The Thatcher Era: Economic Decline and Electoral Hegemony

by

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(ABSTRACT)

The reelection of Mrs Thatcher’s Conservative Government to a third term of office in June 1987 was remarkable and deserves repeated and in depth analysis. The performance of the government, and Thatcherism need to be seen in terms of their success in reversing Britain’s relative economic decline. How have its policies sought to break the pattern of decline? Has it adopted a consistent, and distinctive approach? Is the party’s unprecedented electoral success a product of its economic policies? What does the future hold?

The following elements are crucial. The government has made its most important efforts in two main areas- towards the unions, and towards the fostering of the service sector of the economy. These policies, described in detail, have been important politically, and electorally (two terms which have different meanings and ramifications for the government). They are not, however, policies which are likely to provide the third Thatcher administration with automatic support in years to come. Recent accounts of the third victory have failed to recognise the precariousness of the Conservative government’s position, in part exacerbated by the nature of the interests fostered- the financial sector may prove to be an electoral liability, instead of an asset as before. The paper suggests that the ability of the government to win successive elections is evidence of the salience of factors which are often overlooked in political economy papers. The importance of expectations- particularly in election year, of macro-economic variables controlled, to some extent, by the government, such as tax rates, and the relative unimportance of factors such as unemployment and inflation are also revealed by the Thatcher record.
The author wishes to express his gratitude to Dr. Michael Keating, committee chairman, for his efforts and guidance towards the completion of this thesis. He would also like to thank the other committee members, Professor Harold Clarke and Sidney Snellenburg, for their help, and those other members of the faculty, past and present, who have helped to render the complexities of political science more accessible. That a program of this quality is available to so many international students, at such favourable terms, is testimony to the openness of the American educational system. Long may it continue.

In addition the author would like to express his appreciation to the other graduate students for their help and friendship, especially [name], who made leaving for England even more painful than it would have been anyway.

Finally, this thesis is dedicated to my parents, who have always deserved better.
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1.0 Introduction

The reelection of Mrs Thatcher’s Conservative government to a third consecutive term of office in June 1987 was remarkable and deserves repeated and in depth examination. The Thatcher era has been seen as the product of the failures in the British economy from 1945 to 1979. It was designed to provide a radical alternative, to reenergize the economy and to reverse the vicious circle of an overloaded political structure and an economy which seemed to be generating insufficient funds to pay for the claims made on it. The most cursory glance at the academic literature produced during her term of office shows a near universal condemnation of the economic policies adopted and of their results. For the most part the economic indicators have continued on their downward path in a period when, as is widely acknowledged, ‘economic decline [has been] writ large upon the face of contemporary British politics’ (Wright 1987 p53). That the continued and in many cases, heightened economic decline, relative to Britain’s rivals, has coincided with an extended period in which the usual mode of rapidly alternating one or two-term governments has been broken, needs to be explained and its ramifications examined. The opposition parties appear to be adopting many of the more ‘radical’ tenets of thatcherism such as trade union reform and even accepting the new denationalized status of the privatized industries, at a time when the impacts of the changes are unclear.
Clearly election outcomes are not fully explained by the underlying economic conditions, just as they were never determined solely on the basis of class relationships. There is, however, a clear link between the two which makes the coincidence of economic failure and political success, each at record levels, enigmatic. My concern here is to examine the steps taken by the Thatcher government towards reversing the economic decline, which reflect a distinctive political outlook and which have had political, economic and societal impacts.

The phenomenon known as Thatcherism has many features which distinguish it from old conservatism and 'New' conservatism, and even more which distinguish it from 'butskellism', the orthodoxy (derived from the convergent styles of Butler, the Conservative leader-in-waiting, and Gaitskell, the Labor Party leader who died before becoming Prime Minister), which survived, and which embodies, the repeated shifts in personnel, but immobility of policy, during the post-war period. In many respects the performance of the Thatcher administrations has confounded the early, largely critical, commentators by representing a less dramatic shift in governmental behaviour but one which has been granted an extended period in which to make an impact.

The term *thatcherism* means different things to different commentators. Its most fervent critics and supporters tend to side with the definition that has thatcherism representing a dramatic break with the previous nature of government. It is seen as the antithesis of consensus, of *butskellism* and, in economic terms, of Keynesianism. In this sense it is equated with a conviction or 'no-nonsense style of leadership' (Kavanagh 1987 p9), with the monetarism of its early economic policy proclamations, and with a brand of conservatism very different from that which springs from a desire to conserve. One commentator, in a hagiographic account of the first term, has suggested that 'Mrs Thatcher's most far-reaching change has been the change in the nature of contemporary Conservatism...Mrs Thatcher's defiant ideological style has replaced the pragmatism of the 1945-75 era'. (Holmes 1985 p211-2). Looking for thatcherite tendencies in the Heath administration, or in the radical program it originally presented might be interesting, but thatcherism should, necessarily, be a way to characterize the nature of governmental practice, or style of governmental practice under Mrs Thatcher, particularly those elements which are distinctive to it. To come to conclusions as simple, and simplistic as 'the real meaning of Thatcherism is class revenge' (Nell 1984 p163), is
to abandon the evidence in favor of a snappy slogan. There is more than enough of interest in the eight years of tory rule without exaggerating in such dramatic fashion.

The rhetoric of New Conservatism, and the rhetoric of Thatcherism (as opposed to its practical applications) promise conviction and purpose - no U-turns here. The steps taken to change the economic and political culture and structure - elements here include the explicitly encouraged shift from manufacturing industry to the service sector, the emphasis on the interests of the City, and the encouragement of a share- and property-owning democracy - everyone a capitalist are all recognisable elements of Thatcherism. To what extent do these measures represent a consistent, unambiguous and logical program? One hypothesis to be explored is that while there is a certain consistency of purpose, politically and electorally, there is a problem equating these actions with the requirements of a government seeking to end the economic decline. The political success - the conservatives seem, as they claim, to have ‘won the argument’ - is not to be sniffed at. The conservative government has attempted to create a new consensus and has succeeded in serving the interests of key constituencies in British society. This is unlikely, however, to create a lasting renaissance in the economy, and is therefore likely to be a short-lived programme or, if it endures, a dangerous one. This point can be broken down into several smaller hypotheses or perhaps considerations. These are not going to be tested rigorously, though they will be covered by the analysis:

- The chief elements of the government’s industrial policy - the means by which the government was to exert the most direct input on the economic performance, have not succeeded in reversing the economic decline to any substantial degree.

- they are responsible, however, for the government’s political or, more precisely, electoral success;

- The most important political slogan of the period - everyone a capitalist - has been exaggerated as a description of what has occurred, has no beneficial effect on the economy (it actually conflicts with other elements of the government’s policy), but has contributed to the ability of the government to win two elections, and the ability of the opposition to lose them;
The government may have benefitted from the failure of some of its policies—towards wages (failure of trade union reforms), and towards the economy as a whole—lowering expectations which can then be lifted at election time with skilful management of sensitive indicators;

The fostering of specific, growing constituencies has continued to increase the complicated breakdown of the class-structure;

The real achievements in passing the trade union legislation outweigh the economic impact and, to the extent that the public now regards the unions as unimportant, has removed one of the Conservative Party’s trump cards;

The rhetoric of thatcherism is important, because it has helped to create the mood which has been required at election-time.

There is a problem inherent to all analyses of the period: the interlinkages within the subject matter. For example, the City, previously seen as economically influential but of little interest to the political culture, has been pushed to the forefront—its influence central to explanations of the popularity of the Thatcher administration. The recent dramatic falls in the value of shares on the stock market, have heightened ramifications because of the policy of encouraging the general public to join in the stagging craze. If the benefits to Thatcher from the bull market were substantial, the costs of the sudden switch to a bear market are likely to be severe. The expectations of voters, on which the government has staked so much, may take a downturn. For this paper it is necessary to link highly technical changes in the City to public images of the Government. This is not easy. It will be necessary, therefore, to introduce relatively narrow dividing lines between chapters which may appear arbitrary. However the pattern to be adopted is as follows.

2. Economic Decline 1945-79 and the Thatcher Response: Chapter 2 will include an examination of the post-war period with which the past eight years is often compared, and contrasted, and an examination of one key aspect of the Thatcher economic and political strategy—the use of the dein-
Industrialization in the British economy to fashion a political culture based on the burgeoning service sector—more naturally inclined towards the Conservative Party. The opening chapter will outline the economic indicators which reflect the post-war decline and sketch the first of the factors (scapegoats?), blamed by the supporters and opponents of Thatcherism for it, the influence, or to some, the lack of influence, of the City. With eight years in which to make an impact it is now possible to make some judgements about the ways in which the government has met the challenge. Scapegoats are by definition neither guilty nor innocent of the charges levelled at them, they are merely blamed for the crime. Efforts to change the post-war situation are necessarily more successful politically when they address popular concerns. These concerns include the quality of management, and the (malign) influence of the City, the strength of the trade unions (Chapter 3), and the size of the State (Chapter 4).

Where the Thatcher governments have broken the post-war pattern, the record will be examined in more detail, though there is something to be said in each section. There is clear evidence of a divergence between political and economic goals, or at least in the way in which these goals have been reached. It is not necessary to go into detail at this point, though a brief description of one area may serve to show the approach to be adopted. The policies of the government towards The City, the financial services market, reflects the character of the administration, its political and economic outlook, and provide an outstanding example of a successful linkage between the electoral requirements of the government and the economic requirements of the country.

The Thatcher record, example, The City: The events of recent weeks aside, the past eight years have been outstandingly successful ones for the financial services sector of the British economy. Some argue that it has been successful for the very reasons which explain the failure of the manufacturing sector—elements here include the increasing openness of the economy, the policies adopted towards exchange rates, and exchange control, and so on. It is no coincidence that this success has happened at the same time as that of the government, because Thatcher has explicitly connected the interests of the general public with those of the 'square mile' (the British Wall Street). The deindustrialization of the nation encouraged the shift towards a service sector economy, and Thatcher
has expedited it. The reasons for doing so are not peripheral to the matter but central. The changes reflect the changing interests in the Conservative Party, and represent the recognition of a growing constituency in the country. These are political shifts woven into economic arguments in favor of shifting resources, picking the winners and making the necessary adjustments required to reverse the long history of declining performance. Peter Kellner has suggested that the “central paradox” of the Thatcher era is that “they have been politically good for the Tories, but economically bad for the country” (Kellner 1987 p9). The whole purpose of this thesis, which largely accepts this observation, is to examine the way in which this paradox has come about.

Chapter 2, then, when it looks at this particular area, will examine developments in the political economy since 1979, emphasising the shift in emphasis from the manufacturing to the service sector and, particularly, the new political prominence of The City. One explanation for Thatcher’s success is that she has been able to foster an attitude within the electorate which links the expectations, and interests, of the average voter, with those of that sector of the economy which has not declined and which has, in fact greatly expanded. The risks of publicising and opening up the processes in the City are potentially great, but have not yet been transformed into reality. Whether the benefits to the economy match those to the Conservative Party is doubtful. I intend to examine the trend by which the City has prospered and the rest of the economy suffered, and the political impacts of this. It may have various consequences and meanings. The analysis may suggest that Thatcherism is rooted in the changed circumstances in the economy and that it requires not only a healthy and burgeoning financial sector, but also, crucially, a weakening manufacturing industry. I intend to base the analysis on the evidence of the legislation options selected, and on their consequences. These will inevitably have societal impacts which will be dealt with in the later chapters.

The Confederation of British Industry will be examined in brief. The government, while often introducing measures with which the CBI would approve has largely refused it a role in the decision-making process. With the increasing gap between the City and manufacturing industry, the CBI might have played an enhanced role in bridging it. It seems strange that the government does not choose to utilise the organizational capabilities of the body.
3. The Trade Union Problem will look at the trade union legislation which has been introduced, and the impact of the changing structure of British industry. Again there is clear evidence of the government scoring a political success, albeit one with diminishing returns, but without this resulting from either economic benefits (although the rise in productivity is a benefit), nor leading to (m)any. With support for the union movement returning before the government has fully stripped them of their power at local level, that political success which has been achieved may not last.

4. Privatization and the State will cover a further matter, perhaps one step away from the economy, melding together the extensive privatization program, the attitudes towards the state, and the nature of the popular appeal of thatcherism. The privatization program, which seems to fit in better with an analysis of a further post-war scapegoat- the State- has had a number of impacts. It has delighted those able to buy and sell shares quickly, it has given the notion that parties can make a difference when in office and it is a rare modern example of a government becoming more radical as it has gone on. In so far as this paper is concerned, the policy has, again, been successful politically- especially with regard to council house sales, and has won the party support. It is not, however, of great significance economically, at least not the element which involves millions of people purchasing small stakes in the concern. the Government has divided the opposition, its income from privatization and oil taxes has allowed important and timely tax-cuts, and 600,000 workers, and over a million homes, have been returned to the public sector. There is a possibility though, that the political benefits for the government may soon wear off. Opinion polls suggest increasing support for state welfare provision and a host of other issues which seem extremely butskellite. If the privatisation program fails for a few years then the government may find both popular sympathy to be lacking, as well as the revenues. The privatization program does at least have some sort of economic justification, though adjustments may be needed.

5. Thatcherism: the Changing Economy and Changing Interests The Conservative and Labor Parties have been affected by the changes wrought on the economy and on the political culture in Britain by the Thatcher administrations. The Conservative Party, once seen as split between ‘wets’ and
‘dries’, has changed in more important ways which threaten its ability to retain its popularity among the electorate. The connections to the narrow economic base represented by the City, now increasingly unpopular, may prove to be an electoral liability in much the same way in which the unions have been to the Labor Party. It is not argued that the party has deliberately tailored its policies to suit its traditional and new friends in industry, but rather that the effect of institutionalizing and reinforcing the links, and common conceptions of them, between the party and big business, links which reflect the changing economy and changing Conservative Party, may be electorally hazardous for a party which has not yet built up a thatcherite following in the electorate. In other words, the Conservative Party needs to ensure that it has established a solid, loyal constituency among the electorate. It is not yet clear that those people who have voted for the party in spite of their dislike of big business and the City will continue to support a party with an increasingly pronounced connection to it. This chapter, then, is speculative in nature, suggesting that the same grounds exist for popular dissatisfaction with the people in the Conservative Party as there is for the Labor Party. This chapter is less concerned with the causes of the economic failure and political success conundrum than with the consequences of it. It partly explains the failure of the Labor Party to win support in the past, its links with the trade unions giving the impression, not entirely false, that as a government it would be partial towards one group, and neglect the interests of the country as a whole. It also suggests that the Conservative Party will be the next to suffer from an image problem.

For the Labor Party the problems lie less with its personnel, although there are difficulties still there, than with the dwindling base from which it draws its support. It will need to combat both long-term factors, and ones which have been pushed forward by the nature of the economic policies, and their political elements, adopted by the Thatcher administrations. The success of the government is in no small part a result of failures in the opposition, but these are not inevitable.

6. The Electorate, Sceptical but Supportive: The terms ‘butskellism’ and ‘thatcherism’ have tended to be applied to the actions and outlook of the political elite, in spite of the populist appeal of the latter. It is interesting, is it not, that while the term butskellism implies moderation and consensus
among the elite, but refers to an era which saw frequent shifts in the public choice of government, thatcherism implies confrontation and anti-populism but has been rewarded with three substantial election victories. That this has coincided with the increase in taxation, relative economic decline, increases in crime and unemployment and the availability of an explicitly non-socialist political alternative is even more interesting.

This is, of course a topic which has received exhaustive attention for many years. In many ways the ideas being put forward today concerning the inability of the Labor Party to garner the support it once had resemble those heard in 1959 when the MacMillan administration won another term of office. The Labor Party went on to win four of the next five elections. Since that earlier period a very large body of literature on the economic and class determinants of voting behaviour has grown. It would be a mistake to become too immersed in this argument. However, an explanation for the support for the Conservative Party in recent years is essential. Therefore, using opinion poll data I intend to examine the evidence that Thatcher has changed the political agenda. It will be suggested that, while there is some sign of a successful fostering of new interests, (in the growing workforce in services for example), the popularity of the current administration reflects a feeling among voters, often hidden to survey questions, that the government is adopting economic policies which are succeeding in reversing the decline, and which reflect the reversal. For example, if the electorate expresses a preference for increased spending on welfare over tax cuts, it does at least credit the government with creating the conditions where a choice is available. It will, however, be argued that the policies which brought about this attitude are not those which are likely to promote the long-term recovery of the economy. With the increased salience of egocentric determinants of voting behavior, based on judgements limited to the months before the election, and based on expectations rather than retrospective evaluations, the Thatcher governments have managed to effect a parliamentary landslide on two occasions from economic evaluations which bear little relation to the policies adopted. It is, perhaps, the triumph of short-termism.1

1 A related observation and one which may not receive much attention, is that the policies of the main opposition party offer neither the prospects for economic recovery nor the benefits provided by the continuity of government seen recently. Moreover, the changes of the past eight years in the nature of British industry render the policies traditionally offered by the Labor Party less appropriate than they might once have been.

Introduction
Conclusion: This paper has been concerned with the political renaissance and economic decline conundrum. The conclusion will summarize the findings, explaining the success of the Thatcher administrations. What Bulpitt has described as 'statecraft-namely the art of winning elections' seems to have been mastered by a government which publicly eschewed the use of the economy for political ends. Whether this statecraft is likely to prove as successful in the third term is not something which can be predicted with any assurance simply from the experience of the last two.

The atmosphere of crisis which seemed to herald the election of Thatcher in 1979 has largely disappeared, though it may return. One supporter of the Government has painted a scenario in which a decline in the world economy might require a quicker pace of reforms.

If the world market now stagnates or contracts, an era of economic savagery will open. America is already teetering on the brink of protectionism. A recession may push it over. Japan, which has no resources other than its exporting skills, will then roam the world's markets like a ravenous tiger, with a pack of equally hungry minor Eastern states at her heels [and an aggressive response from Europe, will create a highly dangerous environment. The only appropriate action from Britain is] a harsh and mercenary climate' of behavior, and even that may not be sufficient to defend its share of trade. Thus the 'Thatcher Revolution' would need to be accelerated (Johnson 1987 p18).

There is evidence that the third term of office promises just such an acceleration, but in less propitious circumstances than those which pertained in 1987.
2.0 Economic Decline 1945-79 and the Thatcher Response

In this opening chapter I intend to describe some of the economic and political developments of the post-war period, drawing particular emphasis to those which allow for a better understanding of the Thatcher administrations, before moving to the important shifts in the economy exacerbated by the emphasis placed on them by the government and the media, and their impacts. "The British Disease" is almost the world's bogie-man, the dramatic threatened consequence, or warning, used throughout the world by governments to encourage discipline from their subjects. For this reason some of the analysis may be familiar. It is, however, essential background for what follows.

2.1 De-industrialisation: 1945-79

The main problem is in knowing quite where to start. Perhaps the publication of De-industrialization, a collection of papers which emerged from a conference organized by the National Institute of Economic and Social Research (N.I.E.S.R) in 1979 would mark an appropriate point
of entry. It examined the declining performance of British manufacturing industry in terms of exports and the domestic market. The UK share in world exports of manufactures had fallen from 25.3% of the total in 1950 to 16.5% in 1960, 10.8% in 1970 and 8.7% in 1976 (Cairncross and Silberston 1977). The poor productivity level in British manufacturing industry was largely responsible, and was worsening.

A comparison of productivity levels with the original members of the European Community, France, Germany, Belgium, the Netherlands and Italy, in 1977 found that

The gap between the UK and the other four countries (leaving Italy out) grew from between 8% and 18% per man-hour in 1955 to between 54% and 93% in 1973. Since about 1967 the UK has had a level of labour productivity in manufacturing similar to Italy. Only in textiles and "other manufacturing" of the six sub-sectors examined was the UK's productivity not the lowest of all the EEC countries covered, and there was a very marked productivity difference in basic metals (two to three times) between all the other countries and the UK (Cairncross and Silberston 1977 p9).

The "British Disease" seemed to be incurable. Its main elements, of poor productivity, labor market rigidity and terrible industrial relations, low investment and diminishing trade were seen as hopelessly entrenched. A 1980 report by the National Economic Development Office (NEDO) "Britain's Industrial Performance", suggested that "in every respect the relative achievements have been and remain poor" (Quoted by Grant 1982 p282). Others have sought to characterize the decline in their own distinctive way,

Britain has been an industrial pioneer for over two centuries; she first pioneered industrial development, then pioneered industrial decline (Moran 1984 p336).

Some day soon, Britain will be able to mark, though hardly celebrate, the remarkable jubilee of a century of economic decline (Dahrendorf 1980 p284)

Just as the rise of the British economy was one of the miracles of the nineteenth century, so its decline has been one of the enigmas of the twentieth (Hall 1986).

After having led the world for two hundred years, Britain is no longer counted among the economically most advanced nations of the world. A wide gap separates her from the rest of industrialized Europe. The difference as measured in national product per head between Britain and, say Germany, is now as wide as the difference between Britain and the continent of Africa. One short generation has squandered the inheritance of centuries (Pollard 1982 p3).

This, remember was the situation before the Conservative election and before the severe recession which followed it. Another quotation from Sidney Pollard, one of the more belligerent whistle blowers, will add even more colour to the discussion. It sums up the rising panic which had begun to set in during the 1970s, and the reason for it.

There used to be talk of a "German Economic miracle", the sheer incredible recovery of Germany out of the depth of the hunger and destruction of her defeat, following the Erhard reforms. Since then
the recovery of France has seemed even more miraculous...Thereafter it was the turn of Italy to command attention, a lop-sided economy, defeated in the war, backward and imitative, beset by insoluble social problems- Italy suddenly showed the fastest growth rate in Europe...Meanwhile it was realised that the smaller nations, including even Belgium, an old industrialised country too heavily committed to the dying sectors of coal and steel, had done the same; while Switzerland and Sweden, countries without a post-war reconstruction spurt, had likewise kept up. And beyond Europe, Japan performed the greatest miracle of all. Emerging from total defeat and humiliation...she showed year by year rates of growth such as the world has never seen before. Thus she overtook much of Europe - only to be threatened, in turn, by equally "miraculous" developments in South Korea, Hong Kong, Singapore and elsewhere in the Far East.

