will be the total of resources allocated as politicians and civil servants see fit. At present the State takes unto itself over half the national product although private industry produces six sevenths of the nation's wealth. The level of public expenditure has soared under this Government. As a result the State's control over the decisions affecting our lives has increased, while in economic terms this growth of public expenditure has produced a huge net borrowing requirement which has been the root-cause of our present inflation. Drastic cuts in public spending are an essential requirement of a return to financial solvency and economic health.

The private sector in industry must be expanded if resources are to be allocated rationally, i.e. by competition. Left to themselves, experience shows that politicians are only too likely to waste huge sums of public money subsidising inefficient industries and financing prestige projects which cannot justify themselves commercially and which often have damaging effects on the environment. High-minded talk of the "national interest" is in these cases just a smoke-screen disguising the fact that the public has previously demonstrated no support for these projects through the market.

We oppose nationalisation because it increases the power of the central government, removes a large part of British industry from the competitive disciplines of the market, and in so doing, misdirects and wastes precious capital resources. Since the War our public sector has lost the taxpayer thousands of millions of pounds, while its return on capital has only been half that of private industry.

The Government must begin dismantling the nationalised industries. Equity capital should gradually replace Exchequer loans as a method of financing these industries. So far the Government has failed to initiate any significant measure of denationalisation in spite of the pledges made by the Prime Minister at the time the steel industry was nationalised.

Taxation

The citizen should be free to spend his money as he thinks fit. This choice should not be distorted by fiscal considerations unless the case for such distortion can be established. We leave open the question whether there are such cases but would impose the burden of proof on those who believe that there are.

The realisation of our principle would require more radical changes than in perhaps any other area of public policy with which we are concerned. The present tax system discriminates between home

and foreign products and income, between different regions, between different trade investment assets, between different industries, between different forms of consumer spending, between spending and saving. Although we are willing to be persuaded that some of these arrangements are justifiable, we should welcome a serious effort by their supporters to show that this is so.

It is sometimes suggested that existing measures of fiscal discrimination, however illogical, are politically unalterable. We dispute any such assessment and cite in evidence the absence of political convulsions attending the replacement of selective employment tax and purchase tax by value added tax. The abolition of the higher rates of purchase tax is a change which we particularly welcome.

Our principle of the freedom of choice should increase efficiency as well as freedom. The same holds for tax cuts made possible by reductions in public spending,

Regional Policy

In a Report on Public Money in the Private Sector, the Trade and Industry Subcommittee of the House of Commons Expenditure Committee concluded that "there must be few areas of Government expenditure in which so much is spent but so little known about the success of the policy." Despite 40 years of regional policy, Britain's problems of regional imbalance appear as intractable as ever.

The first requirement for an effective regional policy must be the identification of clear and specific objectives. Regional policy has been determined by a jumble of economic, social and political motivations. The aim of policy ought to be the elimination of identified problems. The result in practice has been a steady expansion of total expenditure and the coverage of the assisted area.

The priority for scarce public funds in problem regions must be the provision of adequate infrastructure to improve industrial efficiency and an enhanced environment to make our older industrial areas more attractive to live in.

The methods of financial assistance should be simple and laid down clearly by law rather than subject to arbitrary decision by civil servants. There is ample proof that the effectiveness of regional incentives has been considerably weakened by arbitrary changes in their nature and coverage.

Controls, such as Industrial Development Certificates, are in principle undesirable because they impose hidden costs in terms of investment foregone, delays and distortions.

Britain's regional policy has traditionally concentrated on mobility of capital. But mobility of labour both between and within regions also has a role to play in deploying our resources more effectively. The allocation of Local Authority housing by waiting list and the progressive elimination of the private landlord act as serious disincentives to mobility of labour. Unless housing policy is radically altered, it will become increasingly difficult for those who are not owner-occupiers to move to better jobs in different parts of the country.

Prices and Incomes

Inflation is at present a serious long-term threat to our economic health and to the survival of our free society, but the Government's attempt to overcome it by prices and incomes controls poses an even greater threat.

The intellectual case for prices and incomes controls has always been threadbare and time has not altered that judgement. Empirical evidence suggests that all past inflations have been accompanied by monetary expansion, which has usually been the direct result of excessive levels of public spending. Today the situation is the same, with the net borrowing requirement standing at over £4,000 million. This is an astronomical figure, greater than anything we have known in the past and greater than in any comparable country. It is hardly surprising therefore that the United Kingdom's rate of inflation is not only higher than at any time in the past decade, but is also higher than that prevailing in most other OECD countries.