Slowly it began to dawn that a "miracle" which is regularly repeated all round the world is scarcely miraculous, and that there must have been some common or pervasive drive in the world economy to make all these successes possible. In the light of this boom, what then required explanation was the British experience: the only economic "miracle" was the British failure to take part in the progress of the rest of the industrialised world (Pollard 1982 p4,6).

Table 1 graphically illustrates the point which Pollard is making, in terms of the depth of the decline.

The problems of unemployment and inflation, which grew during the 1970s as successive administrations gave up the attempt at controlling the former, and found it impossible to prevent the latter, mark the first manifestations of the poor performance of the economy which alerted the public to the changing circumstances in which Britain found itself - the previous years bore all the unreality of an economic "phony war".

The inflation rate in Britain was, during the 1950s, running at fairly average levels, compared with those overseas, the Retail Price Index (RPI) averaging less than 3% each year from 1956 to 1962, rising to some 5% from 1962 until 1970. Prices rose by a third during the next four years, before leaping by 24.2% in 1975 alone. They doubled in the four years to 1978. From the mid-1970s inflation rates fell, perhaps in response to an extended incomes policy (Grant and Nath 1984 p120). Part of the problem was that inflation builds up a dynamic which is hard to restrain when annual pay rounds assume an inflation rate for the following year when determining wage increases.

In terms of unemployment, the experience of the 1930s had, after the war, saddled the Conservative Party with the label of the party of unemployment, a tag which it attempted to remove by regarding the maintenance of full employment as a major objective.\footnote{2 Gamble's suggestion that full-employment policies were abandoned as early as 1947 (Gamble and} Beveridge's 1944 White Paper on Employment Policy established that,

\footnote{2 Gamble’s suggestion that full-employment policies were abandoned as early as 1947 (Gamble and}
Table 1. GNP per Head and GDP per Man Hour 1977-9, Nine Countries

<table>
<thead>
<tr>
<th>Country</th>
<th>GNP 1978 ($000)</th>
<th>GNP 1979 ($000)</th>
<th>GDP per Man Hour 1977 (USA = 100)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Switzerland</td>
<td>13.32</td>
<td>14.97</td>
<td>65</td>
</tr>
<tr>
<td>Sweden</td>
<td>10.53</td>
<td>12.28</td>
<td>79</td>
</tr>
<tr>
<td>W. Germany</td>
<td>10.43</td>
<td>12.45</td>
<td>84</td>
</tr>
<tr>
<td>Belgium</td>
<td>9.81</td>
<td>11.26</td>
<td>94</td>
</tr>
<tr>
<td>Netherlands</td>
<td>9.36</td>
<td>10.62</td>
<td>84</td>
</tr>
<tr>
<td>France</td>
<td>8.83</td>
<td>10.86</td>
<td>79</td>
</tr>
<tr>
<td>Japan</td>
<td>8.53</td>
<td>8.72</td>
<td>52</td>
</tr>
<tr>
<td>Italy</td>
<td>4.18</td>
<td>5.69</td>
<td>68</td>
</tr>
<tr>
<td>UK</td>
<td>5.51</td>
<td>7.16</td>
<td>61</td>
</tr>
</tbody>
</table>

The government accepts as one of their primary aims and responsibilities the maintenance of a high and stable level of employment after the war (Quoted by Grant and Nath p127).

To a large extent governments were successful in this regard, with the unemployment rate averaging 1.7% during the thirteen years of Conservative rule, rising to an average of 2.6% from 1965 to 1973, these levels approximating 'full employment'. During the 1970s the rate increased again, averaging 4.4% during the early 1970s, and over 5% in 1979. If, as Grant and Nath argue, the first Wilson administrations had abandoned the commitment to full employment because of concern about inflation and the balance of payments, the calamity of unemployment exceeding one million, in 1972, caused the Heath government to make a significant U-turn, and to reflate the economy vigorously for political reasons as much as economic ones.

On the whole the unemployment and inflation rates increased throughout the post-war period, coinciding with the deindustrialisation and loss of exports (Grant and Nath 1984 p143). These problems commanded the attention of economic policy-makers, along with the issue of the exchange rate- successive administrations attempting to prevent the pound falling (a policy which many now regard as both misdirected and positively damaging). Spending on industrial policies, such as regional aid, increased, albeit from a low level - with political justifications as much as economic ones- but did little to reverse the decline. Although the bulk of the nationalisation had taken place during the 1945 Attlee administration, the post-war period saw the state repeatedly forced to bail out failing industries- what Joseph referred to as the 'ratchet effect' of creeping intervention. (The Conservative administrations which followed Attlee did not attempt to privatize these industries [apart from Iron and Steel, which was quickly renationalised], and Heath offered only very token resistance).

I intend to return to the subject when looking at the Thatcher approach, though it is worth recording the opinion of one critic of post-war industrial policies who objects not to the very idea of such policies but to their direction.

By providing subsidies, authorization for price fixing, production quotas, or import protection to these sectors, without at the same time bringing sufficient pressure in favor of rationalization to bear on the individual firms in an industry, British policy tended to enhance rather than reduce the structural ri-

Walkland 1983 p175-6), and that inflation and balance of payments considerations weighed more heavily is unusual, but unsubstantiaded in his short account.

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gitities of many markets. That is reflected in the middling results that followed from these schemes (Hall 1986a p277).

Increasing unemployment, inflation and industrial policy expenditure are, in many respects the symptoms, or manifestations, of the problems in industry though when they reach the critical levels of the past eighteen years they may become causes of industrial decay. Monetarist critics have argued that the Keynesian priority of maintaining full employment, was one of the disabling features of the economic and industrial policies of the post-war period, sucking up valuable resources and energy while the under-lying causes were neglected. As for remedies and apportionment of blame, as one political scientist has noted, "few explanations have not been proffered, few causes not dissected, few remedies not canvassed at least twice" (Gamble 1985 p.xiv). Another has suggested that,

As in Murder on the Orient Express, everyone has been charged with the crime: obstructionist trade unions, myopic managers, aficianados of the tea-break, poor engineering professors, the foppish scions of the third generation, and profit-hungry international financiers. In recent years, however, many believe the principal roots of British decline are to be found either in some areas of British culture or in the post-war politics of the British state (Hall 1987).

One explanation which received widespread publicity was Martin Wiener's (1981) argument that there exists an insidious, and peculiarly British, attitude, rooted in a conservative culture held by the elite, which eschews modernisation and economic growth; a 'technophobic' type of 'luddism' exhibited in a "suspicion of material and technological development" This has also been compared with an attitude which objects to the dirty hands of industry, when compared with the professions. One defender of manufacturing industry has complained that with Thatcher and Chancellor of the Exchequer Lawson, "the 'contempt for production' has come out of the closet" (Wilks 1986 p34). There is an argument, which has grown in recent years that manufacturing does not matter, and that the decline in that sector should be accepted and attention directed elsewhere. This point goes, in many ways, to the heart of the matter, both in what it says about contemporary, or new, Conservatism and about the political culture in Great Britain. The importance of The City in British industry cannot be overestimated, whether one regards it as a potential salvation, a dangerous red herring, or as a potential threat to the sovereignty of British parliament, and to the country's economic welfare. In terms of Conservatism it cannot, surely, be a simple question of a shift from the agrarian, feudal, gentleman conservatism to a yuppiefied, acquisitive, can-do go-getting variety, wired for sound and vision to a computer terminal in the vicinity of St Pauls. Can it? That, at
least, is the cliche, and it will be looked at later. It may simply be the rhetoric of a government pointing to the one ‘success’ in an otherwise failing economy- if so it has been supremely successful, for reasons which are rooted in the appeal of Thatcherism beyond the traditional supporters of conservatism.

The City: The role of the City and the financial services sector of which it forms a part is one subject which, I will argue deserves greater attention in the light of the past eight years. This is in part because of its connection with the issue of privatisation, and in part because recent developments within the sector itself- the abandonment of exchange controls, the ‘Big Bang’, the increasing internationalization of the financial markets, and technological advances in communications- along with external shifts such as the decline in the value of North Sea oil deposits- have all served to open up still further the pressure on, and openness of the British economy. Given the increasing determinants of voting shifts, the electoral ramifications of the changes in the industrial culture in Great Britain are hard to pin down. But it will be worth the effort.

The growth in the City is credited with opening up the British economy. The increase in multi-nationals, and Britain has more than its share of these, has made this topic more salient in recent years- especially since the deregulation of operations caused by the ‘big bang’ in October 1986. The European Community was often used as a scapegoat offered for Britain’s decline from both left and right. This no longer seems to be the case. This does not appear to reflect any success on the part of the Thatcher administrations in publicising the virtues of the Community. The Labor opposition has changed its policy towards membership in recent years, though this seems to reflect the recognition that withdrawal would be extremely costly in itself, and the feeling that membership is irrelevant for a party unable to get elected to introduce the radical policies thought to be unacceptable to the other member nations.

Explanations of Britain’s decline which make use of international scapegoats, such as they are, tend to emphasise such factors as the international recession, the United States debt, Japanese dumping policies, overpriced oil (no longer cited, for obvious reasons) and so on. They are not confined to one party, and the scattered, and contradictory, nature of the targets means that it is
not possible to discern a particularly distinctive attitude in recent years. There is a recognisably more nationalistic tone to some of the ‘iron lady’s’ pronouncements, with a more trans-Atlantic emphasis than the Europhile predecessor as Conservative leader. Though the defence of the British interest has recently been expressed more in the realm of responses to appeals from the Commonwealth for the impositions of sanctions against South Africa, and less in terms of relations with the Soviet Union and with recipients of money from the European Community’s Common Agricultural Policy. These policies are not directly relevant to the economic policies which this chapter covers. (While the increases in defense spending have had economic impacts, this is, again, of little interest here).

Thatcher has embraced the peculiarly open nature of the British economy. As pointed out in the section on the City, (below), the emphasis on allowing greater freedom for the, largely foreign-owned, financial sector, and in expediting the process of multinationalization through the legislation heralding the ‘big bang’ and the tolerant merger policy, has served to reduce the role of the state in economic policy-making. This may have the impact of creating a permanent crisis situation for the economy whenever the election of the Labor Party seems imminent, but for the most part it is not a subject which carries much weight with the electorate. Certain policies, such as encouraging bids for British Leyland from overseas, have been unpopular, but only temporarily. As for the economy, an emphasis on greater openness is likely to be a mixed blessing.

Along with the Unions (Chapter 3), the main scapegoat for industrial inefficiency has been management. It is perceived as incompetent—dominated by the same old school tie, liberal arts educated elite found in the civil service, unadventurous, conservative, old-fashioned, unimaginative and motivated by short-term goals. The response to this idea on the part of the government has been mixed. On the one hand, with the dwindling number of industries over which it has jurisdiction, it has appointed ‘tough’ managers, or rationalizers, such as Michael Edwardes at BL, and Ian McGregor at British Steel and the Coal Board. On the other it has been content to make general criticisms of management very rarely and without backing it up with action; though what that action might be is hard to judge. In some respects the policy of supporting, or at least allowing,
the spate of takeovers and mergers in recent years reflects a belief in the power of the market to root out inefficiency.

[Like Reagan,] Mrs Thatcher is friendly towards most mergers and tolerant of Britain’s monopolistic industries. Both leaders believe that companies need to be big to compete in international markets. They also believe the fallibility of government principle...that bureaucrats are no good at deciding what makes commercial sense. So even where government revenues are not at stake [the privatization debate] their instinct is to leave untouched a market that is working imperfectly rather than ask civil servants to improve it (The Economist 10/24/87 p26).

Separating the rhetoric of admiring glances at 'the way it’s done in America' and decisions which permit individual firms to merge, from active, and typically conservative, policies is difficult.

2.1.1 The Recent Performance

The Bishop of Durham, an outspoken critic of the government on a range of issues, complained recently that British industry was suffering from an overemphasis on market forces, and that the recent volatility in the money markets showed that the market was untrustworthy. I will come to these issues shortly. The Bishop is useful as an example of one of the diverse sources of opinion on the state of the economy. Even when we agree on the most appropriate indicators of the decline or renaissance of the economy it is difficult to come to definitive judgements. It would appear, for example, that the economy has improved in leaps and bounds in the last few years and that the country is rapidly outstripping its rivals. The Conservative Party manifesto this year showed the growth in output during the 1980s to be higher in Britain than in West Germany, France, Italy, Belgium and the Netherlands. Through the 1960s and 1970s it was lower than in all of them. In terms of manufacturing productivity the table showed Britain outstripping the USA, Canada, France, W. Germany, Japan and Italy during the 1980s after being bottom in the previous two decades. Productivity per person in manufacturing had risen by 6.5% in the year to August 1987 (The Guardian 9.17.87), with the result that the manufacturing sector was producing the same amount as in 1979, but with 25% fewer people employed. Output in that sector rose by more than 5% in the year to September, 1987. Profits in industrial companies were higher than for twenty years, and capital investment was, at about 4% per year since 1983, eight times that under Labor.
Five hundred new businesses were opening every week, and overseas assets, of $170 billion, were the second highest in the world, after Japan (The Economist various).

In 1987 the economy was set to grow by some 4%, with unemployment, in September, at a five year low- at 10%, a fall of 437,200, having fallen for 15 months in succession (The Times 10/16/87- It is now below 10%). The OECD reported that, with 16.6% of the world market in invisible trade in 1985, Britain's share was second only to that of the United States, and had since overtaken it. These invisibles included such elements as profits from overseas investments, tourism, shipping, financial services, and so on (The Times 10/16/87 ). The Chancellor argued that the economy had adjusted smoothly from the fall in oil prices, and that the growth, for the seventh successive year, had been achieved without recourse to fiscal reflation, with the PSBR less than 1% of GDP, and that taxes could be cut even further without a real fall in public spending (The Times10/1/87).

It is, of course, far less simple. The rise in manufacturing, for example, meant that output was now only at the level it was when the government took over eight years ago. As Labor Party spokesman Bryan Gould pointed out, only Barbados, South Africa, Greece, Malawi, Fiji and Zambia had failed to increase output during the same period (The Guardian 9.17.87). In terms of jobs, a recent report suggested that rather than the 1,044,000 new jobs reported to have been created since from 1983 to 1986, the figure was more like 25,000 once the new counting methods, the effects of increasing 'moonlighting' and increased government job training schemes were taken into account (Gregory 1987). For all the increased share in the trade in invisibles, and the improvements in productivity, the burgeoning trade deficit stood at $2.59 billion in August. For all the 500 new businesses each week, it has been pointed out that the theory of diminishing returns begins to apply to the number of window-cleaners in a region. The pursuit of a "no-tech" (Nigel Lawson), or "shoeshine" (Kinnock), economy is inappropriate when for the most part it is in the "medium and high research intensity sectors..that demand is likely to grow most rapidly and where specialised and technologically-advanced products permit a high value per head to be achieved"(Smith 1986 p16). The increase in productivity, while sorely needed is, as many have
pointed out, helped by the bankruptcy of many firms which would have been viable possibilities in less difficult times.

For all the distorted effects of employing quotes by Keith Joseph and others, on the question of whether a radical Conservative Party should have an industrial policy at all, let alone a more aggressive one, the government has always been active, in terms of supply-side macroeconomic intervention. Following the third election win the Times reported that,

A dramatic shift in the Government's trade and industry policy away from supporting ailing companies to backing individual enterprise is being launched by Lord Young of Graffham, the Secretary of State for Trade and Industry...[it] will mark a compete break with the traditional casualty clearing-station role of the DTI, adopted by past Labour governments and with growing reluctance by the Conservatives since 1979 (The Times 10/13/87 p1).

The policy change may mark a more selective type of picking-the-winners but it remains the same thatcherite policy of free enterprise and competition which characterized the first two terms, paid for by getting 'value for money' at all times. There is certainly great need for help from some quarter. In a report from the CBI City /Industry task force published in October 1987, it was reported that in spite of the improvements in productivity (which are themselves in part evidence of the large number of bankruptcies in the economy in recent years), average productivity levels in West Germany are twice the level in Britain. In terms of profits, average pre-tax returns were also twice as large in Germany in 1986 (CBI 1987 p6). The comparisons with Germany are of course slightly unfair, given that it is one of the star performers and not a typical economy, so some other, up to date, figures may help to gain a more accurate picture of the situation.

Table 2 shows that since 1960, the UK economy has grown more slowly than among our main competitors and the OECD as a whole in each of the periods looked at. The gap appears to have closed in recent years but it still exists. The government believes that increased, cost-effective, investment is necessary if industry is to improve, but believes that this will be a product of other changes at the micro-economic level.
Table 2. Growth rates of GDP per capita, 1960-86. (% per year).

<table>
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<th>UK</th>
<th>W Germany</th>
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<tr>
<td>1960-68</td>
<td>2.4</td>
<td>3.3</td>
<td>9.4</td>
<td>3.1</td>
<td>3.9</td>
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<tr>
<td>1968-73</td>
<td>2.9</td>
<td>4.1</td>
<td>7.3</td>
<td>2.2</td>
<td>3.7</td>
</tr>
<tr>
<td>1973-79</td>
<td>1.4</td>
<td>2.6</td>
<td>2.5</td>
<td>1.6</td>
<td>1.9</td>
</tr>
<tr>
<td>1979-83</td>
<td>0.3</td>
<td>0.6</td>
<td>2.8</td>
<td>-0.3</td>
<td>0.5</td>
</tr>
<tr>
<td>1983-86</td>
<td>2.7</td>
<td>2.8</td>
<td>3.6</td>
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Source: CBI 1987
2.1.2 Investment and The City

Investment on Research and Development as a proportion of GDP has grown faster in Japan and the US in recent years than in Britain (which was higher before), and a situation of near parity has developed even allowing for the larger GDP in the first place in those countries. Whether this has been because of a shortage of capital for long-term investment, or the natural unwillingness of investors to risk money in low-profit domestic ventures is a matter of much debate. The existence of The City, awash with money, while British industry lacks finance is important and, will be discussed further in the next section. The government has not, though, made any direct attempt to persuade, whether through legislation or more informal pressure, the booming banking sector to invest more heavily in the rest of the economy. Indeed, it has been careful to intervene in the City only to deregulate the flow of funds, with the result that, as mentioned earlier, the City and British-based multi-nationals, now own more than $170 billion worth of stock overseas.

The Thatcher government’s policy towards the bulk of private industry has reflected a more radical, stronger brand of conservatism than that seen under the Heath administration, one keener to spend less supporting declining industries, or at least one more embarrassed about doing so. The butskellite period may have seen Conservative governments willing to intervene, though more often for political expediency than from economic motives, though the Labor Party, in spite of such efforts as the National Plan, or their failure (Hart 1986 p100), has not embraced it fully either. Large sums have continued to be invested in certain nationalized industries, coal, steel and automobiles, for example, though these investments have often been efforts at rationalization, an expensive process, rather than expansion plans. In spite of some well publicised flops such as the continuation of the de Lorean venture, (again for [Irish] political reasons), the contrast with Heath administration is obvious. In 1973, Heath published a White Paper calling for a “Ten Year Development Strategy”, a £3 billion expansion of the industry. That this represented a wild exaggeration of the market size is one thing but that import penetration should have grown during the period, from 5% of the total market in 1970-1 to 20% in 1977-8, only serves to emphasise the
'stupidity' and inconsistency of the whole project (Hart 1986 p142). The recent decision by the British government, the only one in the European Community, to opt out of the planned expansion of the European space program, reflects the position, which appears to be strengthening, that government expenditure should be justified on a number of indicators. Spending on the infrastructure has been allowed to rise, though not as fast as critics have demanded, though, again, the abolition of the National Enterprise Board (NEB), in 1979 and its replacement by the British Technology Group (BTG), reflects the priority, in practice and not just in theory, of encouraging efficiency and competitiveness and not merely job creation (Hart 1986 p134).

The emphasis on the City by the government opens up a major debate. For the moment, however, I will make the, perhaps rather bland point that since the shock of the 1980-81 recession, and there seems to be general agreement even among the actors at the time (see, for example, Walters 1983), that it was squeezed excessively at that time, the economy has been performing, in general, better than it had been for much of the post-war period, if not yet as well as the economies of major rivals. This coincided with the peak of North Sea oil receipts, though, on the other hand, the government always claimed that its policies were designed for the long-term. The economy is in better shape now than in 1979, but this is a broad estimation based on indicators which do not reflect the nuances of the economy- the growing north-south gap, and the improvements in the performance of certain nationalized industries (such as British Steel and Coal), does not mean that the economy as a whole is catching up with those of rivals, and investment in particular remains relatively low). The government benefitted from particularly propitious circumstances at the time of the last election, so the big success for the government as a whole seems to have been the ability to claim credit for the success of the last few years while disclaiming responsibility for the failures at the beginning. To effect the changes necessary to survive the loss of oil, and the experience of the next down-turn in the world-economy, management will need to invest and that implies, if the experience overseas provides any lessons, the need to secure additional funds from the financial sector. The needs of industry as a whole, and the government's desire to promote an image of growth, of efficiency and, if possible, of Britain leading the world, has also given a higher profile to
the sector of the economy which has been performing best of all and which has received preferment:
The City of London.

2.2 The City: A new Economic and Political Force

The Conservative Government has created a framework in which once again enterprise can flourish—by cutting red tape, by denationalising state-owned companies, by removing unnecessary restrictions, by abolishing exchange control, by enabling the City of London to become the foremost financial centre in the world, by keeping down prices through extending competition, and by ensuring access to open trade so that British exporters and consumers can both benefit (Conservative Party Manifesto, 1987 p35).

Thatcherism is a 'ruling class strategy', which is bound to have problems and drawbacks but also has an inner rationale in harmony with capitalist interests. However all attempts to describe and analyze this rationale have been defied by the facts. Thatcherism has not increased productivity by a great amount, it has not created 'more favorable conditions for the accumulation of capital', it has not even substantially undermined the power of trade unions. On the contrary, it has resulted in a record postwar recession and bankruptcies at an all-time record. A slightly more sophisticated orthodox Marxist argument is that Thatcherism represents the interests of financial as opposed to industrial capital (Hodgson 1984 p200).

Too Much Power and Too Unwilling to use it... The City, is placed among the guilty parties in contributing to the economic decline, as Grant (1982), explains, on two grounds. On the one hand it is seen as a dominant, all-powerful interest which has succeeded in blocking the measures needed to regenerate industry in general. On the other it is criticized for being too distant, insufficiently involved in the rest of the economy and for failing to meet the obligation of spreading the profits of its recent good fortune. If The City is blamed in this way, the Thatcher administrations have not attempted to gain any great political capital by lining up with the critics of the sector, in spite of the popular attitude towards the square mile and its inhabitants.

The first charge has been put by many in manufacturing industry, and was shown by the establishment in 1987 of the City/Industry task force by the Confederation of British Industry (CBI). The main elements are that on a macroeconomic level economic policies have favored the interests of the financial markets to the detriment of other sectors. This has been a concern for a long time, even before the Second World War, though the maintenance of a high exchange rate during the
The post-war period seems to have been for a host of reasons among which a desire to please the City is but one. During the 1960s successive governments had opposed devaluation of sterling, not only because the City saw it as important symbolically, and for other reasons, but also because it would represent default to various holders of sterling reserves in the Commonwealth, and would harm the balance of payments (Hall 1986 p78). During the post-war period, in fact, devaluation occurred only when it could not be prevented, in 1948 and 1967, with the result that the pound was overvalued and a series of stop-go cycles developed, to the detriment of the economy as a whole (Hall 1986 p251).

Until the 1970s, the representatives of the British financial community believed that the maintenance of a high exchange rate was essential to the survival of London as an international financial center. At each turning-point spokesmen for the City and the Bank of England pressed the government to deflate rather than devalue (Brittan 1970), and in each instance their views prevailed (Hall 1986 p251).

The pattern described is one which has its roots in the historical structure of relations between the state, the banks and other financial institutions and industry as a whole.

The effect of this consistent overvaluation seem to have been great,

It is hard to exaggerate the devastating consequences of the overvalued currency on British industry [Germany and Japan had undervalued currencies during the period]. An overvalued currency encouraged imports, made British firms' existing positions in foreign markets vulnerable to competition, and made new markets harder to enter. British industry, in essence, operated under a handicap of high prices - an interpretation consistent with the evidence that British exports lost market share in all markets and in all industries (Zysman 1983 p174).

All this is to suggest that it would be a mistake to see the policies of the Thatcher administration as simply reflecting a peculiar bias in favor of City interests. For example, if, as everyone seems to agree, the pound was overvalued during the first years of the administration, it might have been encouraged by the City interests (though Moran [1983 p65-7], has argued that the City is a splintered and weakening lobby), but it was also the product of an administration keen to reduce (imported) inflation, and of a world situation in which currencies backed by oil were in particular demand.

The City bias then, predates Thatcher by many years; it is, however, important. The nature of the bias has changed, and for different purposes. The argument has changed. It has developed into a question not only of whether the City and banking sector as a whole has actually damaged manufacturing industry, but, with unemployment so high and manufacturing in such a deep slump,
why it has failed to help it more. The ante has been upped. The government is being asked to intervene into the market in such a way as to improve the links between the two sectors of the economy. This, it has refused to do. It has, though, been forced to adopt a highly interventionist series of measures to provide both the extra freedom from regulation required by the market, and the protection from the abuses endemic to it which would threaten to damage the political credibility of the government.

2.2.1 The Changing British Economy

The shift in the economy in recent years towards the service sector is not new, but it is enormous. In 1950-2 there was a massive deficit in non-manufacturing trade amounting to more than 10% of GDP. It was paid for by an equivalent surplus in manufacturing trade. As one author has noted,

These are truly remarkable figures which have never been equalled, before or since, in British history and never surpassed elsewhere, not even in those archetypal "workshop" economies of Germany and Japan (Rowthorn 1986 p16).

This situation had been caused by wartime damage to the service sector, including shipping, and the success of an enthusiastic export promotion. As one socialist has acknowledged, British capitalism is neither simple nor static, and there are conflicting interests within the capitalist class (Harris 1985 p7). There are conflicts between manufacturing and finance industry, between manufacturing, agriculture and services, and between multi-nationals and small firms catering to the domestic market. As Harris points out, Britain is particularly well stocked with multi-nationals, and between 1962 and 1978 multi-national capital (measured by combining investments overseas with inward investment), grew from 27% to 32% of the UK's GNP. Harris further argues that while the City depends, in the end, on the rest of the economy, it has tried to limit the dangers inherent in this, by investing overseas, and by attempting to "exert a discipline" over industry by, for example attempting to maintain a high exchange rate so that the increased threat of foreign competition forces management to restrain the wages of its workforce. It has not, as noted earlier, es-
established the institutional links with industry as a whole seen in Germany and Japan to such mutual advantage.

These are the ideas which encourage the belief that the City, which has prospered in such extravagant style during the past few years, is a malign influence on manufacturing industry. That manufacturing industry, perceived by many as the organizational base of social radicalism and, moreover, the source of employment for the bulk of the trade union movement and the traditional supporters of the Labor Party and the socialist alternative has declined, is clear. With it, the Labor Party has declined too (see Chapter 5). When, after the 1987 victory, Mrs Thatcher declared an interest in improving the state of the inner-cities, it was argued by one of her most trenchant supporters that her main worry was with the declining Conservative vote in these areas. The worry for many on the left is that by 'allowing' the manufacturing industry to decline, while emphasizing the interests of the City, and the growth of the service sector, Thatcher has destroyed the base from which opposition to her was more likely to come. The explicit encouragement given to the City, perhaps most usefully defined as that part of the economy dealing with financial claims as opposed to physical goods (Moran 1983 p50, Grant/Nath 1984 p10), by successive Thatcher administrations has lent an overtly political element to the economic discussion.

The City has, notwithstanding the above evidence of continuity, assumed a new primacy during the Thatcher era, and deserves to be examined separately from the rest of the economy- as indeed it is in political and economic terms. It has a vastly enhanced role to play both in the functioning of the economy as a whole and, more importantly for the purposes of this paper, in the functioning of Thatcherism as a political force. This in itself says a lot. The City has been characterised, largely by its critics, in much the same way as the current administration, the current carriers of the Conservative tradition. In many ways too, the government has deliberately drawn the public's attention to the City and sought to compare the economic success found there to the political success enjoyed by the Conservatives in Westminster, a mile or two away.

The City is now characterised by a kind of up-market barrow-boy mentality. It is rather like the Conservative Party, there is no noblesse and there is no oblige. There is a kind of lowering of the accent...it is about self-interest, greed and speculation (Austin Mitchell MP House of Commons January 28 1987);

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The square mile of the City has become like an off-shore island in the heart of the nation (Sampson 1982 p263);

It is inhabited by rich, arrogant young men and cigar-smoking tycoons...They have no sense of responsibility for the national good, no ideas and no morals...They loathe the working classes and the welfare state (McRae and Cairncross 1984 p245) (The authors do not necessarily agree with this description).

Aristocratic connections, or at any rate upper-middle or upper class status, some inherited wealth, major public school education followed by Oxbridge, and perhaps an early career in one of the Guards regiments has been the ideal. (M.Clarke 1986 p3);

...a spiv's paradise (Neil Kinnock, Leader of the Labor Party).

The old-boys' network of self-regulation, trust, and gentlemen's agreements has now been replaced by "greedy young speculators at computers chasing quick killings and six-figure salaries" (The Economist 21.2.87 p12.). One can go on with the image of champagne-swilling speculators in The City, and similarly everyone has seen the New Right, the Federation of Young Conservatives and fellow travellers, and seen the resemblance. The familiar complaint that the traditional Conservative aristocratic Party, populated by the old or young fogey, has been taken over by a gang of libertarian, nouveau-riche, materialist yuppies (yobboes), has grown louder (and will be examined in Chapter 5).

There is a danger in allowing journalistic-style exaggerated images of The City and the Conservative Party to obscure continuities. As with beauty, the true nature of thatcherism lies in the eye of the beholder, and an extreme reaction implies a beholder keen to be shocked. However, with regard to changes in the British economy in recent years, shock is a wholly appropriate response, for both supporters and opponents of the incumbent. How else can we explain the coincidence in one economy of a relative slump in manufacturing industry of such magnitude with a country moving into first place in invisibles? Amidst an economy blessed with the accident of large oil reserves, but nevertheless being overtaken by many European nations previously considered to be in a significantly lower economic league, the City has prospered. As one of the three intersections in the 'global financial village' London remains in the big league along with New York and Tokyo. It is the world centre for insurance, for the oil companies and for international banking. In the past ten years the financial sector in Great Britain has doubled its output, while manufacturing has remained flat. In terms of employment, it has grown by a third, against a fall of 25% in manufacturing. (OECD Annual Economic Report 1987, Quoted by The Economist).
It is not true, as some have asserted, that the Conservative government has allowed its supporters in the City free rein to run rough-shod over the traditional rules which govern the sector, for it would be too risky, politically to do so. The government has tempered the desire for a freer system, with the political requirement to avoid becoming involved in such a controversial area, and one which has unique dangers for the Conservative Party.

2.2.2 The Thatcher Record- Deregulation, (Self-) Protection and the Impact

The attitude of the Thatcher administrations towards the City, encouraged by Lord Harris and the Institute of Economic Affairs, and other free-marketeers, has been to mix deregulatory policies designed to reduce the governmental controls on activities in the financial markets, while, for political reasons adopting policies to reduce the risk of scandals. And so, along with the deregulation represented by the “big bang” in 1986, and by the abandonment of exchange controls in 1979, the government has made insider trading illegal, and introduced the Companies Acts of 1980 and 1981 to further discourage misconduct. In 1985 the Insolvency Act increased the powers of the courts, and the 1986 Financial Services Act went still further and provided a system of investor protection. As the manifesto said, “The Conservative Party is the party of law and order. That applies just as much to City fraud as to street crime” (Conservative Party Manifesto 1987 p37-8).

The opposition has argued that these measures are the least it could have done. While 138,918 cases of social-security fraud were prosecuted in the first six years of the Thatcher era, only 110 cases of insider trading were reported to the Department of Trade and Industry, and only nine led to prosecution (The Economist 12/6/86 p67). The problems concerning Guinness and related incidents in the past year, coinciding with the boom in salaries (golden hellos and the like), put the government in a fix whereby it wanted to appear keen to root out misconduct, while not wishing to actually find any cases of it.
To limit government involvement the three administrations have been required to be highly active in terms of introducing legislation. To some extent it has only been the enormous success of the City in attracting business which has weakened its critics. Thus, if the influence of Britain’s wealth in oil was to turn sterling into a petro-currency, and to increase its exchange value in the early years of the first Thatcher administration, to the despair of exporters, then the criticism is blunted by the recognition of the value provided by the luck in having the fossil fuel in the first place. It has been found, while on the subject, that from 1980 to the third quarter of 1986, "the cumulative surplus on Britain’s financial services of £38.5 billion been greater than that on oil (£33.5 billion)" (The Economist 2/21/1987 p14 [survey]).

The financial services sector now generates about £7 billion each year, employs more than a million persons and contributes about 6% of GNP. With the service sector now employing well over 60% of the total workforce (Rowthorn 1986 p11- it was 61.7% in 1981), and manufacturing industry just a quarter, down from 36.1% in 1955, it may be appropriate to direct more attention to the interests in the City and less to manufacturing industry. Both the Wilson Committee report in 1980 and the recent publication of the CBI City/Industry Task Force found that while investment in industry from the financial sector was small, this was not because of any shortage of money, but lack of demand. This has become a bit of a political hobby-horse. From the left come the charges of neglect:

The truth is that the City has shown verve, enthusiasm, imagination and initiative in speculating with the ownership of British industry. However, it has shown scant interest in investing in the development of that industry. It has done itself proud, but it has failed the needs of the real economy (Robin Cook MP 1/28/87 [emphasis added]);

[Compared with their economic rivals], British financial institutions impose lower capital gearing..ratios , adopt more cautious lending criteria..demand greater security for loans..[which are]...mostly short-term and so of higher cash-flow cost...These policies, separately and conjointly, restrict the availability and increase the cost of capital to industry (Smith 1985);

Taking national accounts figures, retained profits financed 101% of British private physical investment over the period from 1970 to 1984. In other words, Britain’s financial institutions contributed precisely nothing in net terms to raising finance for investment. Indeed, there was a net outflow from profits (The Guardian 10/17/87 p22).

Opinion does not all run one way, even from the left, Coakley and Harris (1983 p226), arguing not only that the City has not discouraged investment, but that the high degree of overseas investment has not “caused a shortage of funds for industry”. The lack of actual support may be seen as
damaging in itself (Best and Humphries 1986 p237). It is now being suggested that the recent spate of, City financed, take-over bids has discouraged companies from investing for the long-term, and has, instead, encouraged short-term profit taking, a serious problem given the great need for increased investment.

The CBI (1987) “found no evidence to support this view”. As for the government, it has offered assistance to small firms through the ‘Small Business Loan Guarantee Scheme’ and others, these being quite successful. Their attitude is close to that offered by Grant and Wilks (1983), that with regard to providing funds for business expansion,

although further reforms are needed, radical changes might damage a very successful financial services sector that has generated a large number of new jobs and made a substantial contribution to the balance of payments. Instead of curing the problems of the industrial economy, one might simply spread the diseases suffered by the industrial sector to the hitherto successful financial sector.

This is not an appropriate forum for a more prolonged discussion about the costs and benefits of various industrial policies. The government has shown a clear leaning towards the City interest, but this probably reflects the success of that sector- the ‘if it ain’t broke, don’t fix it’ argument-though the manufacturing sector does appear to be “broke” and the Thatcher administrations policies of competition and privatisation cannot cover all of the ground. There remains a place for traditional industrial policies such as regional policies, which the government has maintained, but spent smaller sums on, though the spread of red-tape-free areas such as enterprise zones and freeports fits the ideology of deregulated carrots rather than ‘mandictatorial’ sticks.

While the profits made in The City have raised eyebrows, they have not been too damaging politically because it is accepted that some of the money will filter through to the rest of the population. However, the effect of the ‘Big Bang’, in October 1986, brought massive publicity to the goings on in that sector, and have increasingly fostered bad publicity, reemphasized by the scandals involving Guinness PLC, and other companies. While 71% thought that unions were ‘a good thing’, only 41% said the same thing for the City, the critics citing the high salaries, its remoteness, and its increasingly foreign nature. Only 11% felt that it represented the views of ordinary people (Gallup poll October 1987 Daily Telegraph 11/11/87). Much of the decline had occurred during the year since the big bang. This explains the emphasis given to anti-crime measures introduced by the Governments described in the 1987 manifesto.
The denationalization element of *popular capitalism* has yet to have the impact of persuading the public that the City's interests concur with their own. The nature of the City, with its preference for the Conservative Party, means that its central role in the economy, may be a electoral bonus for the party. The *issue-priority* model of voter support for parties (see Chapter 5), suggests that bad economic news does not automatically favor the opposition. So troubles in the City may not automatically damage the Conservative level of support and, if the Labor Party looks close to being elected, the fall in the stock market level before the election may very well drive doubters into the Conservative camp. This is likely to be a particularly large consideration among the growing number of share-holders. Scandals in the City in mid-term are likely to have a limited impact, and those near to election-time may be avoidable. The denationalization process, while insufficiently widespread to affect opinion polls for the duration of a parliament, can also be considered to have an electoral importance over and above its political one. Attitudes towards the City and towards the role of the State do not seem to have been affected by a process which has, at least temporarily, assisted the Government which initiated them.

I intend to examine the government's policy of denationalization in another section, because it is a policy which arises out of the Conservative view of the State, rather than its view of the City. Naturally the whole issue has important ramifications for the above analysis. In political terms, the continued well-being of the Stock Exchange is far more valuable to the Tory party than a small improvement in the state of manufacturing industry. As the events of October 1987, have suggested, the government is not always in a position to determine events in the square mile. Indeed, for a party containing an important element which opposed membership of the European Community because of the fear of losing a degree of autonomy, the willingness to see The City, composed of predominantly, and since the "big bang", *increasingly* foreign owned multi-nationals, in possession of both the key to the well-being of the economy, and with it the well-being of the Conservative Party vote, suggests a government with either a misplaced faith in the market, or one being driven beyond its control.

There also remain the distributional problems concerning capital in the economy. The strength of the growth in the financial and service sector, to the point where Britain is running the
United States closely for the largest share in world trade in invisibles, has not meant an increase in
investment in British industry. The absence of policies designed to increase investment, indeed the
passing of legislation to permit greater investment overseas reflects the Conservative belief in the
market, and its ability to correct deficiencies on its own. As one prominent member of the ad-
ministration recently argued,

When I first went into the City as a chartered accountant more than twenty years ago there were few
sources of capital... Now everything is different. There are venture capital organisations, the joint
stock banks have their own merchant banks, business expansion schemes have been introduced and
the banks are more ready to lend money. There is in fact a proliferation of sources of capital. There
is no shortage of money for a good proposition. To criticise the City because the figures show that
investment has not increased, is to misunderstand the fact that the money is available, but the demand
for it has not been there. That is hardly the City's fault, and the demand is growing (Cecil Parkinson,
MP House of Commons 1/28/87).

But is it in fact the government's fault for not encouraging the City by stick or carrot to become
more involved, or the fault of the rest of industry for not requesting more money for investment?
The issue is hotly contested in parliament but, at least from industry, the consensus appears to be
that the government's hands-off approach has not had damaging results. Indeed, the City, whether
encouraged by the government or not, was absolved from blame by the Confederation of British
Industry (CBI).

2.2.3 The CBI: Caught in the Middle

The CBI, the institutional voice of industry, represents 250,000 firms across a broad spectrum
of the economy. Its membership has changed with the times, with a ratio of manufacturing to
service sector members of 60/40, compared with 70/30 eight years ago (CBI letter to author). The
organization is in an unusual position, representing the businesses which have been so spectacularly
unsuccessful to a government which for many reasons it is obliged to support. Its members have
differing interests, 'stifling breadth' (Grant 1984 p166), meaning that it has found it difficult to
maintain a line of attack for any policy which harms some of its members. It is widely seen as the
voice of large firms, which, whatever the industry in which they engage, have more in common with
City interests than with those of the manufacturing sector. Since it is this sector which is the chief
contributor to the Conservative Party, with all the other links described in Chapter 5, it might be thought that it would be in complete agreement and harmony with the administration. In fact, in spite of the concurrence on many issues, particularly on the question of the role of the government in encouraging investment from the City, there is by no means the agreement which might be expected. As the Daily Telegraph reported last month,

Senior ministers are planning a full-scale assault on the Confederation of British Industry as their anger rises over the organisation’s continued attacks on Government policy...Some ministers, including Lord Young, Trade and Industry Secretary, think that the CBI has “become a club for the big boys” and ignores small companies (Daily Telegraph 11/9/87).

This seems to represent a burst of what may become a more familiar theme of the relationship between the two.

That streak of populism, like the CBI’s manufacturing membership, has been subdued in recent years, because of the desire to emphasize that sector of the economy which was best able to weather the recession- big business. That the government is now inextricably linked to the electorally unpopular big business and, even worse, to the City, is a consequence which may not have damaged the government yet, perhaps because of the strength of its ability to spread the consumerist ethic to the broader electorate. For one member of the government’s treasury team during the first term, Throughout the post-war period British Governments had instinctly equated the interests of producers and consumers. The CBI, the TUC and the NFU: these were the voices that counted...Mrs Thatcher’s instinct was to put the consumer first. No wonder the CBI was at one point driven to threaten her with a “bare knuckle fight”. It was an unprecedented demotion (Bruce-Gardyne, 1984 p186).

And so, while the policies of the government often coincided with those of the CBI, or at least with the larger voices within it, and especially after 1981, they were couched in the tones of an administration which, with so many businessmen in it, felt confident in asserting that it knew what was in the best interests of industry (Grant in King, 1983 p71), and which for political reasons found it necessary to wash its hands of responsibility for industry’s woes and its possible solutions.

That industry has performed so badly during the eight years of the Thatcher government so far, while the employees have seen their earnings rising relentlessly, suggests that for all the closer
proximity of the CBI to the government than the TUC, the Unions are proving to be the more successful lobbyists. This may provide evidence of the lack of real influence of the government in the micro-economy. The occasional rows between the government and the CBI should not obscure this paradox. When compared with the unions the CBI is both disorganized, weak and unpopular. It has been associated with the policies of the government, without the compensation, or hubris, of having played an active part in its policy-making. The City-ward nature of its changing membership means that it may, however eventually gain a role in voicing the disparate voices of the financial markets, and those elements of industry which the government has increasingly placed beyond its own scope of control. The present woes in the Confederation in its political input may then be improved by a shift towards the sector which has most improved in recent years.