In spite of all the evidence, however, the Government is not curbing the growth of its own expenditure or of the money supply. Instead, it fuels inflation by financing pay increases which the market cannot support, through allowing monopolistic privileges to unions and subsidising inefficient industries.

Incomes controls cannot effectively counter continuing excessive monetary demand; moreover, they lead in the long run to the breakdown of the price mechanism, cumulative economic distortions, and the direction of labour.

The Government's present course can only lead to the dislocation of the economy.

Housing and Planning

Originally intended to cater for those in true need, Council houses are in great numbers occupied by families well above the average earning level.

The Government has taken laudable steps to

improve this position by encouraging the sale of Council houses and by the introduction of the Housing Finance Act. But alas the former has been pursued only half heartedly and the latter has created a petty bureaucracy all of its own. The most significant field in which the individual has not the right to cater for his own preferences on the market is that of rented accommodation. Controls on rents (which were originally only meant to be temporary) have inevitably created a shortage of rented accommodation by stimulating demand and discouraging supply.

Under the Leasehold Reform Act what has been bought or sold may change in value and indeed in substance within five years of the Contract. The man who bought what he believed was a lease with only a few years to run may suddenly find himself blessed by the waving of a statutory wand with an absolute freehold and the original freeholder is left with a minimum compensatory payment. How can it be expected that individual enterprise will flourish when one individual receives statutory pots of gold for an ill-considered act and another mere token payment for a prudent investment.

So long as these complexities flourish the market cannot, and the scarcity of housing is bound to prevail. We believe therefore that the Rent Acts and Leasehold Reform Act should be repealed; and that Council houses should be let only to those in true need.

In planning too, the Government indulges in intervention merely because the possibility so to do exists. It may be, although it is arguable, that some control is needed of ribbon development; and that a Green Belt should be preserved around the larger cities. However, to produce some 3,000 pages of regulations, orders, and circulars which should in theory at least be perused by everyone who wishes to carry out any development is to take an original useful idea to dangerous extremes. Of all the cities in the world possibly one of the best zoned is Houston in Texas where no control is exercised over the zonal disposition of development. Non-intervention can work, in many places it still does work, and if we are to free the individual citizen so that he may enterprise and flourish it must be made to work again.

Social Policy

The 1970 approach offered the promise of the first fundamental reappraisal of the Welfare State to be made by a British political party. Its principles - concentrating aid on people in most need, stimulating self-help, encouraging choice - were well-founded in 1970 and will remain well-founded for the 1970s and 1980s.

The Welfare State has not abolished poverty despite a massive bureaucracy, unnecessarily high taxation, the invasion of personal choice and family life, and a grotesque inflation of government. Despite these high costs it has not brought the equality for which it was designed; and it has been kept going by intellectual conservatism, by bureaucratic inertia and by continuous repetition of claims it has not so far established and shows no prospect of ever establishing.

After a long trial of 25 years and more of state welfare, it is time to give a chance to new ideas and new techniques in social policy that will bring more help to people in most need more efficiently and without the high costs and lost liberties of the Welfare State. The purpose must pass from first-aid expedients that make "beneficiaries" wholly and permanently dependent on officials and politicians to long-term measures that will help people out of trouble by gradually nurturing their innate capacities for self dependence so they can aspire to the dignity of citizenship through choice.

These principles require that:

1. aid be given most generously where there is most need; equal aid to people in unequal circumstances is false equality, that puts egalitarian dogmatism before humanity;
2. inquisition into personal circumstances should be avoided by a reverse income tax as an automatic identifier of differential requirements;
3. aid in cash should be given to consumers rather than to producers;
4. aid in cash should gradually replace social benefits in kind to build up individual judgement and discrimination by fortifying and creating choice;
5. the paternalism of the Welfare State in which the consumer, especially in the working classes, is given what officials or social workers think is good for him, should be replaced by participation in which consumers of welfare are consulted and involved; and "consumerism" through representatives should increasingly be replaced by direct methods in which every man and woman has a personal say;
6. pilot schemes should be established to test new ideas in social policy; a wholly new experimental strategy in social reform should replace the practice, hitherto dominant in the evolution of British welfare of either resisting new thinking on wholly unproven grounds or plunging the nation into vast schemes with little reason or evidence to suppose they would succeed.

On these principles and methods a new social policy should be built to combine humanity with

dignity. It would liberate people to spend more on welfare than they will pay in taxation that is divorced from the service they receive. It would command the support of the many, not least the mass of wage-earners, a large part of whose incomes is taken from them and spent by officials, mostly in ways that give them little say.

Not least, social policy built on these foundations could provide a radical focus for people who have supported other parties because it would express the British genius for requiring new proposals to be tried and tested before the whole people is committed to them with little hope of reversal if they are found to fail.