The emphasis of the conclusions reached by the CBI City/Industry Task Force into the polarization between the City and industry, apart from the finding that the City's desire for short-term gains had not damaged the need for long-term investment, was the desire for improved communications between the two sectors. The CBI should, I would argue, follow the lead of the Trades Union movement and spend more time in strengthening the well-being of its members and its own internal structure than with lobbying at national level. If financial institutions have joined the CBI for such limited reasons as a gesture of solidarity, or as a way of 'keeping in touch with industrial opinion' (Grant in King 1983 p75), then there is still a long way to go before the City sees its own interests as shared with those of the manufacturing companies more numerously affiliated to the Confederation. With the government, for the moment implacably opposed (for ideological reasons), to taking an active role in restructuring industry in the way many of its members would like, the CBI ought to have an enhanced role to play as a proxy instrument of government.

The increased volume of money being created in the City, partly attributable to liberalizing measures introduced by the government, could be invested more heavily in the rest of British industry and should be. If the Government refuses to claim success for what would mark a possible remedy for the crippling underinvestment during the post-war period, then the CBI might be able to do so. A little support from the government might help.
3.0 The Trade Union Problem

Policies towards the trade unions, in the way in which they have been adopted by the Thatcher administrations, have represented a dramatic break with the past. As with legislation promoting denationalisation, Thatcher's initiatives towards Trade Unions have followed public opinion, have had both political and economic justification(s) and have been pursued with increasing vigor and success. Unlike that towards nationalised industry, however, this increased governmental activity towards the unions has occurred not because of any immediate financial benefits- nobody is willing to buy any of them- but because public support for legislation towards the trade union movement has remained remarkably strong even during the improvements in their image. This is, again, a product of the post-war period as a whole as much as a reflection of the success of measures during the past eight years.

The whole issue of trade union power in relation to the economic decline during the post war period has been central to many analyses. Intend to return to the subject myself when dealing with the Thatcher analysis. The recent reforms have represented one of the clearest examples of a modern government selecting a target for specific attention, hitting it in the bulls eye, and then discovering that its demise has failed to lead to the expected results. Again though, the Unions, and the reforms designed to restrict their movement, are extremely significant in helping us to characterize the Thatcher administrations, and the post-war period as a whole serves as a useful backdrop.
3.1 Agreement to Differ: 1945-79

"The British Disease", as much as anything else, referred to the "Union Problem", the strikes, the "I'm Alright Jack" cliche of bloody-mindedness, and the apparently suicidal tendency of Unions to oppose the will of management out of principle even at the cost of their jobs. John Zysman, in a work which was published after the first Thatcher term of office, but which seems to have drawn few conclusions from the change which that represented, has argued that economic growth is more likely to occur in flexible systems in which displaced interests are compensated, and "adjustment" permitted, whether inspired by the state, by industry, or by the banking system. Britain has been unable to forge the will for change, because the dominant political element of the labor and managerial adversarial struggle, revolving around distributional questions, has consistently prevented the recognition of mutual goals, making adjustment impossible.

Each side was simply too strong to be beaten or displaced and, consequently, neither side was ever strong enough to impose a radical shift of policy for an extended period (Zysman 1983 p175).

He cites the case of the coal industry as one showing the possibilities for cooperation. From 1957 to 1972, the number of miners fell from 700,000 to about 390,000, the number of pits from 800 to less than 300, and the wage rates from third in the "national wage scale", to twelfth during the same period. This "adjustment" was achieved through collaboration with a union capable of bringing the country to its knees. Its willingness to collaborate was bought, apparently in return for the establishment of a network of piecework wage rates. This cooperation, facilitated by the emergence of oil as a rival energy source, broke down when the union found itself unable to contain its members and the government chose to confront it (Zysman 1983 p177). Thus the "adjustment", necessarily at the expense of the union was able to proceed only for as long as the union, and the government allowed it. The breakdown, caused by both the government and a more militant Union leadership, ushered in the three day week, the fall of the Heath administration and, ultimately,

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3 As Moran has pointed out, "[his] post-1973 accounts are brief and often anecdotal" 1984
4 Peter Hall and others prefer the term "rationalization"
much of the anti-Union zeal of the present administration. Parts of the usual problem in industrial relations, include the traditional strength of the unions at a national level in terms of opposition-negative politics- and their inability, because of their diverse membership(s)\(^5\) to forge a united front. They have also proved unable to control their own members. Peter Hall (1986b p44-5), has written of the contribution of Unions to the long-term economic decline. He has attempted to avoid coming to conclusions which apportion blame. Thus the decline- a product of industries which are using outmoded modes of production, is in many ways explained by the success which preceded it- a type of “first and worst” idea. The wealth of skilled labor which originated from Britain’s early industrialisation had two consequences. First, it reduced the incentive to introduce the technological innovations necessary for countries with skill shortages, and which later gave them an edge. Second, the nature of the industries allowed for better work-place organisation, again making the difficult decisions necessary in a successful rationalisation process (adjustment) more onerous. Management and workers, in order to avoid upsetting each other, allowed overmanning and inefficiency to continue. By emphasising the accident of Britain’s early industrialisation, and the logic of the decisions taken by unions and management, while indicting them both as guilty, but with absence of malice, Hall avoids making the mistake of the left and right of being overly critical or overly defensive.

Bosanquet is more aggressive,

British Unions...rejected the social contract approach to trade unionism by which the trade union movement as a whole wins gains for its members through influencing social policies. Instead they have preferred to put trial by industrial strength at the centre of their activities. The result has been a steep decline in their political credibility, especially with their own members. (Bosanquet 1983 p91)

The post-war period saw a growth in union membership, both in absolute terms and as a proportion of the total workforce. This coincided with an increase in the number of strikes and working days lost. It may be possible to establish a significant correlation between strike activity and membership figures, but this is not the immediate concern. The image of striking, militant unions, especially in the declining, predominantly manufacturing industries and in the public sector,

\(^5\) Unions contain individuals with differing skill levels, and are often required to bargain for the maintenance of differentials. Unions also represent workers in competing industries, such as the energy sector, with competing interests.
damaged their credibility. They were blamed by a majority of the British public, and by many of their members, for the economic problems besetting British industry. The “winter of discontent” of 1978/9 was important in this regard, though the problem had been growing over a period.

The importance of the trade union movement as an influence on government economic decision-making, described by its detractors as “beer and sandwiches at Number 10”, as well as such “restrictions on individual freedom”, as the closed shop and secondary picketing activities were regarded by their critics on the right, serve to make them an element in analyses of many issues. For example, throughout the 1960s and 1970s they were regarded by a relatively large minority of the public as one of the main causes of inflation, as Table 4 shows.

Among domestic explanations, then, the Unions were consistently blamed, for rising prices. Work carried out by the Glasgow media group on television coverage during 1974 suggests that undue attention was lavished on the supposedly inflationary nature of the wage claims submitted by Unions (G.U.M.G. 1976). Nevertheless the establishment of a connection between pay and prices had gone back to the late 1950s, when the Conservative administration and employers had begun to question the benefits of the peace achieved through offering the unions an environment of “halcyon years of full employment, unfettered collective bargaining and rising real wages” (Hague 1984 p130). The growing inflationary pressure had led to a voluntary incomes policy in 1961, and the next 18 years saw a succession of short-lived incomes policies, which, because of their temporary nature proved largely ineffective. The establishment of the National Economic Development Council (NEDC) in 1962, in which the Trade Union movement had a consultative role over economic policy formulation, was an attempt to bring in the union leaders, though as some have argued the real ‘problem’ was in grass-roots activism. Attempts by the Wilson administrations of 1964-70, and by Heath in 1970-4, to reform industrial relations were unsuccessful, with the defeat of Heath in the February 1974 election, called prematurely, suggesting that the correct answer to the question posed, “who governs?” was the unions. Indeed opinion polls found Jack Jones, leader of the largest union, regarded as more influential than Wilson, the Prime Minister at the time. The Social Contract of the 1974-9 administration represented an attempt to limit wage rises, inflation
Table 3. British Strike Statistics: (Annual Averages), Union Membership 1945-79.

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of strikes</th>
<th>Workers ('000)</th>
<th>Strikes Days ('000)</th>
<th>Union Density level (%)</th>
<th>% Change</th>
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<tbody>
<tr>
<td>1945-54</td>
<td>1,791</td>
<td>545</td>
<td>2,073</td>
<td>44.2 ('54)</td>
<td></td>
</tr>
<tr>
<td>1955-64</td>
<td>2,521</td>
<td>1,116</td>
<td>3,889</td>
<td>44.1 ('64)</td>
<td></td>
</tr>
<tr>
<td>1965-69</td>
<td>2,380</td>
<td>1,208</td>
<td>3,951</td>
<td>45.3 ('69)</td>
<td></td>
</tr>
<tr>
<td>1970</td>
<td>3,906</td>
<td>1,793</td>
<td>10,980</td>
<td>48.5</td>
<td>+ 7.1</td>
</tr>
<tr>
<td>1971</td>
<td>2,228</td>
<td>1,171</td>
<td>13,551</td>
<td>48.7</td>
<td>+ 0.4</td>
</tr>
<tr>
<td>1972</td>
<td>2,497</td>
<td>1,722</td>
<td>23,909</td>
<td>49.5</td>
<td>+ 1.6</td>
</tr>
<tr>
<td>1973</td>
<td>2,873</td>
<td>1,513</td>
<td>7,197</td>
<td>49.3</td>
<td>- 0.4</td>
</tr>
<tr>
<td>1974</td>
<td>2,922</td>
<td>1,622</td>
<td>14,750</td>
<td>50.4</td>
<td>+ 2.2</td>
</tr>
<tr>
<td>1975</td>
<td>2,282</td>
<td>789</td>
<td>6,012</td>
<td>51.0</td>
<td>+ 1.2</td>
</tr>
<tr>
<td>1976</td>
<td>2,016</td>
<td>666</td>
<td>3,284</td>
<td>51.9</td>
<td>+ 1.8</td>
</tr>
<tr>
<td>1977</td>
<td>2,703</td>
<td>1,155</td>
<td>10,142</td>
<td>53.4</td>
<td>+ 2.9</td>
</tr>
<tr>
<td>1978</td>
<td>2,471</td>
<td>1,001</td>
<td>9,405</td>
<td>54.2</td>
<td>+ 1.5</td>
</tr>
<tr>
<td>1979</td>
<td>2,080</td>
<td>4,583</td>
<td>29,474</td>
<td>55.4</td>
<td>+ 2.2</td>
</tr>
<tr>
<td>1980</td>
<td>1,330</td>
<td>830</td>
<td>11,964</td>
<td>53.6</td>
<td>- 3.2</td>
</tr>
<tr>
<td>1981</td>
<td>1,338</td>
<td>1,499</td>
<td>4,266</td>
<td>50.5</td>
<td>- 5.6</td>
</tr>
<tr>
<td>1982</td>
<td>1,528</td>
<td>2,101</td>
<td>5,313</td>
<td>48.0</td>
<td>- 5.0</td>
</tr>
<tr>
<td>1983</td>
<td>1,255</td>
<td>538</td>
<td>3,593</td>
<td></td>
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</tr>
</tbody>
</table>

Table 4. Main Causes of Inflation: Public Opinion 1966-75.

<table>
<thead>
<tr>
<th>Per cent saying main cause was:</th>
<th>Date of Survey</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade Unions/ workers/wage claims</td>
<td>39</td>
<td>34</td>
<td>29</td>
<td>14</td>
<td>20</td>
<td>19</td>
<td>51</td>
</tr>
<tr>
<td>Management/ Profits</td>
<td>30</td>
<td>10</td>
<td>15</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>6</td>
</tr>
<tr>
<td>World Sit. or world prices</td>
<td>-</td>
<td>9</td>
<td>17</td>
<td>31</td>
<td>32</td>
<td>24</td>
<td>28</td>
</tr>
<tr>
<td>Present Govt.</td>
<td>31</td>
<td>30</td>
<td>15</td>
<td>6</td>
<td>1</td>
<td>2</td>
<td>15</td>
</tr>
<tr>
<td>Last Govt.</td>
<td>-</td>
<td>17</td>
<td>4</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Joining EEC</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>28</td>
<td>24</td>
<td>12</td>
<td>-</td>
</tr>
<tr>
<td>Decimalis'n.</td>
<td>-</td>
<td>-</td>
<td>20</td>
<td>21</td>
<td>23</td>
<td>13</td>
<td>-</td>
</tr>
<tr>
<td>Price of Oil</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>30</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: James E Alt 1979 p162.
and strikes in return for cooperation from the unions. The problem, as suggested before was the inability of the Trades Union Congress (TUC) to control its members.

A 1977 Mori poll found the public strongly opposed to what it saw as excessive Union power. Asked to respond to the, admittedly leading, statement "Unions have too much power in Britain today" some 68% agreed with only 27% disagreeing. Other statements drew similar responses- "Unions are mostly controlled by a few extremists" found 58% agreeing with 33% opposed. "The closed shop is a threat to individual liberty" and "The Labour Party should not be so closely linked to the Unions" drew majorities in favour of forty and 23% respectively (Layton-Henry 1980 p224).

Hugo Young, now an ardent critic of Thatcherism, argued in the Sunday Times in 1978 that

One cannot underestimate the high cost of the interim victory over inflation: a steady, often pernicious, usually unchallenged advance of collective over individual rights...Since 1974, unions have not only got more power. They have succeeded in suppressing honest outrage about how they sometimes use it (Quoted by Layton-Henry p224)

The Conservative manifesto in 1979, had five main proposals. The first of which referred to “The control of inflation and trade unions' power” (Kavanagh 1987 p205), a linkage which reflected the intuitive link made at the time between cause and effect.

The issue of the damage caused to prices by wage rises which exceed the inflation rate, is an interesting one given the experience of the past few years, and unions have been the scapegoat for some time for this and other problems

The most widely disseminated reason why Britain’s trade would not balance, why public expenditure rose inexorably, and why inflation accelerated, was the power of the trade unions. As Sir Keith Joseph put it in 1979 “Solving the trade union problem is the key to Britain’s economic recovery” (Quoted by Gamble 1984 p xvi).

For the Conservative government coming into office in 1979 the trade unions represented a suitable target, for political, economic, ideological and electoral reasons. It had been preparing for the coming conflicts for some time. Given the experience of 1974 there may have been something personal in it too. One of the more astute critics of the administration, writing with the scepticism of a neo-Marxist but with the grudging approval of a fellow radical, has summed up the way in which the Thatcher administration has marked a break with the previous experience in terms which seem pertinent to the issue of trade union reform.

What impresses many observers is how orderly British decline has so far been...the process of relative decline has been managed by that strange institutional complex, the British state, a dense network of public and private institutions. The Thatcherite strategy marks a break with the traditional strategy
of concession and incorporation and for that reason it threatens to unleash sharper social conflicts. Such conflicts the Government welcomes because its style is to confront and defeat...Such reassertion of state power against the interests which at times appeared to overwhelm the state is deeply gratifying to Conservatives, but it entails risks and requires skilful political judgement (Gamble 1984 p207-8 Emphasis added).

The latter part of the above is interesting given the events of the year-long miners’ strike of 1984-5.

The charges levelled against the unions, then, were manifold. One or two aspects will have been dealt with in the prior chapter, and a later chapter will look at the contribution which this interest group has to play in Thatcherite Britain. The Thatcher governments have introduced a battery of legislation. In what ways do the measures introduced reflect a radically new approach? Have they been introduced for political reasons, economic reasons, or both? Is there a contradiction between these aims?

As previously mentioned, the unions were blamed for the premature downfall of the previous Conservative administration in 1974 and that of the immediate predecessor to the 1979 Thatcher government, Callaghan’s Labor administration. The Unions were seen as burdening British industry with excessive wage rates, with frequent disruption through costly strikes, and with rigid work practices which stifled innovation and flexibility. The Heath administration had attempted to confront the unions, and failed, while Callaghan’s Labor government had tried and failed to appease them. The experience had swung intellectual opinion round to the right, and persuaded intellectuals across the spectrum- from the tribunite wing of the Labor Party, to Stephen Haseler, the gaitskillite who formed the Social Democratic Alliance, who later helped to found the SDP and who is now on the right of the spectrum, to Alfred Sherman of the right-wing Centre for Policy Studies, of the need for sweeping reforms.

In 1976, when asked how much influence certain groups and people had on the country’s future, the general public placed the trade unions at the top of the table, some 85% believing that they had a lot of influence, more than the Prime Minister (64%) and The City (65%) (Gallup Poll Daily Telegraph 11/16/87). In 1982, they were ranked third, with 62%, and in November 1987 that figure had halved, to 31%, below the above mentioned (89% and 75% respectively), below newspaper proprietors (45%), the Cabinet (49%), the civil service (39%), and even, with 35% according them a lot of influence, below the Royal Family! On the day that the first Thatcher administration was
elected however, the unions were regarded as extremely powerful and, though effective spokesmen and organizations for their members, damaging for the country as a whole. Even among members of unions some 68% believed that they had too much power (BES Election Survey May 1979, Quoted by Crewe and Sarlvik 1983 p142).

The attitude of the public towards unions had become increasingly critical and, while this may have represented a broad dislike of organized power in general, “The British public had become much more distrusting of the trade unions than of big business in the 1970s.”(Crewe and Sarlvik 1983 p144). This attitude, coupled with the development which saw issues becoming more influential than previously (see, for example, Franklin 1985, Sarlvik and Crewe 1983), such as the issue of strikes, helped the Conservative Party to win the 1979 election. The newly elected party began to introduce a series of measures whose cumulative effect was dramatically to shift power away from the unions and, as a concomitance, to make them more popular. A sharp trade off has developed between the amount of influence believed to be possessed by the union movement and its popularity. Shortly after the reelection in June, a Gallup poll found 71% of British adults saying that the unions are a good thing for the country as a whole, the highest figure in the 33 years that the question has been asked, and eight years since their record low figure. Only 17% thought them a bad thing, less than half the 1979 figure (36%) and, only 36% still thought they had too much power, a fall of 9% in a year (though only 15% regarded them as insufficiently powerful). Apart from the miners’ union president, Arthur Scargill, only 19% of respondents were able to name a prominent union leader (New Society 10/9/87).

These shifts in public opinion have interesting implications for the government if it plans to make further inroads into shifting the balance of British industry, whether for economic or political motives. How, though has such a change in attitudes been effected?
Table 5. How good a job are trade unions doing for the country?

<table>
<thead>
<tr>
<th>Views on trade unions</th>
<th>Tory voters</th>
<th>Liberal voters</th>
<th>Labor voters</th>
<th>All respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thinks that the job unions are doing for country is 'not very good' or 'no good at all'</td>
<td>79%</td>
<td>57%</td>
<td>34%</td>
<td>58%</td>
</tr>
<tr>
<td>Thinks trade unions have too much power</td>
<td>95%</td>
<td>84%</td>
<td>61%</td>
<td>79%</td>
</tr>
</tbody>
</table>

**Views on Big Business**

| Thinks big business has too much power | 42% | 62% | 66% | 55% |
3.2 Eight Years of Union Bashing 1979-87: The Measures and the Impact

Learning from the overambition of the 1971 Industrial Relations Act (Kavanagh 1987 p238), the first Thatcher Administration proceeded gradually, too gradually for some of its supporters, with a series of measures designed to tip the balance in favor of the employer. It was also designed, in more traditional fashion, to emphasize individualism—the unions portrayed as anti-democratic monoliths. The rapid increase in unemployment, particularly in the manufacturing sector helped to weaken the bargaining power of unions, and the ability of hard-pressed managements to meet those demands which they chose to make, though Thatcher was always keen to disassociate the government from any benefits derived from this. It has been suggested frequently by critics of the Thatcher administrations, that unemployment was allowed to rise because of the beneficial side-effect of reduced wage inflation. Thirty years ago Anthony Eden, the Prime Minister wrote to his Chancellor, MacMillan, concerned by rising prices and trade union power, and wondering whether allowing unemployment to rise would kill two birds with one stone. He rejected the idea as politically not tolerable (quoted by Kavanagh 1986 p38). To deny that the Thatcher government wanted unemployment to rise, therefore, is not to deny them the right to look for silver linings where it can find them.

The eight years of union bashing (Labour Research June 1987 p16), the most significant example of micro-economic reform adopted by the Thatcher administrations (The Economist 10/24/87), began with the 1980 Employment Act, which outlawed secondary picketing and tinkered to a limited degree with the closed shop; minor reforms which disappointed Conservative backbenchers even while they provoked outrage in the TUC (Holmes 1985 p133-4). The replacement of the ‘wet’ (liberal), Employment Minister by the most hard-line supporter of reform available, Norman Tebbit, saw a change in the pace of policy. The 1982 Employment Act allowed unions to be sued for illegal industrial action, by employers or displaced members, and removed
immunity for strikes called for political considerations. Encouraged by the failure of the unions to mobilize successfully against these measures, and by the continued public support for continued reforms, the 1984 Trade Union Act went still further in terms of 'democratizing' the unions by demanding regular elections for union officials and by making unions liable for damages in civil action suits called if strikes proceeded without a ballot of members. The third administration planned still further reforms designed to "protect the rights of individual trade union members" (Conservative Party Manifesto 1987 p23), including protection for those persons refusing to join a strike and mandatory independently supervised ballots every five years for members of union governing bodies.

The economic impact of these measures is hard to judge. The number of days lost in disputes has fallen dramatically, in 1986 to the lowest levels since 1948. This has been valuable politically, and can be assumed to have had an economic impact of some sort, though there is no unanimity that this would have been beneficial. Harris, for example, has suggested that, since the average wages in Britain are among the lowest among the "advanced capitalist countries", an increase in strike activity, leading to higher wages, would encourage industry to become more competitive (Harris 1985 p16).

One lesson of the 1973-4 miners’ strike was that even when the Prime Minister reduced the working week to three days to conserve fuel, output fell by very little, in some industries actually rising. The reduction in strike activity arising out of the trade union legislation, for which the government claims credit, and the increase in unemployment, for which it does not, is likely to have been relatively inconsequential thusfar in terms of the economic impact, on the economy as a whole compared with the thinning out of overmanning, and the failures in marginal companies which accompanied it. The benefits, then of the improvements in labor relations, for all the encouragement it gives foreign firms to invest in plant in the UK, for example, are likely to have limited economic impact except in the very long-term and as part of a broader shift in the structure of industry. In terms of their political ramifications for the government, however the benefits have been immediate and dramatic. A number of large scale disputes, each in a politicized area, at British Steel, at British Rail, with the health service unions, with the teachers, with the civil servants at
GCHQ and, most importantly of all, with the National Union of Miners in 1984-5 all resulted in 'victories' for the government, albeit pyrrhic ones at times, and Union membership fell by over two million in the five years to 1985, reversing the growth shown in Table 3.

The year-long dispute with the miners, a victory for the government which was facilitated by crucial mistakes by the union leadership, by a high degree of prior planning, by the prevailing economic conditions, by the trade union legislation measures introduced and by the important impact of opposition within the general public, is particularly significant for the future relationship between the government and the union as a whole. The unlikelihood in the near future of a long dispute between the government and one of the old manufacturing or public service unions is only exceeded by the unlikelihood of the union winning it.

Two things need to be said about these reforms and their impact. Firstly, they were popular with the public as a whole and with a majority of union members and continue to be where they are couched in terms of increasing union democracy (one or two measures, such as the decision to ban union membership at the centre of intelligence at Cheltenham and some aspects of the miners' strike, have been unpopular, because the government appeared to be behaving in an undemocratic manner). They are, therefore a populist program. When radicalism coincides with populism it becomes harder to discern the motivation behind the action. Is it political dogma or crowd-pleasing? Where is the thatcherism? Radicalism is more impressive when achieved in the face of adversity. The break with the past is with the outcome in that the reforms were actually passed, but not with their aims since, had he been able, Heath might have been similarly sweeping in his policies. It is also a matter of debate whether the movement towards cross-party agreement on the value of many of the measures, especially those concerned with internal union democracy, reflects the success for the government in achieving a new political consensus on the need for eternal vigilance towards the unions, that a sea-change in attitude has been effected, or whether it reflects the facile nature of the victories won, that is, that so little has been achieved that the other parties are giving up very little in accepting them. A change in attitudes might have been achieved across the spectrum following the winter of discontent in 1978-9.
Secondly, the economic effects have been mixed. On the one hand, there have been examples of industries which have become far more profitable because of increases in productivity. These are often found in the public sector, in steel, coal and British Leyland. However this is not the case in other sectors of the economy. The effect of the deep recession was to bankrupt marginal companies and to leave their more fit rivals behind, often with a much diminished workforce. Wage rises continue to exceed the inflation rate by a significant margin, and while industrial relations have improved, there is evidence that restrictive practices persist. That the government is still prepared to blame repeatedly, and with increasing vigor, what it regards as, excessive, wage rises, for both unemployment and inflation, suggests that even by its own standards its union legislation has not solved everything that it set out to do. Right-wing critics seem to be satisfied with what has been achieved in terms of strikes and increases in productivity, without considering the original aims of their demands.

The weakness of the national union leaders has been accompanied by a strengthening at local level. The government, if it wished to prove its radicalism, might provide more active encouragement to domestic firms, and those outside the newspaper industry (the chief battle-ground for the trade union legislation so far), to introduce more single-union, no-strike agreements such as those found overseas, including the United States. At a moment when the trade union movement is struggling to come to terms with both its newly disadvantaged position, and division within its ranks on this issue, the government, if it wished to make a more complete break with the past policy might wish to push the changes a little faster. The lobbying effort to persuade the Japanese car giant, Nissan, to locate a large plant in the north-east of England, resulted in the sudden appearance of innovative work-practices alien to the normal mode of operation. The government may regard further efforts of this kind as overly interventionist. They might also alienate public opinion, but with figures for unionization, though down dramatically from those in 1979, similar to those which pertained in the mid-1970s, there is more to be done in terms of making an economic impact to accompany the political success. The increase in productivity is but one, important, part of the change required, if one accepts the conservative interpretation. It has been suggested that wages would increase with less rapidity if unemployment benefits were to be cut. In the United States,
employers have succeeded in cutting wages because union members preferred that to the prospect of being laid off. In Britain wages continued to rise while redundancies occurred (The Economist 10/24/87).

One fundamental goal of the trade union legislation, one which has pertained in the past (Kavanagh 1986 p52-3), and which has not yet been realized, is as a proxy incomes policy. It has not yet succeeded, in spite of the sobering impact of unemployment.

An Incomes Policy?: The government has rejected the need for a formal incomes policy, unlike all of its predecessors going back to MacMillan’s first efforts in 1961, one product of the experience of the ‘winter of discontent’ in 1978/9. It argues that they have the short-term effects, damaging in the long-run, of crash-diets, and that they are the type of government intervention into the economy which is unnecessary and ineffective. It has been suggested that while the Heath administration could introduce an incomes policy, justifying it in terms of its beneficial effects on inflation, it was anathema to Mrs Thatcher because it reduced economic freedom whatever the beneficial side-effects: the product of “a more deep-rooted dislike of an economically interventionist state” (Kavanagh 1987 p194). Whatever the motives it had to reject them, it is clear that the lack of the paraphernalia connected with the imposition of restrictions on wage rises has given the government a chance to appear above the fray, in a way denied the other administrations.

The costs to industry competitiveness of wage rises above productivity increases have been widely publicized by the government.

Rising unit wage costs make it so difficult for Britain to compete in world markets. Over the past five years wage costs have risen in manufacturing by a quarter while those of our major international competitors have risen by much less...a halt to the rise in unit wage costs would enable us to hold prices steady, increase sales and thereby create genuine, long-lasting jobs (Lord Young, Secretary of State for Employment, Feb 1986, Quoted by Labour Research May 1987).

In the past year, in spite of the sharp fall in pay settlements in 1986 (CBI 1986 Annual Report p14), with inflation at about 4%, average wages rose by nearly 7.8%, considerably higher than in most of the industrial world and considerably greater than the inflation rate of 4.2% (The Guardian 9/17/87 p14). The trend appears to be for even larger increases in the year ahead (The Economist 10/17/87 p129).
The effect of wage rates on productivity and economic performance is too complex to describe here, though it is worth showing the changes in relative earnings between Britain and overseas competitors which took place during the first five years of the Thatcher administration.

Hourly earnings, of manual workers, in the depths of a severe recession, rose by 52.7% in five years, a figure higher than elsewhere in Europe, although hourly wage rates are still lower in Britain than in each one of those experiencing smaller increases. These figures are, of course, approximate, since tax rates, for example, vary between each nation, though they do reveal that wage rates have increased faster in Britain than in competitor nations, but that they were never that high anyway. The argument that higher wages have not damaged the competitiveness, and that they should be higher still, is an important one, but is not immediately relevant here. The point is that, rightly or wrongly, the government aimed to reduce the power of the trade unions for many reasons, important among which was to reduce their wage-bargaining position, and there have been various other measures in this direction. The decision not to engage in more direct attempts to bring about the desired end reflect the importance of political considerations, ones which were less evident in the periods when incomes policies were adopted by successive governments of left and right in the 1960s and 1970s.

The rise in living standards which wage rises above inflation rates allow, in an environment of unemployment and rising taxation, can have done no harm to the government’s attempt to instill a sense of economic well-being. The 1987 Conservative Party manifesto boasted that the take-home pay of the average family with two children had risen by 21% more than inflation since 1979, against a very small rise under the Labor predecessor (“Our First Eight Years” p4), though this is hardly what the government had wanted. This represents a good example of a government claiming credit for the failure of its policies out of political expediency. Much the same has happened in the debate about public spending. In Chapter 6 I will argue that the electoral success enjoyed by the government, reflects an increase in a more egocentric assessment by voters of the economy, and its prospects. So, while doubts may remain about the future for the economy as a whole, with wages rising for those persons still working (who remain the great majority, of course), voters have ‘voted with their pocket-books’, expressing the very same desire for increased remuneration, over that for
Table 6. Hourly earnings and purchasing power, of manual workers in manufacturing

<table>
<thead>
<tr>
<th>Country</th>
<th>%age increase in hourly earnings since 1980</th>
<th>Purchasing Power of hourly earnings (1980 in brackets)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greece</td>
<td>201.8</td>
<td>4.82 (2.76)</td>
</tr>
<tr>
<td>Italy</td>
<td>94.3</td>
<td>6.81 (4.61)</td>
</tr>
<tr>
<td>Ireland</td>
<td>79.7</td>
<td>6.95 (4.46)</td>
</tr>
<tr>
<td>France</td>
<td>66.2</td>
<td>6.03 (3.85)</td>
</tr>
<tr>
<td>UK</td>
<td>52.7</td>
<td>6.96 (4.37)</td>
</tr>
<tr>
<td>Denmark</td>
<td>39.6</td>
<td>8.68 (6.19)</td>
</tr>
<tr>
<td>Belgium</td>
<td>33.2</td>
<td>8.04 (5.53)</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>30.6</td>
<td>8.36 (6.35)</td>
</tr>
<tr>
<td>Germany</td>
<td>22.1</td>
<td>7.71 (5.04)</td>
</tr>
<tr>
<td>Netherlands</td>
<td>22.1</td>
<td>7.32 (4.91)</td>
</tr>
</tbody>
</table>

more jobs, which has encouraged the acceptance of increased wages over increased jobs for the past eight years. Opinion poll evidence for unemployment as the chief concern of voters, especially with the jobless total steady or (recently), falling, and for increased public spending over tax cuts shows the same dislocation of public opinion (as expressed in polls, especially in mid-term), over private opinion (actual voting, in 1983 and 1987). The government, by claiming credit for the increase in average living standards, is accepting, with some embarrassment perhaps, the political applause for achieving what must seem to the majority of voters (including non-supporters) to be personal advancement in an environment of generalized belt-tightening.

In 1982 Wyn Grant could place trade unions at the forefront of the list of popular scapegoats for the post-war economic woes. A measure of the government's success is that in spite of the plans for further legislation, which are not receiving universal support, even from the CBI and the Conservative Trade Unionists (Daily Telegraph 11/3/87), the unions are considerably less prominent. They remain an important power in waiting, however, even with unemployment remaining high. By emphasising the need for wage moderation, the government is now showing that attention, has turned to the other side of the fence (an enduring image which speaks volumes), namely towards the ability of British management.

3.3 The Unions are Dead! Long live the Unions!

The long-term deindustrialization in the economy during the post-war period did not damage the ability of the Unions to recruit members. As the table in Chapter 1 show, membership increased throughout, especially in the 1970s. Both in absolute terms, and in terms of density, the number of trade unionists increased in all sectors, including manufacturing and manual labor categories, in the period (Hyman 1985 p109). Union density among manual workers employed in manufacturing industry rose from 58.2% in 1948 to 62% in 1968 and to 80.3% in 1979, with absolute numbers increasing by half a million in a sector which saw employment falling by nearly a
### Table 7. Employment changes and Union Density.

<table>
<thead>
<tr>
<th>Industry</th>
<th>Change in employment 1976-1986</th>
<th>Union density 1984</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banking, insurance &amp; finance</td>
<td>+ 709,000</td>
<td>43%</td>
</tr>
<tr>
<td>Business Services</td>
<td>+ 383,000</td>
<td>21%</td>
</tr>
<tr>
<td>Hotels and Catering</td>
<td>+ 211,000</td>
<td>21%</td>
</tr>
<tr>
<td>Wholesale distribution</td>
<td>+ 162,000</td>
<td>32%</td>
</tr>
<tr>
<td>Energy and Water</td>
<td>-61,000</td>
<td>88%</td>
</tr>
<tr>
<td>Transport</td>
<td>-123,000</td>
<td>85%</td>
</tr>
<tr>
<td>Metals, mineral products</td>
<td>-290,000</td>
<td>68%</td>
</tr>
<tr>
<td>Vehicles &amp; Transport Equip</td>
<td>-322,000</td>
<td>81%</td>
</tr>
<tr>
<td>Metal goods and Mechanical</td>
<td>-493,000</td>
<td>55%</td>
</tr>
<tr>
<td>engineering</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Labour Research.
million. Since 1979, change has been swift and painful for the movement. Membership has declined because of the increase in unemployment, particularly in manufacturing industry, and in certain public industries.

The only major trade union to have increased significantly in members, during the past ten years apart from those which have merged, was BIFU, the Banking and Finance Union, which is now the fifteenth biggest union, having grown by 42% during the period. Meanwhile, the production industries have seen membership figures slump. The National Union of Miners having fallen by 60%, and the largest union, the TGWU by 29% (Labour Research Sept 1987). These industries are also those which have the highest levels of unionization, as the table above shows. The manufacturing sector has both declined and changed.

The total number of TUC-affiliated unions has dropped by over two million in ten years, from 11,515,920 to 9,243,297 in 1986. (Labour Research September 1987). Crucially, though, this fall is not as great as the increase in the ten years which preceded it, and with membership still higher than most of the rest of Europe, the recent suggestions that the unions are finished as a political force may be premature.

The decline of class solidarity will not necessarily bring a decline in militancy. The Conservatives have adopted a highly dangerous course in giving a greater voice to individual trade unionists. The new laws weaken the power of trade-union bureaucracies- full-time officials who, for the most part, have been patriotic, cautious and well integrated into the dominant political culture...The rank-and-file are something else: fragmented, unpredictable, a fertile breeding ground for all kinds of novel ideas. Conservatives may yet rue the day they undermined the trade-union officials (Moran 1986 pp293-4).

Moran's colorful image of a government attempting to control a gang of "red Robboes" five years after the demise of the original, with the gentlemanly trade union official replaced by a revolutionary band of grass-root activists, even if armed with novel ideas (what can he be referring to?), seems strange. In party-political terms, given an issue-priority model, wildcat union action might cause splits in the Labor Party and swing opinion behind the government, with political impacts contradicting economic ones. The Conservative Party has always gained support when union disputes split the Labor Party- as happens often. However, the increases in real earnings in recent years suggest that the Unions are still strong at the local plant level (Hall 1986 p132). It is also argued
Table 8. British Manufacturing companies by size 1976-86.

<table>
<thead>
<tr>
<th>Size of Company</th>
<th>Total Employed in UK</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1986</td>
</tr>
<tr>
<td>1-9 employees</td>
<td>327,983</td>
</tr>
<tr>
<td>10-19</td>
<td>267,898</td>
</tr>
<tr>
<td>20-49</td>
<td>465,882</td>
</tr>
<tr>
<td>50-99</td>
<td>499,534</td>
</tr>
<tr>
<td>100-199</td>
<td>655,057</td>
</tr>
<tr>
<td>200-499</td>
<td>928,261</td>
</tr>
<tr>
<td>500-999</td>
<td>682,729</td>
</tr>
<tr>
<td>1,000 and over</td>
<td>993,769</td>
</tr>
<tr>
<td>Total</td>
<td>4,875,113</td>
</tr>
</tbody>
</table>

that any significant improvement in the economy will see increased industrial strife, without the formal, or informal mechanisms for government-union dialogue.

The unions may be more democratic institutions as a result of Thatcher's rather successful moves to impose secret ballots on their leadership choices and decision to strike; but similar ballots on political funds reveal continuing militancy (Hall 1986 p132).

The shift towards the City, where industrial disputes are not a phenomenon which has yet been seen, and could, one imagine, have serious consequences, and the increase in investment overseas, and inward investment, may help to dissipate the wider economic ramifications of union militancy in its traditional strongholds. The failure of the miners' dispute is likely to have a continuing dampening effect in the years to come. For Zysman, the growth in white-collar trade unions, with less incentive to see industrial change and growth has further reduced the ability of the TUC, and the government, to introduce further industrial adjustment and labor redeployment (Zysman 1983 p178). It seems that the future for industrial relations in Great Britain is hard to gauge, though it would be wrong to rule out a renaissance of union influence in the period after Thatcher's replacement. They may be at the nadir of their fortunes, but just as British industries have still not moved away from 'obsolescence and rigidity' (Hall 1986 p133), the government has failed to achieve the dismemberment of the unions which its legislation was designed, piece by piece, to achieve.
4.0 Privatization and the State

Anthony King and Michel Crozier are two political scientists who helped to publicize the concept of "overload". The former summed up the way in which public expectations towards government had grown and been disappointed, in a skillful aphorism,

Once upon a time man looked to God to order the world. Then he looked to the market. Now he looks to government. [And when there are problems people blame] not 'Him', or 'it' but 'them' (King 1984 p15).

For a time during the 1970s a curious coalition grew between neo-conservatives such as Crozier, British liberal economists such as Samuel Brittan and Peter Jay (who together are credited with converting Keith Joseph, Mrs Thatcher's mentor to monetarism), and Neo-Marxists such as Offe and Habermas, on the idea that the legitimacy of the state, and its governability, were threatened by excessive demands being made on it, and by the dwindling resources available to meet them. Brittan, citing Schumpeter, argued that political leaders were giving in to a lack of "democratic self-control" among the voters and were jeopardising the economic health of the nation. In 1974 he argued that,

liberal representative democracy suffers from internal contradictions, which are likely to increase in time, and that, on present indications, the system is likely to pass away within the lifetime of people now adult (Brittan 1977).

An element of this was that tough economic decisions, those required by events, would be regarded as political suicide and therefore not considered. Thus, the state was allowing itself to become dragged into a range of issues beyond safe limits. More specifically, decision making with regard
to the nationalized industries was becoming compromised by erroneous considerations such as party politics and electoral considerations, and that a retreat from either materialism or egalitarianism was required if democracy was not to decay and break down.

Among conservatives the alleged excess of democracy had a clear remedy, described by Peregrine Worsthorne, a keen supporter of Mrs Thatcher. In a 1978 essay entitled *Too Much Democracy* he argued for the state,

> to reassert its authority, and it is useless to imagine that this will be helped by some libertarian mish-mash drawn from the writings of Adam Smith, John Stuart Mill and the warmed-up milk of nineteenth century liberalism. (Quoted by Kavanagh 1987 p105)

His targets are interesting given the later statements by Mrs Thatcher concerning her belief in Victorian values and those of her Minister of Defence, John Nott, who described himself as a nineteenth century Liberal.

Thus, government needed to be both small, as prescribed by liberals, libertarians and traditional conservatives, but also strong.

At the time of these writings Britain seemed to be undergoing dramatic, and dangerous changes. On the one hand the country was ravaged by an inflation which the government seemed unable to prevent, and on the other the state was growing in size. In an important recent work Peter A Hall has examined the role of the state in Britain's worsening economic situation (Hall 1986a) and identifies three strands of thought which have posited the idea that the increasing size of the state was a reason for the decline. Critics levelled one of three charges: that the growth in the public sector had diverted resources from the productive sector (Bacon and Eltis 1976), that the taxes required to pay for public spending encouraged complacency (Keith Joseph 1976), and lastly that a high public sector borrowing requirement (PSBR - government borrowing), stifled investment. Certainly the state had grown, with public expenditure having risen from 32% of GNP in 1950 to 45% in 1980, with the PSBR doubling to 8% of GNP in two decades. I will return to the question of the role of the state in later chapters, but for now I will simply reveal Hall's dismissal of these arguments. First, the economy grew faster during the expansion of the public sector. Second, government spending is often higher in the economies of successful rivals, certainly throughout Europe. Thirdly, notwithstanding Bacon and Eltis, the public sector is not unproducr...
tive, but, in terms of education, spending on the infrastructure and so on, spendings are often valuable investments.

No concrete evidence has been found that taxes impair economic performance, with the impact of personal taxes being negligible and corporate tax rates having fallen in the post-war period. As for the PSBR, its influence has been found to be negligible. For Hall the state has played an important role in the post-war period, but it is far more complicated than a simple question of size.

Nevertheless, the attitude of the public towards the state was influential in the political situation during the 1970s. James Alt, again writing before the Thatcher administration took office, described the increasing lack of confidence among the electorate, a reflection of a growing awareness of the extent of the decline and, probably more important, a reaction to the inflation of the mid 1970s,

In large measure, the story of the mid-1970s is the story of a politics of declining expectations...a politics in which lack of involvement or indifference to organised party politics is the main feature. (Alt 1979 p269).

This seems to contradict the idea of Samuel Huntington (1975 p102), and Brittan that there were too many pressures being placed on the state, coupled with increased expectations, the democratic distemper, though it does seem to tally with the growth in third party voting in the mid-1970s (Bogdanor 1981). There is, in addition, a body of literature concerned with adversary politics which seeks both to explain the frequent changes of government in terms of volatility born of frustration (Held 1987 p223), and to point out the damaging impact of short-term policy implementation. (Wright 1987)

Dahrendorf (1981 p291) has agreed with Alt's general thesis, but argues that the correct lesson to be drawn from the British case of extended economic decline coupled with "considerable political decline" is that "in a word there is no politics of economic decline" and that the only dangers lay in the potential for extreme minorities to emerge from the pressure on the economic consensus. In a recently published work Dennis Kavanagh (1986) has argued that it was precisely the above processes which allowed Margaret Thatcher to take over the Conservative Party and win public

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\[6\] A 1974 cross-national survey of voters in eight nations had found the British electorate to be profoundly apathetic, and that in a country described only eleven years earlier as a model civic culture. (Barnes Kaase 1979 p84, Almond and Verba 1963.)
support. Her expressed policy of eschewing compromise, enabled her to appeal to the desire for a no-nonsense, aggressive leadership prepared to ignore the wishes of entrenched interests in the pursuit of progress.

Eight years on it continues to be a singularly successful political and electoral strategy. However these are not the terms by which Thatcherism seeks to be judged.

It promised the creation of a new national consensus, the breaking of the chains of collectivism, the revival of a liberal economy and the liberal society, and the restoration of Britain's national economic fortunes. *An end to decline is what the New Right proposes* and an end also to social democracy (Gamble 1984 p141 emphasis added.)