Education

There is a strategic disadvantage in arguing for freedom in education if it is generally conceded that the state is uniquely competent to run the substantial part of anything as vital as the schools and colleges of the country. Far from accepting that capitalism can sell groceries but not education we must maintain that the more immediately 'human' commodities should be controlled by the most human of devices - the open market.

The great difficulty in arguing for a free market in education facilities is satisfying the doubt about lower income families' capacities to meet the cost. If we continue to have a constricted labour market this may be true. Nonetheless we believe that it can readily be demonstrated that the average income family surrenders more in tax to the State than it gets back in the amalgam of benefits. The arithmetic is simple in education expenditures - the Department of Education and Science aggregate figures divided by the number of school children reveals an annual outlay of about £300 per child. We believe that complete tax relief to each family would achieve the same effect, plus the advantages, political and personal, of family discretion and choice on the nature of schools. For this reason we favour the voucher redeemable by the parents as they find appropriate. The present university grant system represents a voucher-like phenomenon - it being accepted by the Government that students are competent to cater for themselves. We believe that such policies would lead to a far greater total expenditure on education to supplement the state-endorsed provision. To forbid, or outlaw parental expenditure on their children would be simply absurd.

If it is true that we can identify principles in the administration of education it is worth pursuing them. An open market would widen options and education would not be subject to the priorities of the D.E.S. but to the infinite range of parental preferences. The Conservative Party should

extend the market in education because of the latter's sensitivity to the consumer and because a market solution minimises state coercion. We are convinced that such a policy would be politically popular. A Labour Party opposing wider choice in education would be as foolish as a Labour Party abolishing Independent Television.

The Rule of Law

If society is to enjoy the benefits of freedom, the latter must be protected by a framework of general rules guarding against force and fraud and binding on all.

General rules interpreted and enforced by an independent judiciary leave the individual the maximum freedom of action that can be reconciled with the provision of that minimum of stability and cohesion without which social co-operation is impossible.

The Rule of Law means the rule of predictable and intelligible laws in the absence of which the individual citizen becomes the victim of political and administrative arbitrariness.

The principle has been increasingly violated by successive British governments, in particular in the field of economic and financial policy. Governments have established so-called 'voluntary' guidelines to businessmen on such matters as loans, interest rates, prices and profits. These guidelines have not had any legal force but have been obediently followed because of the implicit threat that failure to comply would force the government to resort to statutory coercion. The Rule of Law has become the Rule of the Threat of Law in too many areas of our national life.

The Rule of Law cannot prevail in a society in which the powers of the state are extended daily. Increasing government interference in the economy (especially in prices and incomes) enlarges the scope of political and administrative discretion and increases the unpredictable and arbitrary nature of law and legislation. Consequently, anomalies multiply, the citizen's sense of justice is offended, and respect for the law declines. At the same time, in the face of the state's growing monopoly of decision-making power, the individual becomes increasingly disillusioned with public men and alienated from the political process. The result is the mushroom growth of protest movements, strikes, demonstrations, and street violence, that has become so characteristic of contemporary industrial societies.

If the Rule of Law is not to be undermined and our freedoms gradually destroyed, government must be more limited than it is today.

Foreign Commercial Policy

Foreign commercial policy should be determined by freedom of choice: the citizen should be free to trade and invest abroad according to his assessment of commercial advantage gross of tax.

The present system of flexible exchange rates should be retained.

In the taxation of foreign income, both inward and outward, nationalism is still rampant. Exchange controls and discriminatory tax regimes often frustrate the economic movement of funds either inwards or outwards or even both simultaneously. These exchange controls and fiscal restrictions represent a mercantilist philosophy that is two hundred years out of date. We particularly regret that the liberalisation of capital movements within the E.E.C., which was a principal attraction of membership for the U.K., has been offset in advance by the virtual abolition of the sterling area.

The freedom of capital movements is no less important in principle as a contribution to market efficiency than the freedom of trade. The realisation of this principle would require a major change of conventional attitudes.

Evolution of the EEC

To a remarkably large extent, the Treaty of Rome aims to remove obstacles to the free movement of goods, persons, services and capital and to establish free competition within the economies of the member states.

After the transitional period for the new members, the EEC will be a full Customs union. But progress towards economic union has been slow and hampered by the interventionist philosophy of the Commission in such fields as transport. The Common Agricultural Policy has taken up a great bulk of the Commission's time, energy and budget. Because of high world prices, the CAP has not had a significant effect on food prices in the United Kingdom this year. But it is avowedly protectionist. Unless the CAP raises food prices above what they would otherwise have been, the policy is pointless.