What has it done and has it worked?

[The sale of council housing] was electorally crucial in dividing a working class movement, deeply disillusioned by the apparent inadequacies of the Welfare State and politically embittered by the economic policies pursued by the Labour government after 1976, by its populist appeal to the anti-bureaucratic, individualist and self-sufficient ideology of home-ownership (Michael Jones in *The Tories: Bringing the House Down* quoted by Krieger 1986 p83).

We need to create a mood where it is thought morally right for as many people as possible to acquire capital (Margaret Thatcher in Hall 1986 p111).

The public sector, the size of the state, is blamed for the economic woes since the war by many of Thatcher's supporters. This is, of course a popular Conservative complaint and is not restricted to the radical right. Thatcher won support in 1979 for her denunciations of the 'pernicious' influence of government. It was seen as wasteful, overly expensive and, in short, too big. The government set out to combat the 'quangos' and to reduce taxes. It has, of course, singularly failed to do so. The proportion of GDP taken up by taxation has risen since 1979. There have been hardly any actual cuts in spending, and in response to opposition charges that cuts have been made, the government has chosen to publicize the decreases in spending, so that even the rhetoric has changed.

Where the government has achieved reductions in the state has been through its denationalization, or privatization, program. For the purposes of this paper I intend to limit the analysis to two elements of the program- the selling of council-owned housing, and the denationalization of state industries particularly those which were sold to individuals- the attempt to create a *people's capitalism*. It is useful as a case study because of its political and economic references- it is a multi-faceted issue. For one prominent group of political scientists, class consciousness can be more adequately analyzed with reference to attitudes towards nationalization than from, for example respondents' judgement of their own class. It is the 'key class value', the litmus test. (Heath *et
Privatization...was the policy eventually given most publicity. Significantly this was justified as much on grounds of statecraft ['the art of winning elections...it is concerned primarily to resolve the electoral and governing problems facing a party']- reducing the load on the Cabinet and weakening the unions-as by reference to the doctrinal principle of free enterprise. (Bulpitt 1986 p37).

This has become a highly important element in the government’s plans and in its future prospects, but it was never expected to be,

The sale of state assets to the private sector has emerged as one of the key features of the second [and the third] Thatcher government. To say that "privatization” as such sales are popularly called, fits in with Thatcherite political beliefs is a blinding statement of the obvious, which does nothing to explain the sudden and belated rise to prominence of this theme. It hardly featured at all in the 1979 Conservative election manifesto and was not a major issue in the 1983 election (Brittan 1984 p109).

The privatization policy is important to this thesis because it represents a policy with economic justification revolving around the notion of competition, the need for large (privately owned), companies able to compete overseas to help improve the economy, and with political success. It also offers evidence for the two schools of thought which have attempted to interpret thatcherism (Bulpitt 1987 p20): the one which sees thatcherism as a massive break with the past, a government which 'thinks strategically', (Gamble) and consistently, and puts its thoughts into actions, and the one which sees the government making policies on the hoof, in an ad-hoc, reactive and expedient manner (Riddell). The latter argues that denationalization has been successful but not because of the reasons put forward. Both camps agree, however, that it is a political program, not an economic one.

Privatization has been the boldest stroke of the Thatcher administration. It has also been the most typical: highly ideological in theory yet executed in populist style; sold on principle but underwritten with a calculated and ruthless pragmatism (Blair 1987).

The policy also has had an effect on expectations towards the economy and hence on support for the government (Sanders et al 1987), which is more important, in the long-term, than the effects on the economy of having the industries privatized.
4.1 The Privatization Program: Bigger and Bigger

The program of selling off industries which were largely nationalized during the Labor administration of 1945-51, was initiated for a number of reasons, not least the valuable injection of cash into the Exchequer, but the original, and most important, reason was the idea that the state was not an appropriate, or efficient manager of business. If one wished to find an example of a post-war shift in behavior, evidence that a government can change the agenda, the policy of the Thatcher government towards the nationalised industries has been one. Taking these industries out of direct governmental control has widely been seen, with the possible exception of British Telecom, to have improved their performance. Profits for British Aerospace have trebled, those for Cable and Wireless have quadrupled, while the National Freight Corporation is now seven times more profitable. The nature of the privatisation program, however, has risks attached which make it politically important to the government. This will be dealt with in more detail when looking at the interests fostered by the government, but in this case it would appear that, as with the City, the political success of the government has depended on the economic success of these industries. The table shows a gradual increase in the number of voters favoring privatization for the nationalized industries over an extended period. There is evidence of a recent shift in opinion away from further selloffs (Curtice 1987b reports support down to 31%), though this may reflect two short-term negative influences, the stock-market fall, and the sudden dissatisfaction with the service provided by British Telecom, the flag-ship of the privatization program.

Immediate factors explaining why the privatisation program became so much more prominent are manifold, but include, the surprising ease with which the logistics of selling the companies off could be arranged, the fact that attempts to cut public spending, and to make progress in other economic areas, had failed so miserably and the poor performance of the nationalized industries (Brittan 1984 p112). Non-intervention was impossible where industries either needed more government funding or threatened to be politically damaging if allowed to go under. The need to pay...

<table>
<thead>
<tr>
<th>Date</th>
<th>Company</th>
<th>Business</th>
<th>Amount (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oct.79</td>
<td>British Petroleum (5%)</td>
<td>Oil</td>
<td>276</td>
</tr>
<tr>
<td>Jun.81</td>
<td>ICL (25%)</td>
<td>Electronics</td>
<td>37</td>
</tr>
<tr>
<td>1980</td>
<td>Ferranti (50%)</td>
<td>Electronics</td>
<td>55</td>
</tr>
<tr>
<td>1980</td>
<td>Fairey</td>
<td></td>
<td>22</td>
</tr>
<tr>
<td>1981</td>
<td>North Sea Licences</td>
<td>Oil</td>
<td>195</td>
</tr>
<tr>
<td>Feb.81</td>
<td>Brit. Aerospace (51%)</td>
<td>Aerospace</td>
<td>43</td>
</tr>
<tr>
<td>1980/1</td>
<td>Miscellaneous</td>
<td></td>
<td>91</td>
</tr>
<tr>
<td>Jul.81</td>
<td>British Sugar Corp.</td>
<td>Sugar</td>
<td>44</td>
</tr>
<tr>
<td>Oct.81</td>
<td>Cable &amp; Wireless (30%)</td>
<td>Telecom.</td>
<td>182</td>
</tr>
<tr>
<td>Feb.82</td>
<td>Amersham Int.</td>
<td>Radio-Chem.</td>
<td>64</td>
</tr>
<tr>
<td>Feb.82</td>
<td>National Freight Co.</td>
<td>Rd. Haulage</td>
<td>6</td>
</tr>
<tr>
<td>1981/2</td>
<td>Misc. + Forestry etc.</td>
<td></td>
<td>199</td>
</tr>
<tr>
<td>Nov.82</td>
<td>Britoil (51%)</td>
<td>Oil</td>
<td>627</td>
</tr>
<tr>
<td>1983</td>
<td>Assoc.Brit.Ports (49%)</td>
<td>Seaports</td>
<td>46</td>
</tr>
<tr>
<td>1982/3</td>
<td>Misc. Oil Licences etc.</td>
<td></td>
<td>108</td>
</tr>
<tr>
<td></td>
<td>GENERAL ELECTION</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jul.84</td>
<td>Enterprise Oil</td>
<td>Oil</td>
<td>400</td>
</tr>
<tr>
<td>Nov.84</td>
<td>British Telecom</td>
<td>Telecom.</td>
<td>3,900</td>
</tr>
<tr>
<td>Aug.84</td>
<td>Jaguar</td>
<td>Cars</td>
<td></td>
</tr>
<tr>
<td>May 85</td>
<td>British Aerospace</td>
<td>Aerospace</td>
<td></td>
</tr>
<tr>
<td>Dec.86</td>
<td>British Gas</td>
<td>Gas</td>
<td></td>
</tr>
<tr>
<td>Feb.87</td>
<td>British Airways</td>
<td>Airline</td>
<td></td>
</tr>
</tbody>
</table>
Table 10. Attitudes towards Nationalization, 1964-83

<table>
<thead>
<tr>
<th>Year</th>
<th>More Nationalization</th>
<th>No Change</th>
<th>Privatization</th>
</tr>
</thead>
<tbody>
<tr>
<td>1964</td>
<td>28</td>
<td>51</td>
<td>21</td>
</tr>
<tr>
<td>1966</td>
<td>29</td>
<td>49</td>
<td>22</td>
</tr>
<tr>
<td>1974 (Feb)</td>
<td>28</td>
<td>47</td>
<td>25</td>
</tr>
<tr>
<td>1974 (Oct)</td>
<td>32</td>
<td>46</td>
<td>22</td>
</tr>
<tr>
<td>1979</td>
<td>17</td>
<td>43</td>
<td>40</td>
</tr>
<tr>
<td>1983</td>
<td>18</td>
<td>40</td>
<td>42</td>
</tr>
</tbody>
</table>

Source: Kavanagh 1986 p293.
for the enormous increases in spending on the unemployed, on defence, and on the other parts of
the public spending budget which were not cut, required additional revenues, and these were pro-
vided by the ‘sellings off’. The improvements in performance, or at least profit, and the increasing
popularity of the program, also provided encouragement. This was also linked to the popularity
of the scheme introduced by the 1980 Housing Act, which forced local authorities to sell off their
stock of council houses. The inability of the opposition parties to counter the popularity of this
measure among the electorate and, especially, among the purchasers of the properties (over a
million council houses sold in eight years), only added to the determination of the government to
sell off more. All this, and an estimated £5 billion of revenue per year, forecast for the Chancellor,
for each of the years of the third term, provided all the incentive the government needed. Over
600,000 people, in 15 major, ex-nationalized companies were, as of 1987, in the private sector.

4.2 Privatization and The City

The performance of the enduring bull market on the Stock exchange meant that the two million
who bought the shares, especially those for British Telecom and British Gas, at bargain prices, saw
the value of their, usually small stake in the program, rise. The one in five adults who bought shares
now had an interest in a Conservative government and, perhaps more importantly, a disinterest in
the Labor Party. During the 1987 election The City responded to any rumor of a possible im-
provement in the Labor Party’s standing by selling shares. The equation was obvious. The Tory
party chairman, Norman Tebbit, wrote to shareholders nearly a year before the 1987 election
warning them of the plans of the Labor Party to renationalize some industries. They probably did
not need the warning, a poll in March 1986 finding that among new share-holders, 53% intended
to vote Conservative, against 34% of the general public, with only 14% and 36% favoring the
Labor Party respectively (The Economist 11/8/87 p66).
This does not mean that shareholders were all motivated by a desire to own capital. In fact, as Table 9 shows, many bought and sold shares very quickly, often with the profits of an earlier, similar, transaction. Given the recent end to the bull market it may have been fortuitous for the government that so many shareholders had already taken their profit. The sharp fall in shareholders in Jaguar, for example, saved thousands of stags a large loss on Black Monday. The fall had to come at some time, and even without the events of October there were problems with the policy of maximising the size of the share-buying public. The shares in the newly privatized British Airways were always likely to fluctuate. One commentator noted that,

If people buy BA because they are convinced they can make an easy killing out of it, the world’s favourite airline may become the government’s least favourite share (The Economist 11/8/86 p66).

In fact, shareholders of BA had fallen by two-thirds in four months.

The full effect of the fall in prices is yet to be felt, but in spite of the tendency of shareholders to buy and sell quickly, there had been an increase in their total number, from 9% of the adult population in 1983 to some 21% in October 1987, a higher proportion than members of trade unions. In response to the popularity of the selling-off program, and fearful that this 21% might increase and create a permanent anti-Labor body of voters, the Labor Party has changed its attitude. Instead of outright opposition it now chooses to "leapfrog" Thatcher by widening workers’ share schemes, making pension funds more accountable, and increasing the regulation of private industry as a whole (Bryan Gould, shadow Trade and Industry secretary, Labor Party Conference 9/27/87). It had already accepted the popularity of council house sales. Even with more than a million sales demand has remained high, indeed higher than expected by the government (Daily Telegraph 11/4/87).

It is not immediately clear what impact the privatization and house sales will have on the economy. The former has improved the performance of the companies involved. Whether better state management could have improved the performance as well is impossible to judge. As for housing, the populism and radicalism behind the decision to allow tenants to purchase their homes, an unadulterated achievement of note (whether good or bad) to credit to Thatcherism, cannot by itself be considered a move likely to affect the economy greatly. Policies designed to create a more mobile rental sector, and to utilise the unused accommodation available, would be more likely to
Table 11. Disappearing Shareholders and Disappearing Profits

<table>
<thead>
<tr>
<th>Company</th>
<th>Sale Date</th>
<th>Holders Then</th>
<th>Holders Nov.'87</th>
<th>Price Sept.'87</th>
<th>Price Nov 20 '87</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amersham Int</td>
<td>1982</td>
<td>65,000</td>
<td>6,027</td>
<td>625</td>
<td>342</td>
</tr>
<tr>
<td>Brit. Aerospace</td>
<td>1981/5</td>
<td>422,000</td>
<td>120,237</td>
<td>532</td>
<td>313</td>
</tr>
<tr>
<td>British Airways</td>
<td>1987</td>
<td>1.2 Mill.</td>
<td>420,000</td>
<td>219</td>
<td>133</td>
</tr>
<tr>
<td>British Gas</td>
<td>1986</td>
<td>4.5 Mill.</td>
<td>3.1 Mill.</td>
<td>167</td>
<td>127</td>
</tr>
<tr>
<td>Britoil</td>
<td>1982/5</td>
<td>485,572</td>
<td>224,602</td>
<td>315</td>
<td>190</td>
</tr>
<tr>
<td>Cable/Wireless</td>
<td>81/3/5</td>
<td>411,000</td>
<td>181,067</td>
<td>496</td>
<td>295</td>
</tr>
<tr>
<td>Enterprise Oil</td>
<td>1984</td>
<td>13,709</td>
<td>13,460</td>
<td>313</td>
<td>200</td>
</tr>
<tr>
<td>Jaguar</td>
<td>1984</td>
<td>125,000</td>
<td>35,749</td>
<td>581</td>
<td>282</td>
</tr>
</tbody>
</table>

Source: Labour Research.
encourage greater flexibility in the labor market, something which has declined as the north-south divide has grown. The government has already cut spending on housing, the only major spending program which has been reduced substantially, a mixed blessing economically.

In political terms, a recent panel survey of voters in 1983 and 1987 found that

Changes in the level of Conservative support between 1983 and 1986 varied little between share owners and non-share owners, or between council tenants and those who had become owner-occupiers since 1983 (Curtice 1987b p13).

This may be so, but it is still likely that while Conservative voters may have had a higher propensity to buy shares and council houses, the purchasers are more likely to stay with the party. In a three-party system, with a volatile electorate, this is significant. Winning recruits may be a useful activity for a party but when it is governing it needs only to retain support.

4.3 A New Individualism or Alienation?

As Michael Clarke (1986), has pointed out, there is an inherent contradiction between the aim of encouraging the greater involvement of ordinary citizens in becoming share-holders in the newly privatized industries, and those deregulatory measures described in the previous section which have encouraged an increasingly global and unfettered financial market.

There is a contradiction between the expectations developed among a large sector of the population of the institutions of the City which have been the instruments of their long-term financial security, and the actual operations of City markets, with their booms and slumps and relatively high risks, particularly for small-time novice players. This can only reinforce pressure upon the state to act as guarantor, and increase general expectations that financial institutions will deliver even if industrial ones must be recognized as failing to do so. In short, the incorporation of the financial sector into the lives of a large sector of the population cannot be used as a substitute for the failure of the industrial sector to continue to deliver security as part of the social democratic compromise (Clarke 1986 p186).

The 'social democratic compromise' referred to here, also described as the bastard offpring of the conflict between capitalism and its utopian rival, socialism, represents the need for the government to regulate the more unfettered machinations of the capitalist system to secure the welfare of the majority. At the same time as the City has become bigger and less controllable, a process
encouraged by deregulatory measures introduced by the government, its heightened profile, because of the decline in manufacturing, and its heightened political role, a product of the privatization program have required that it needs to be controlled more carefully. The way in which the sell off has moved hundreds of thousands of workers, and the concerns of their clients, from the public sector to the world of multi-nationals and the global financial sector, in other words from being an instrument of socialism to an instrument of capitalism, represents a shift effected during the term of a radical conservative administration, and is a reflection of its concerns. The process of demystification which has accompanied this shift, and the attempt to drag the square mile out into the open, may involve removing 'an alienating elitism' (Clarke 1986), but if this can only be achieved by offering instant bargains to persons looking for a quick profit, it may not be worth the effort. There is evidence to suggest that the City is becoming increasingly unpopular, even when it provides such a profit to the economy.

The privatization program has been a mixed blessing for the government. Perhaps the most important element in political terms has been the success of the policy in reinforcing, in abstract fashion, the individualism of the Conservative Party message. This has increased expectations, and the legitimate heights to which these could reach. The wider impact of this on voting behavior will be covered later. The other impact has been to shift still further the change in the social structure which had already been encouraged by the deindustrialization of the economy, and by its increasing openness, and by the decline in the size of the working-class. All these have long-term ramifications for the political structure. The analysis in the following chapter will suggest that while the State was regarded as one reason for the economic woes in the country, the City isn't popular either. The mixed success of the attempt to encourage wider share-ownership may have benefitted the Conservative Government, but the economic benefits of that mode of privatization seem to be slight, and hardly have the appeal of terms such as 'freedom' and 'competition' which represented the original rationale for the sell-off. Moreover the recent evidence of substantial foreign purchases of shares in these new concerns (when nationalism has always been a potent force in British economic policy-making), the increased regulation required to control them, and the problems faced
in deepening the stake invested makes the future for the reprivatization program more hazardous for the government.
5.0 Thatcherism, The Changing Economy and Changing Interests

The changes in the economy which have occurred during the post-war period, including the shift to the south, the decline in manufacturing, construction and mining industries (with the singular exception of the oil industry), and the concomitant increase in the service sector, have all accompanied, and encouraged, changes in the political structure. This short chapter will examine the way in which the structure has changed during the Thatcher years. It will draw particular attention to the way in which the Conservative Party has embraced the new importance of the City, and the way in which the Labor Party has suffered from the shift.

The argument that a new consensus has been established because of the acceptance by the opposition parties of certain aspects of the thatcherite brand of popularism ignores a very real schism between the two parties. While the links between the City and the Conservative Party, and between the trade union movement and the Labor Party, extend back through the most butskellite periods of consensus politics, the fundamental changes in the bases of institutional support for each party, *changes exacerbated during the past eight years*, coupled with the two-way interests fostered by the relationship, mean that the gap between the two parties in economic interest is wider than ever. This militates against the ability of the Thatcher era to survive any future election of the
Labor Party, or of a Labor/"Alliance" coalition, while rendering such a possibility less likely in the short-term. The changes in both parties have been long-term but the shifts in the economy which have taken place in the past eight years have had important ramifications for each.

The ability of the reforms carried out during the Thatcher era to outlive both the tenure of their instigator, and those of her supporters in the Conservative Party, depends on many factors chief among which include the length of time that the party holds office, and the nature of the opposition which replaces it. It is therefore of some relevance to examine the political developments, such as they are, in the electorate (dealt with more fully in the next Chapter), and among the political elite. It is not possible to predict future developments in the parties with any certainty (who would have predicted Mrs Thatcher's succession?), much will depend upon who succeeds her, and it seems obvious that it is easy to fall into the trap of exaggerating the impact which she has made on the nature of the party elite. Nevertheless, a test of the endurance of the new orthodoxy in the Conservative Party is provided by the degree to which the Conservative Party and the opposition are prepared to accept its major tenets. The success of Thatcher in eliminating the voices of discontent within her cabinet should not prevent the recognition that there are factions within the party which continue to reject her approach, if in highly muted fashion.

This chapter will consist of a brief examination of the changes in the Conservative Party represented by the extended tenure of the Thatcherite wing, and the impact of it. These will have resulted from changes in British society in recent years, changes which, in part, reflect the emphases placed by the government on the way in which the economy should respond to the economic decline. Thus, the shift from manufacturing industry to the service sector encouraged by the government, coupled with the increasing north-south divide in the country, politically and economically, has created a more centralised, more City-based party. The 'ruling class strategy' Marxist theories would argue that changes in the economy are inevitably going to lead to a modified ruling class to reflect the changing nature of the economic base which sustains it, and from whose wealth-creating success it draws its legitimacy. It is important not to exaggerate these changes, but they are a useful corollary both to the sociological, and psephological, class dealignment theories.
more usually applied to the changing electorate, and the embourgeoisement theories recently applied to the Labour Party activists (see, for example, Gordon and Whiteley).

I intend to examine personnel changes within the Conservative Party, and attitudinal changes, or those related to policy choice, in the Labor, and other opposition, parties. This applies particularly to the response of the opposition to the more radical of the policies introduced by the Thatcher administrations towards the economy- the trade union reforms, the new emphases in industry policy, including deregulatory policies in The City and, to those policies designed to foster the interests of the growing constituencies in the electorate. I will begin with the Conservative Party, before referring to the opposition.7

5.1 A 'New' Conservative Party?

My party, the Conservative Party, was not a party of business...We were an agricultural party, in the old days a Crown party, and didn’t understand business (Keith Joseph, Quoted by Grant/Wilks 1983)

The change in the economic base reflected in the decline in the manufacturing sector seems to have followed the decline of the 'leisure class'. From a ruling class which attempted to separate itself from the grind of industry, the emergence of the de-industrialised, post-industrial society has seen a shift in the nature of employment and work patterns to one in which,

much useful and productive activity has been removed from the reach of the people...Whereas at the turn of the century the mark of the leisureed was that they emphasised their distance from the industrialised processes, now it is the industrious processes themselves that have withdrawn from the daily experience of the people...The work ethic, far from having been discarded, has merely been reshaped by the rich for their own purposes; not, this time, to serve as a model of iron discipline to the workers in industry, but as a decoration, an impressive and plausible facade for themselves, which will conceal the uselessness, or even the downright noxious nature, of their avocations...It is no accident that the rich show a hitherto well-concealed talent for making great public display, not of the idleness and vacuity of their pastimes, but of their functional and indispensable role in society, their exhaustless devotion to work, the seriousness of their purposes (Jeremy Seabrook 1987 p13)

7 It may seem strange not to cover the Liberal Party and the Alliance configuration. In many respects their removal from this chapter and from much of this paper exaggerates the idea of a rigid dichotomy which is less prevalent on a local level in British politics than parliamentary affairs would suggest. However, in terms of practical, governmental politics for the foreseeable future, the third party is of considerably less interest than its electoral vote would suggest. If it could actually hold the balance of power that would be open up a new range of possibilities. These are, however, beyond the scope of this paper.
There is a certain link in the images offered by Thatcher—of “individualism and consumerism”, the Algeristic notion of work as an opportunity for self-promotion and aspiration - and the shift to the impalpables offered by the service industries.

Thatcherism has succeeded in associating collective state provision with uniformity, inefficiency and the denial of choice and self-improvement, whilst private provision through the market has become associated with variety, efficiency, choice and self-sufficiency (Charles Leadbeater, Fabian Pamphlet 1987 quoted by The Guardian 11.9.87)

In this respect it has changed, from an ideology which preached the need for abstinence and ‘graft’ to an evocation of the gains to be had from dynamism based on self-interest -the joy of labor and acquisition, the triumph of expectation over community.

The Conservative Party has targeted that element of the electorate which has, for Charles Leadbeater, always had its expectations- guiltless aspirations- in the desire for success in the market- a “culture of affluence” where the ‘black economy’ provides the opportunity for advancement: the affluent working class.

Thatcherism does not just offer continuing economic rewards for the affluent working class, it also offers legitimisation for their aspirations. Aspirations are not just an expression of desire. They carry with them a sense of what is the good life. Many of the aspirations of the new working class have been formed by Thatcherism. A vote for Thatcher was a vote for a stable, predictable social framework, in which they could continue to have a rising social status (Leadbeater 1987 p10).

The Thatcher-led Conservative Party has nurtured this interest through its denationalization programme.

The changes within the Conservative Party have been carefully monitored by the Labor Party in the Labour Research publication and, in terms of Members of Parliament by Andrew Roth. The details uncovered, like the best conspiracy theories, combine a mixture of fact with skilful use of association, thus the annual Conservative Party conferences, which do not have the policy-making element found at the Labor Party ones, and where “the platform has not been defeated for more than a decade” [Fact] is compared with that of the Soviet Communist Party [far-fetched association!] (Labour Party Research Dept. 1985). And so, the Conservative Party receives the bulk of its donations from the multinational corporations which have benefitted from their period in office. Quid pro quo.

In 1983-4 just over 30 companies accounted for nearly half the total amount donated to the Conservative Party. The overlap between who gets political honours and which companies give the Tories money seems to be growing. The drive to privatise local council and NHS services has come at the same time as a massive increase in donations from companies who are tendering for these contracts.
The Tories claim to be the party of proper housekeeping and standing on your own two feet. But when it comes to their own finances, their scruples fly right out of the window (Labour Research Dept. 1985 p200).

The criticisms of the government do not come from only their political rivals. The charge that there is an anti-manufacturing bias inherent in the organs of the state has been made by others (see Wilks 1986 and Hall 1986). The growing divergence in interest between the domestic manufacturing industry and the multi-national service sector makes any shift towards the City by the Conservative Party more serious. In spite of the exaggerated terms used, it is clear that the Tory party has become more City focussed. In the recent uproar involving Guinness, a multinational which has grown enormously in recent years, in part because of measures introduced by the government, the Secretary of State for Trade and Industry was unable to speak on the subject because it was the family firm, while his deputy was unable to speak on Lloyds. Earlier this year some 62 Conservative Party Members of parliament (MPs) were members of the Lloyds insurance market, fifty-four were either directors or advisers to City companies, eleven former Cabinet ministers were employed in the City, eight current members of the cabinet had been in the City beforehand. The City link was compounded by the fact that over a quarter of donations to the party were from City firms-banks and the like, not including the multinational. The 1987 election saw 53 new Conservative Members elected, including 17 company directors, making 122 in all. Three were merchant bankers, making a total of 14. These figures suggest a shift, though the evidence of an increase in nouvelle-riche conservatives is hard to find, with two-thirds of the new Tories having received a public (fee-paying) school education (and 71% of the Cabinet), and nearly two-thirds an Oxbridge degree (though this did represent a slight fall). In terms of broader affiliations within the service sector 31 Conservative MPs (and only one Labor Member), were, in February 1986, directors or consultants to public relations firms or lobbyists.

In terms of financial contributions to the party, these ebb and flow depending on the proximity to an election. Between December 1985 and March 1987 donations totalled over $3 million, compared with some $100 000 going to the Alliance parties. And the Labor Party? A single donation, from a party which gave more to the Conservatives, of $526. (These figures, and the ones preceding them were all gleaned from the publication Labour Research).
In terms of specific policies it is impossible to say what influence the City connection would have had. Does the low selling price of the denationalized industries reflect a new acquisitive nature in the party. Certainly 91 Conservatives, and 34 of their spouses bought shares in British Telecom, and 124 British Gas shares (only three Labor MPs joined in). Does this imply some sort of conspiracy. Not as such, after all, the trade union dominated Labor Party has often found itself in opposition to the wishes of the union movement, though it seems unlikely that any Conservative Government in the near future would introduce measures designed to discriminate against shareholders. That Conservative MPs should invest money is nothing new, but it is the extent of the involvement which is so significant. Perhaps it is healthy that so many politicians find themselves with a direct stake in the well-being of a sector of the economy, particularly one of such importance strategically. But given the nature of the financial services sector, the fact that it is skewed so heavily to the south-east, and with so few connections to the rest of British industry, the dominance of one constituency, has ramifications for the economy. If a more formal connection between the manufacturing industry and finance could be effected, as it has overseas, then Tory members would have an enhanced interest in the economy as a whole.

That this is unlikely to occur, indeed the globalisation of the City, and the increased investment overseas makes the City less concerned with the health of manufacturing than before, means that the dislocation in the economy and therefore, in the political culture, can only increase. The Alliance would provide a bridge between the two, but providing a scenario in which this could take practical effect is less than easy. If it could be shown that the Conservative Party could benefit from an explicit change in direction towards appeasing the unions, the regions from which they draw their strength and towards the voters who chose to support the opposition parties in the last election, then one might expect a more consensual nature of micro-economic policy making. This does not seem likely given the ability of the Government to win elections without them, and with dwindling support in Scotland and other areas in the north. The recent decision to appoint a minister for the inner-cities is interesting in this respect, though this seems to represent a more aggressive approach to those local governments which have helped to disturb the governments plans for public spending, rather than evidence of a change in government priorities.
If the Conservative government has fostered a particular interest, the Labor Party has also been evolving. If the Tory shift has not harmed its electoral appeal (though the City is becoming increasingly unpopular politically, even as it prospers), the changes in the Labor Party are seen as damaging its electoral appeal. One measure of the success of the Thatcher government's record is the widespread belief that the Labor Party will never gain office again without coming to a procedural arrangement with the centre parties. (see for example The Nightmare of the Left Editorial in The Political Quarterly July 1987). This belief in part reflects long-term analyses of the traditional sources of the party's decline, a return to the 'embourgeoisement' thesis of the 1950s. The impact of the recent years of Thatcher is harder to judge.

Gamble has pointed out that "Thatcherism has polarized British politics and given a tremendous boost to the left" (Gamble 1985 p209), but this appears to be the left of the Labor Party and not latent leftism in the electorate. At least not in terms of voting. One paradox of recent opinion polls is that there has been less support for the position of the government on key elements of its policies—towards public services, towards the unions, and towards its style, while support for it has grown. This provides trenchant support for the idea that it is a combination of unfavorable demographics and an "image" problem which lies at the heart of the Labor Party's relative unpopularity.

5.2 Realigned Labor, or Realigned Left?

Following the humiliation of their third consecutive election defeat, a debacle which could not, unlike the previous two, be blamed on such ephemeral factors as the winter of discontent, the Falklands and Foot factor or a poor campaign, the Labor Party began to subject itself to a rigorous self-examination, examining specific policies from its manifesto, and so on. The continuing failures
Table 12. The Labor Party's share of the electorate, 1951-83

<table>
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<tbody>
<tr>
<td>Labor % of electorate</td>
<td>40.8</td>
<td>36.4</td>
<td>35.3</td>
<td>34.6</td>
<td>37.2</td>
<td>31.6</td>
<td>30.0</td>
<td>29.3</td>
<td>28.0</td>
<td>20.0</td>
<td>23.2</td>
</tr>
</tbody>
</table>
of the economy, the enormous and continuing level of unemployment, the unpopular Prime Minister, and the health service thought to be in danger of imminent collapse, all seemed to offer the chance to unseat the incumbent in June 1987. The defeat of a Labor Party armed with a popular leader, with the boredom factor which tends to make the opposition a more interesting prospect than the office-holder, and a highly efficient campaign, needed to be explained and the lessons learned. This process has to a degree involved the acceptance of the thatcherite rhetoric. The party faces a strategic problem, however, which has been exacerbated in recent years. Some of its difficulties concern topics of little interest here, including defence policies, the support for the Alliance and personality clashes. However, in terms of this paper the party faces the following challenges:

- The decline in the size of the manual labor and manufacturing industry-based working-class;
- And the decline in class-consciousness within it;
- The increase in power within the party of the, electorally unpopular, 'urban left';
- Popular support for measures such as council house sales which require painful amendments to party policy;
- The increase in the salience of short-term, egocentric, economic determinants to voting behavior, and the decline of altruistic considerations.

5.2.1 The Declining, and Changing Working-Class

What do you say to a docker who earns £400 a week, a new car, microwave, and video as well as a small place near Marbella? You do not say let me take you out of your misery brother (Ron Todd, Transport and General Workers’ Union President).

The fact that the social basis of Labour voting remained in 1979 similar to what it had been fifteen yearly before means that the decline in the size of that social base led to a decline in the number of
people voting Labour. It does not mean that new supporters could not have been found to replace those who had been lost (Franklin, 1985 p81).

With the core constituency of the Labor Party declining, through the reduction in the number of manual workers in large, unionized plants (see chapter 4), it is felt by many that the party needs to make explicit appeals to other constituencies. For some these have included other minorities, ethnic minorities, gays, pacifists and so on, to create a 'rainbow coalition' of people disadvantaged by the Conservative government. This seems to have had the effect of alienating the working-class which the party had to retain. The previous attempt to use new ideas to appeal to new interests concerned Wilson's 1964-70 administrations which emphasized growth, the white heat of technology, the idea of industrial regeneration (Crewe 1986 p637). There is no question than that the working-class has declined in size. If defined as manual workers its share of the electorate fell from 61% in 1964 to 50% in 1983 and, as 'rank and file manual employees', from 49% to 34% (Crewe 1987 p633). The reduction in the size of the traditional Labor Party constituency has been stressed, for the most part, by those who argue for a change in approach by the party towards attracting new supporters. (Heath et al's attitude is rather different), though like other sociological accounts, it fails adequately to explain why attitudes should change so quickly while the class structure changes so slowly. (For example, the baby bulge in the early 1960s meant that the proportion of first time voters, traditionally more inclined to vote Labor, increased in 1983 and 1987 over previous elections. But this would have been part of a trend, not a sudden change).

Since the Labor Party had won four of the previous five elections and had been ahead in opinion polls consistently for periods after 1979, it is too sweeping to credit its lack of electoral support to demographics, even if class remains an important determinant of voting behavior. That said, however, the economic policies of the Thatcher administrations had served to render this element of Labor's problem more severe. The squeeze on the economy in the first part of the first term, the rationalization in the public owned corporations often encouraged by severance pay to be used to set up self-employed businesses, and the introduction of measures designed to weaken the trade union movement, all helped to increase the changes in the employment pattern which had happened during the whole post-war period, and before it. The Labor Party was suffering from

Thatcherism, The Changing Economy and Changing Interests 82
measures which, given a simple reward-punishment model might have been thought likely to benefit it.

The problem would not have been as severe if the party had been able to win increased support from the working class. Unfortunately it was not able to, again for reasons which are in part long-term, and in part attributable to the industrial policies of the Thatcher administrations.

Had Labor voting remained as far above the predicted vote [derived from changing social characteristics] at the time of the 1970, 1974, and 1979 elections as it was in 1966, then the decline in the basis of Labour voting would still have left Labour with more voters than the Tories, all other things being equal. It seems probable that 1983 also saw loss of votes in greater numbers than the declining social vote can account for (Franklin, 1985 p81).

There is an exhaustive literature on this subject, one recently enlivened by the argument about whether class dealignment has, in fact, occurred as everyone had assumed. (Heath, Jowell and Curtice How Britain Votes, 1985). Their argument is that short-term political factors revolving around the Labor Party caused a temporary switch to the Conservative Party in 1979 and 1983. Also, too much attention has been paid to absolute support from a class, and insufficient to the situation in which a party’s relative support from one class has fallen compared with that from other classes- thus, Labor has not lost support from the working class faster than from the other classes (Harrop in Drucker et al 1986 p39). This will be examined in more detail in Chapter 5.

For the moment, it is simply worth noting that Thatcher’s economic policies have undermined the cohesion of the working-class and those who regard themselves as such. The trade union reforms had the impact of pitting union against union, such as in the recent controversy over single-union agreements, and in the newspaper industry, and inter-union disputes, such as that which has rent the miners’union. The sales of one million council houses, and the encouragement to workers in newly privatized industries to buy into their company have also played their part. The increases in wages for those employed, a side effect of her policies, and partly bought at the expense of those who lost their jobs, has also led, in some respects, to the situation suggested by the reference by Ron Todd to affluent workers, and alluded to at the start of the chapter, the affluent working-class,

It is unashamed, brassy, determined, full of energy and extrovert pleasure- and comes without a trace of guilt...The gains of recent years, a steadily rising income, home ownership, easy credit, are too insecure, the list of aspirations yet to be fulfilled too long, to allow guilt...This affluent working class has been at large in the ranks of share buyers and homebuyers. It has wrought social change through Ford Escort convertibles and compact discs rather than the dour task of revolutionary struggle. Why vote for a politics with traces of the former, when you can have the former. Support for Tory policies has been built into the fabric of the world they have created. Labour's policies may have been
modernized and refined as instruments of change. But Tory policies have never been entirely instrumental. They are also constitutive. For many in the affluent working class, their status must be inextricably wrapped up with Mrs. Thatcher’s politics. She has created a world in which they thrive. Labour has been left behind by this culture of individualism and consumerism. But it is paralysed in the face of the economics which underpins it. (Leadbeater 1987 p10).

This long quotation is describing a mass of changes in a superficial manner, but I believe that it is also concerned with fundamentals. By looking at the working-class, which still regards itself as such and which, in all (untestable) probability continues to agree that, yes unemployment is the main problem facing the country, and that, yes, more should be spent on the health service, while not supporting the party which most consistently voices those beliefs, Leadbeater sums up the reason why the Labor Party has declined, and why the Conservative Party has prospered, over a period, but particularly during the last eight years. Why this should be more manifest in voting behavior and less in opinion polls is an intriguing phenomenon.

The Urban Left and the Labor Party: In the 1987 election the Conservative Party’s share of the vote fell by 0.1% in the United Kingdom as a whole, but grew by 2.6% in Greater London. This increase happened in spite of its unpopular decision to abolish the Greater London Council after the 1983 election. The Labor Party saw its share of the vote increase because of the decline in the Alliance vote in the capital. However, the failure of the Labor Party to gain support, it actually found itself with three fewer seats in 1987, was blamed on the activities of activists on the left of the party who alienated its traditional supporters with the more ideological, and less populist, nature of their appeal. This suggests the problems facing the party in providing a united front. Even after the lauded 1987 election campaign, with 37% arguing that the party is extreme (admittedly down from 42% in 1983), and 46% that it was divided, the impression of incompetency was created. Party image is, then, important.

Its difficulty lies not so much in the merits or demerits of the particular policies it espouses, as in the overall impression it gives of extremism, division or competence (Curtice 1987b).

Again, the particular approach adopted to the economy by the Thatcher administration, has made the prospect for Labor Party unity harder to achieve.

The adoption of policies towards the trade unions and elements of privatization which marked the points of ideological conflict for the Labor Party, the Conservative Party was able to exploit.
splits within the opposition. (The question of defence policies was also important in this respect). These were particularly evident in 1987. The opposition was forced by its internal structure to adopt policies towards the unions which were unpopular, and towards the newly privatized industries which seemed implausible. With public opinion apparently switching away from privatization and union bashing, the Labor Party may begin to benefit in this area, as long as it carries its internal debate in relative secrecy.

Short-term egocentric economic determinants of voting: The ability of the chancellor to reduce the basic rate of income tax by 2% in the budget shortly before the 1987 election may have had a significant impact. This will be dealt with more in Chapter 5, but for now, the Labor Party may have suffered from the difficulty faced by all opposition parties when the government is able to announce good news. Sanders et al (1987 p301), refer to the uplifting effect of the 1982 budget on the level of support for the administration, an effect enhanced by the previous unpopularity. The decision of the chancellor to reduce taxes at a time when opinion polls found a large majority in favor of any surpluses going towards public spending, did not, it seems, harm the government. The Labor Party promised to cancel the reduction and promptly lost support. As Mondale seemed to discover in 1984, voters might like honesty, but prospects for tax increases are better left unsaid. Similarly, opinion poll evidence of weakening voter opposition to tax increases should be taken with a pinch of salt.

The opposition is always going to suffer from short-term improvements in the economy, when they are manifest in generous budgets,

Eight of the past nine election elections have been fought with lax fiscal policies, so the election winner has promptly had to do something nasty. With a pre-election budget that gave away only half what it could, Mr Lawson has interrupted a pantomime that has run for nigh 32 years (The Economist 3/21/87 p49).

In 1987 when, by all accounts the economy was enjoying its best period for many years, a prudent budget, but one in which income taxes could be reduced, and duties on alcohol and tobacco frivolously pegged, would be likely to appeal to everyone. The 1987 budget won more unanimous praise than any in recent years. That such a budget was possible seems to have been large part fortuitous for the government, and unlucky for the opposition forced to make jibes about a 'bribes
budget. With unemployment also beginning to fall, again with almost miraculous timing, the economic benefits to the government were maximized. Thus it was able to benefit from both enhanced expectations and an improved common evaluation of the economic situation at the time.

The economic arguments, helped by the power of momentum, were therefore, in the crucial months before the election, able to be made by the government, even towards unemployment and taxation, areas in which it had conspicuously failed to honor its 1979 election pledges, and for which it had previously lost support.

5.2.2 ‘Must Labour Lose?’

The analysis above suggests that the Labor Party faces a number of challenges, but that some of the problems which bedevilled it in 1983 and 1987 are of short-term nature. First, it will probably benefit from some of the shifts in attitude expressed in recent months by the electorate. For example, with the unions recovering some popularity, they will prove less of a liability to the party than in either of the three earlier elections. The amount of change needed to the party’s main policies is hard to judge. The defence policy eventually adopted is unlikely to ever be as popular as that of the Conservative Party, but unpopular policies have not, on their own, precluded a party from being elected.

The deterministic interpretation which blames the declining size of the working class for the dwindling vote for the party seems to be persuasive, but, even with the evidence of three elections, it is hard to give a definitive explanation, let alone a prediction, and with the decline in class voting, structural changes may not be useful indicators.

The ‘image’ questions with regard to extremism, and unity have acquired an air of permanence, and the leadership needs constantly to reinforce the humiliations of the past three elections. These concerns are important, and the danger is that the party will again be taken surprise by the probable surge in support for the Government before the next election. This issue is separate from that which concerns this paper however. Much will depend upon the ability of the government, possibly
without Thatcher, to continue to give the impression of boom which so benefitted it in 1987. It is unlikely that unemployment would be a major factor, but there are many potential hazards ahead, and the tory image of competence may not last indefinitely—indeed one can almost guarantee that it will not.

5.3 A Parliamentary Dislocation

The above discussion sought to examine the impact of the Thatcher era on the nature of the two parties which have dominated the political agenda since the war. The Conservative Party as represented in Parliament, appears to have retained its elitist membership even as its electoral appeal has spread to a much broader constituency. Its links to the City have been tolerated while that sector, as unpopular as ever has continued to thrive. A downturn in the fortunes of that sector of the economy, especially if combined with political scandal, would be extremely damaging to the party, alienating those elements, including the affluent working-class, which have found an appeal in its message. The Conservative Party, which has often been characterized as extreme by its opponents and, in an infamous BBC broadcast it was suggested that some of its Members of Parliament were gripped by fascist beliefs. These ideas have never been fully substantiated and, if the popularity of Enoch Powell and the tighter immigration laws is anything to go by, such charges are not an electoral liability. However, the idea that the party can remain aloof to charges from its opponents that it is composed of an elite which is completely out of touch from the rest of the population, charges which become substantially more reasonable as the party becomes more and more attached to the City, may be incorrect. The recent debacle about having a party chairman who might also have had responsibility over the government's policy on monopolies and mergers, and the damaging split over the Westland helicopter sale at the beginning of 1986, both indicate that the party is by no means immune from public scrutiny. Eton-educated members of the Cabinet are less of a problem than the lack of a proper cross-section of representation. With the conserva-
tive landslide in 1987 achieved with the lowest proportion of the votes since 1923, the party seems to be in a more precarious position than its electoral success would suggest.