A small part of the CAP Budget is now devoted to encouraging marginal farmers to move to other occupations. Such aids to mobility should be expanded and the level and cost of protection progressively reduced and eventually eliminated.

The requirements of the CAP have been used as a justification for the Community's emphasis on monetary union - fixing parities between the

currencies of the member states. Despite the difficulties and cost, the snake in the tunnel wriggles on. But unless economies and economic policies are fully integrated, monetary union, by preventing parity changes when economic conditions alter, could prove disastrous for parts of the Community. The snake has already led to restrictive measures on capital movements which are contrary to the aims of the Treaty of Rome. The drive towards monetary union should be abandoned in favour of floating rates and a concerted effort to achieve within the Community the free movement of the factors of production and the coordination of national economic policies.

Foreign Aid

Concern for the peoples of the "underdeveloped world" has had a variety of results in this country. The flow of private charity is of course of no direct concern to politicians or governments, but there have been, and are, increasing pressures both domestic and foreign on successive governments to provide or increase "development aid". It is assumed that such transfers differ from private charity only in size, concentration, and "acceptability", but this bland supposition is open to doubt.

The prime characteristic of "development aid" is that it is a transfer not between affluent Western consumers and starving peasants, but purely between governments. As such, it increases the centralisation of resources and power in the hands of the state. As governments are subject to other than economic forces, prestige projects such as dams, landscaped capitals, airports and government offices and officials proliferate. Nor can the problem be solved by "tying" aid to specific projects: if aid can be channelled into food, agriculture, shelter, or whatever, domestic resources are released for "essential" spending on the armed forces or statues of the president.

Fortunately for those concerned with genuine help for the poor rather than the expiation of spurious guilt, there is a clear alternative. An entire complex of tariffs and quotas exists to distort patterns of production in the UK and abroad. If these tariffs were to be removed and, for instance, the uneconomic producers of cotton fabrics in Britain were squeezed out by producers in the underdeveloped world, both would benefit by concentrating on those activities at which they are best suited. And if transitional help were needed for those displaced in the North-West, it would be a small price to pay.

For those of us genuinely interested in the future of the "third world", let the cry be "free trade rather than aid".



And now...

... twenty five years on, the Shadow Chancellor of the Exchequer says ...

"It is an honour to help you celebrate the Selsdon Group's Silver Anniversary. You have stood steadfastly for the cause of free enterprise. And you have kept the flame of freedom burning brightly in the Conservative Party, even in freedom's darkest hours.

You have my good wishes and my support as you celebrate your first twenty five years at this historic meeting place for our Party. It is my hope and expectation that the spirit of Selsdon Man will guide and watch over us all for the next twenty five years"

Rt. Hon. Francis Maude MP

Declaration

- *We believe that individual enterprise is the source of all progress in economics, the sciences and the arts and that the task of politics is to create a framework within which the individual can flourish.*
- *We believe that every individual should be judged by his actions and not according to arbitrary criteria of race, creed or colour.*
- *We believe that economic freedom is vital to political freedom because power is then diffused among many different enterprises instead of being concentrated on the State.*
- *We oppose the view that the State should have a monopoly in health, housing, education and welfare.*
- *We uphold the right of the individual to cater for his own preferences in the market, believing that the State provision should supplement, rather than replace, private provision.*
- *We see our primary role as to influence the Conservative Party, so that it embraces economic and social policies which extend the boundaries of personal choice.*

Application for membership

Name

Statement: *I wish to apply for membership of The Selsdon group and fully support the philosophy of the Group, as laid down in the Selsdon Declaration (see left).*

Title

Age

Signed

Job

Company

Date

College

**All membership applications are subject to the approval of the Executive Committee.*

Tel (H)

Email

Constituency/Length of Party Membership

Membership of other Groups?

Address

Postcode

Standing Order

Please complete this form and send it along with your application to the the address below. Any queries should be addressed to the Secretary, who can also be contacted on the Group's email address: selsdon_group@hotmail.com

The Manager

(Bank Name)

Branch

Address

Postcode

Account No.

Sort Code

Signed

Date

Please pay the sum of £25/£15* to Lloyds Bank, Butler Place, Caxton Street, London, SW1H 0PR, sort code 30-98-97 for The Selsdon Group, account number 0298707 immediately and thereafter on the 1st January each year until further notice.

** £25 for London residents, £15 outside London - delete as appropriate. Larger donations welcome.*

Please return to: The Secretary, The Selsdon Group, 35 Brompton Road, Knightsbridge, London, SW3 1DE