The Labor Party is increasingly composed of an Oxbridge educated elite keeping together a party who's mass membership has declined dramatically, even faster than that of the Conservative Party. That it has as few links with the City as the Conservative Party has with the TUC, even though that part of industry is so important a part of the economy, and potentially offers much more, is very noticeable, if a neglected area for research. Together with some of its policies it means that the party will face a rapidly worsening economic situation if it ever appears to be approaching victory, a situation which the government will be able to pin on to the opposition.

For all the talk of a new consensus being achieved because the Labor Party has adopted some of the more Thatcherite policies, the more interesting observation seems to be the way in which the electorate is increasingly rejecting the policies of the government (see Clarke et al 1987 unpublished), and the interests which that government is fostering. A new consensus, around the reforms of the Thatcher administration, is also unlikely when the parties remain so implacably opposed to each other. The economic policies have done little to effect any reduction in the schism which runs through the House of Commons. In a country which is increasingly divided between North and South, between rich and poor and between different sections of the economy, this is hardly surprising. For the Conservative Party, the dangers of allowing itself to become so attached to one sector of the economy is that it may alienate those people which have enabled it to win the last three elections- the 'natural' supporters of the Labor Party. The Tories may have allowed the success of recent years to blind it to the needs of a competitive party needing the support of at least forty per cent of the popular vote.

It would be wrong simply to compare the recent win with that of the Liberal Party in 1906, shortly before its demise, because the circumstances are so very different. However, in 1981, when the Conservative Party was lying in third place in the polls, it did not seem so impossible that the SDP might sweep the south-east of the country and take over the Tory constituency. For the Conservative Party to allow itself to become complacent with an electorate as volatile as the British one, would be dangerous. The economic changes in recent years, and the reaction of the party and
its elite, have given the Conservatives a boost which may not last. The state of the economy, the changes in its structure, and the success of the Conservative Party are as interrelated as those with the Labor Party.
6.0 Public Opinion: A New Constituency?

Mrs Thatcher has been able to promote the ethic of individual wealth acquisition through the spread of share ownership and owner occupation. And all of this has occurred against a background of rising affluence, at least for those in employment and particularly in the booming south. Not only does there not appear to be a "Thatcherite Consensus" amongst the electorate, but equally no evidence of since 1983, at least, of a movement in a Thatcherite direction. If anything, the opposite has been true, with support for further privatisation falling from a half to a third while welfare state spending has become more popular. The trend to the right, which did occur in the seventies, appears to have halted (Curtice 1987b p12).

The preceding chapters have examined the idea that there was a decline in confidence in the late 1970s among the electorate and the political elite, which manifested itself in the desire for an alternative style of leadership. It was to come not from the Liberal Party nor, and this is hardly surprising, from the alternatives offered from the communist left nor the fascist right. It came from the Conservative Party, one which offered a more robust approach to the declining economy, and to the problems as they were perceived at the time - notably inflation and strikes.

This chapter is very necessary as an explanation of parts two and four of the following step by step summary of this paper:

1. Thatcherism and the government which introduced it demanded to be judged as the cure for the economic decline;

2. The voting behavior of the British electorate is determined, to a significant degree, by economic conditions and considerations;
3. The British economy has not improved;

4. Thatcher wins three elections in a row, with a substantial lead over her rivals, in spite of relative personal unpopularity, and the marked unpopularity of many of the most important tenets of her program and leadership style.

6.1 The 1987 General Election Result

The result is a chilling one. For those who argued that the 1983 victory was the result of the poor leadership of the Labor leader, coupled with the Falklands factor, and that unemployment and all of the traditional economic indicators would have got her otherwise. The first two factors were absent in 1987, and the last set were, on the whole, only slightly improved. A plot of the trends in support for the parties, in Table 14, suggests that Thatcher was lucky, in that the election occurred at the end of a parliament in which the government was running behind the Labor opposition for much of the time.

This paper does not include a model or an empirical analysis of the impact on voting behavior of the Thatcher administrations. This is for two main reasons. First, it has concentrated on the second term of office, for which data is not widely available. Second, it is not yet clear which mode of statistical analysis is the most appropriate. There have been several recent examples of papers coming to dramatically different conclusions in spite of the availability of seemingly conclusive evidence. The relatively violent debate between Ivor Crewe (Crewe, 1986), and the authors of How Britain Votes (Heath et al, 1987), centers around the very central question as to the extent of the decline in class voting. An important recent paper on the impact of the Falklands War on support for the Conservative Party during the first term, (Sanders et al, 1987), has argued that it gave the Conservative Party a boost of only some 3%, and for only three months. How can this be equated with the analysis which gave the Conservative Party a long-term boost of 16%? In short, it cannot.
Table 13. The 1987 General Election Results (Change from 1983 in parentheses)

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<tr>
<th>Party</th>
<th>Seats</th>
<th>U.K. Vote</th>
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<tbody>
<tr>
<td>Conservative</td>
<td>376 (-17)</td>
<td>42.2 (-0.2)</td>
</tr>
<tr>
<td>Labor</td>
<td>229 (+20)</td>
<td>30.8 (+3.2)</td>
</tr>
<tr>
<td>Liberal/SDP</td>
<td>22 (-1)</td>
<td>22.6 (-2.8)</td>
</tr>
<tr>
<td>Welsh/Scottish</td>
<td>6 (+2)</td>
<td>1.7 (+0.2)</td>
</tr>
<tr>
<td>Others</td>
<td>-</td>
<td>0.5 (-0.1)</td>
</tr>
<tr>
<td>N.Ireland</td>
<td>17</td>
<td>2.2 (-0.3)</td>
</tr>
</tbody>
</table>

CONSERVATIVE AND LABOUR POPULARITY, JULY 1983 - APRIL 1987

Source: Gallup Monthly Surveys

Tory Popularity
Labour Popularity
Miller (1986) has recently described the very real problems faced by those seeking to demonstrate the degree of influence made by the economy on voting behavior who use time-series, and other empirical techniques. The difficulties can be overcome, but I reserve the right to come to conclusions about the reasons why voters have continued to support Thatcher without an original model of my own.

6.2 Bases of Party Support

The progressive post-war partisan and class dealignment has increased the volatility of the electorate and left voters more prepared to be swayed by a greater variety of influences. This trend has been charted in a now voluminous body of literature (see for example, Franklin and Mugham 1978; Sarlvik and Crewe 1983; Clarke et al 1986). One recent study, reexamined the question of the impact of the party leaders on support for the parties (Graetz and McAllister 1987- an impact which, pace their findings, is likely to grow because of the predominence given to the leaders by the media [see Butler and Kavanagh 1984 p161], and because of the impact of Thatcher herself). Opinion polls have also been credited with exerting an impact similar to the big 'M', or momentum, so sought after in personality contests (see Whiteley in Crewe and Harrop [eds] 1986).

Along with those concerning dealignment there have been many recent papers, including some of those listed above, which have sought to provide models of voting behavior based on macroeconomic conditions. Apart from questions surrounding the basic assumption behind the idea that voting behavior is directly or indirectly influenced by such factors as inflation and unemployment (Yantek 1985, argues that they have no systematic impact), there have been disagreements concerning the specifications of models- the length of the time-lag, the omission of variables, inadequate statistical techniques and so on. Meanwhile Clarke et al, have recently attempted to insert a note of caution, stressing the political, and personal, over the purely economic,
Analyses of macroeconomic conditions can be faulted for failing to consider the impact of political events and political context. The role of parties, political leaders and the mass media in shaping economic and other issue agendas often have been ignored in the specification and interpretation of analyses of party popularity (Clarke et al 1987 p299).

During given time intervals in particular political milieus, contextual factors influence how voters react to economic or other salient issues and transient political factors associated with party leader images and various political events (Clarke et al 1986b p42).

The debate is not, for the most part, between absolutes, but emphases. The recent advocation of an "issue priority" model over the more orthodox "reward-punishment" model seems applicable to the thesis (Clarke et al 1986a). It argues that economic factors affect party support through the intervening influence of party policies (or images). If, for example, inflation rises then, assuming that voters are swayable, that they are aware of both the increase in prices and the policies of the parties, and that they do not in fact welcome the rise in prices, they will transfer their affections, and in some cases their vote, in favor of the party which has most emphasised the need to tackle inflation- even if that party is governing. I intend to return to this topic shortly.

The 1983 and 1987 election victories were achieved against a backdrop of mixed economic conditions, vis a vis those which pertained in 1979, with inflation and unemployment having improved and worsened respectively. It is possible to establish, by use of time series and multi-variate analytical techniques, and suitable opinion poll data, measures of the impact on the support for a party (the dependent variable) of a given increase in, for example, unemployment, as well as the occurrence of political events (independent variables), measured with dichotomous variables. One problem with this type of research is that offers too blanket a description of the electorate. It is all very well to say that, with regard to the 1979-83 administration, 'the Conservatives lost nearly two points (-1.98%) in popularity for every percentage point increase in the unemployment rate' (Clarke et al, 1986a p130-1), in a sample of the electorate, but other factors need to be considered. Apart from the usual problems with survey data there are the problems translating ‘intention to vote’ into the actual voting figures and election results (for example, the unemployed, who presumably were skewed towards the supporters of the opposition parties, even if they were registered [less than average were], and chose to use their vote on the day [fewer than average did], were proportionately more likely to live in constituencies held by the opposition anyway [thus only contributing to a localized, wasted, vote swing] (Crewe 1985 pp189-91).
The overload theorists had suggested that the electoral dynamics in liberal economies were such that no government would risk electoral defeat by allowing unemployment to increase beyond certain limits, and that if they did they would lose (Birch 1984). Unemployment was thought to be a particularly potent economic influence on voting. The Thatcher administration confounded this notion, for reasons which suggest that there is a difficulty with, not only the overload theories, but also some of the political-economic analyses which appeared after the 1983 election. It is difficult to engage in a criticism of empirical analyses without specifying particular problems and without a testable alternative rival hypothesis. It is also slightly unfair. Nevertheless the purpose of this paper is to compare economic reality with political outcome and to suggest that the relationship is too subtle to be measured adequately by use of survey data, except on a very general and superficial level. Indeed the survey data often contradicts the findings.

A recent paper by Professor Robert Solow of MIT, (quoted by The Economist 10/24/87 p23), has suggested that the political success of Thatcherism has rested on the successful, and cynical, gamble that unemployment does not carry a political penalty. Indeed, by offering a resolute approach, and by transferring guilt to other parties, the government may have been able to gain from the woes in the economy. Mosley has argued the same point- that unemployment per se, is not necessarily a liability, nor is inflation. He argues that voters will tolerate worsening conditions and only blame the government if key thresholds, 'trigger-values' are exceeded (P. Mosley, Images of the Floating Voter, or The Political Business Cycle Revisited, cited by Yantek 1985 p271.)

6.2.1 1983-7 Deferred Issue Priorities?

The issue-priority model put forward by Clarke et al, as applied to the first administration, suggested that, among economic factors, the inflation rate would have a positive impact on support for the government because the Conservative Party was regarded as more concerned with eliminating the problem. It is noteworthy that strikes were seen as having a negative impact on party support, the authors citing the dispute between the government and the Health Service unions. It
seems clear, intuitively, that this particular dispute is highly unusual in being one in which the general public were in broad sympathy with the strikers. For the most part industrial disputes might have been thought to favor a Conservative Government which prepared to confront union power. Analysis of MORI survey data from the last administration's term of office suggests that things had changed. Asked to name 'the most important issue facing Britain' respondents selected unemployment over 60% of the time, in nearly every poll. The only occasions when this dipped below 55% were at the end of 1984 when the miners’ dispute reached a particularly violent period. As strikes suddenly began to be chosen as 'most important' - by 21% of respondents in September and October of that year (instead of the 1%, or less who more normally mentioned it) - support for the Conservative government suddenly improved, before dropping afterwards.

Other occasions when single issues suddenly leapt in importance and affected voting intentions were in October 1986 when the disarmament issue resurfaced and promptly saw a swift fall in support for the Alliance parties, who were split on the issue at their annual conference. Support suddenly fell from more than a quarter of those polled, to 17%, a drop which was never properly regained. When law and order suddenly became the second most important issue, in October 1985, the Conservative Party leapt from third place to first in one month.

6.2.2 Voter Volatility

There is a logic behind these shifts which does not spread to the more rhythmic ebbs and flows of party support. Voter volatility had increased throughout the post-war period, from a swing between elections averaging 1.6% in the 1950s, to 3.5% in the 1960s, and to 5.3% in 1979 (Miller 1987 p149). The effects of the 1980-1 recession, the Falklands war, the birth of the SDP and Michael Foot meant that the 1979-83 period saw unprecedented swings in support, with different opinion polls taken over the eighteen month period from December 1979, showing each of the three parties peaking above 50% and dipping to 26% or lower (Butler 1986 p13). Without the political shocks and the shifts in the economy the 1983-7 period was relatively unvolatile, though the re-
covery of the Conservative support from eight points below Labor in May 1986, to eleven points ahead in the election a year later are noteworthy. The Conservatives were below the Labor Party for more than half of their four year term.

Voter volatility is by no means new, but it is on a rising trend. David Butler (1987) recently pointed out that while there were only three years from 1946 to 1966 in which Gallup found a 10 point gap between the Conservative and Labor Parties. Since 1966 there has only been one year in which such a gap has not opened up, or disappeared. While the third administration has succeeded in retaining its lead in the polls for six months after the election, and has in fact increased it to its highest, it is extremely doubtful that it will be able to hang on to the lead for long- not a single government since 1960 has managed to be in the lead a year after its success. In terms of this thesis, it seems important to work out whether the sudden increase in the level of support for the government at the end of 1986 was a return to its normal, or true level, or a temporary aberration. Was it the product of short-term macro-economic management, or a long-term consensus among the electorate of the justification and efficacy of the aims of the government’s goals in and beliefs towards the economy? If temporary it may not be repeatable, if normal reelection may be inevitable. The sudden shifts seem to swamp all the minor determinants, and so beg an explanation.

Twenty years ago King suggested that at general election time, support for the government became artificially swollen by a surge in short-term popularity which needed to be explained. For opponents of the Thatcher governments this interpretation, that the ability of Nigel Lawson to effect a short-term improvement in the economy helped to ‘buy’ an increase in the Conservative vote at the crucial time, explains the third win. For supporters, and indeed Nigel Lawson himself when he was a journalist with The Spectator during the 1960s, support for the government appears to fall in mid-term because voters do not consider the attractions, or perhaps more importantly, the lack of them of the opposition. A mild disenchantment becomes more important mid-term than at election time. At election time voters become more aware of their dislike of the opposition and rally around the government (Lawson cited by Miller and Mackie 1973 p264).

For Miller and Mackie (1973), early assumptions concerning the impact of unemployment and inflation trends have exaggerated their impact by failing to take into account the idiosyncratic nature
of the government support cycle. They also suggest that insufficient attention is paid to the impact of the mass media, and the way in which economic news is filtered, or screened to the voters. If managed properly by the government, the image of competency is created. They do not go into detail about the nature of the media portrayal which impresses the voter, but clearly the media must be reporting something.

This skill in timing by the government has been credited to the ability of successive chancellors to line up the favorable economic statistics at precisely the right moment, but it is impossible to explain empirically the way in which the electorate swings behind the government when asked to do so. It is as if the voters suddenly become more sympathetic to the incumbent at the end of its term in the same way that the threat of absence usually makes the heart grow fonder. This has not always been the case- in 1970 Heath came from behind to unseat Wilson, and Thatcher herself had a good campaign in 1979 while in opposition. I would argue that the depth of the drop in support and the sudden recovery in the months before the election is a feature of the Thatcher governments' record, and is neither a function entirely of good luck nor of 'election budgets'. It is a reflection of the changing determinants of voting behavior. Macroeconomic conditions are the key determinants, but not in the way previously modelled.

It seems fairly clear that while the rapid increase in support for the Thatcher administration in the months leading up to the election was in part luck, and in part the result of a recovery from the usual bout of mid-term blues, it also resulted both from the explicit appeals to certain key elements of thatcherite economic management, and to the ability of the government to emphasize these at the crucial time. The more traditional economic determinants of voting behavior, particularly unemployment suddenly became redundant.
6.2.3 Electioncraft and Accentuating the Positive

The following analysis owes much to the ideas contained in a recent empirical study of support for the government during the first Thatcher term of office by David Sanders et al (1987). In arguing that the Falklands War had considerably less influence on support for the Conservative Party than previously thought, and previously assumed, the authors have provided an important explanation for voting opinion which reaffirms the idea that public opinion is susceptible to volatile shifts caused by short-term economic factors, and, of particular importance here, ones which are directly manipulable by the government. It is interesting that they should allow their important analysis to be hidden behind an attempt to deny the impact of a specific, if highly significant, event. If what they observe in relation to the impact of objective, aggregate level macroeconomic indices, in 1987 has a wider applicability, then it has implications for governmental practice, or at least provides a psychological explanation for the wisdom of the Thatcher governments macroeconomic management.

Sanders et al, argue that the sudden leap in support for the Conservative Government in May 1982, at the same time that the Falklands War broke out, was a result of the combined effects of various macro-economic factors which conspired concurrently. These economic factors include ones reflecting the state of the economy as a whole- such as unemployment and the exchange rate, and more individual-level variables such as tax-rates and interest-rates. These had an impact on personal expectations, and this egocentric response to the economy in turn affected government popularity.

There is much to be said about this analysis, but of particular interest here are the following elements:

1. The stress given to egocentric judgements about the economy, that is those reflecting individual conditions, rather than ‘socio-tropic’ judgements on the state of the economy as a whole. It is more commonly thought that the latter type is the more important (Whiteley 1984 p395, and Clarke et al 1986 p127). This is in spite of all the evidence concerning the decline in class, hence less interest
in the broad economic situation, and the increase in the rewards to be had for the individual. This 
paper has attempted to argue that a combination of the emphases given by the Thatcher adminis-
tration, the changes in working relations, including the increase in property and share-ownership, 
and the changes in the electorate have all conspired to increase the relevance of egocentric judge-
ments

2. The nature of the economic inputs going into such judgements. This would tend to back up the 
argument of Solow, and others, that unemployment has not been a problem for the government 
in political terms. In terms of egocentric responses to unemployment, for example, the difficulty 
comes when the individual voter feels threatened by the danger of losing his or her job, or has al-
ready lost it. This is more likely to be associated with rising unemployment- static, high rates are 
less of a threat to government support, while falling unemployment, even if modest and from a high 
total, is likely to render the phenomenon even less of a liability. That the main increase in unem-
ployment in the UK occurred during the first two years of the first Thatcher term is probably more 
significant than the fact that at the time of the 1983 election it was three times the level in 1979. 
The more gradual increases experienced overseas are more damaging politically. It is interesting 
that when this matter was debated in the 1960s, while Samuel Brittan argued that it was the trend 
in unemployment which mattered, Lawson regarded the absolute level as the more important factor 
(cited by Goodhart and Bhansali, 1970, p61). It seems fairly clear that twenty years on, Lawson 
was proved wrong, to his great fortune.

3. The emphasis given to expectations of the future rather than to retrospective assessments of 
personal fortunes and government behavior from the past. These expectations are more likely to 
be influenced by the tone of the political debate, and the election campaign (which, of course, starts 
considerably earlier than the formal announcement). This as much as anything else would have 
been influenced by the media coverage.

The impression given then is of an individualistic voters, influenced by short-term economic 
indicators ('good news' stories on the evening bulletin), especially those which impact on hopes of 
future gain. Sanders et al were looking at the 1983 election, but I believe that these ideas are more 
useful when applied to the one four years later.
There are some intuitive problems with the analysis by Sanders and his colleagues.\textsuperscript{8} It is also possible that they omitted additional macro-economic factors which might have been expected to have had particularly strong influence during the Thatcher era. This in part reflects the fact that the study covers the first term, but a measure of the inflation rate on house prices, the stock exchange index and the gap between wage increases and price increases would have been an interesting addition (Miller and Mackie use this one). The first indicator, house price inflation, in a period in which a million council houses were sold, and in which the proportion of those owning their own homes went up to 66\% in 1987 (from 52\% in 1979, and two and a half million people) would become more influential than before. Similarly, with 19\% of the electorate now owning shares, more than belong to a trade union (up from 12\% in 1983), the stock exchange would be of more importance especially with regard to the newly privatized industries. Wage levels are also a useful indicator when they have increased so far ahead of prices (up 21\% in real terms since 1979). These three variables, all of which tend to indicate economic well-being for the country as a whole, actually represent, at least in the first two cases, that is, house and share prices, paper profits for the individual which are entirely built on expectation of future gain. Any model which purports to explain voting behavior in the light of heightened expectations should explain the significance, or non-significance, of such shifts.

This last unintended consequence (that is the increase in wage levels), notwithstanding, the influence of these economic shifts, each bound up in the policies of the administration, needs to be measured. The evidence of the work by Sanders et al on the influence of similar factors, if less pertinent to the period covered, coupled with the evidence that political influences have been under-emphasized in the past (Clarke et al 1986), compared with long-term macro-economic factors

\textsuperscript{8} For example, the explanation for the negative correlation between the exchange rate and support for the government, and the lag of twelve months. They admit the anomaly, a high pound has traditionally been associated with good news and, hence, increased support for the government. The fact that the CBI, the parliamentary opposition, and various commentators complained about the over-valued level of sterling during the first term, does not, however explain the fact that the government now gained support from the electorate as the exchange rate fell. The adoption of a lag of one year for the influence of the value of the pound also seems implausible. The fall in the exchange rate might have, for example, increased business confidence, leading to increases in employment a year later and hence improved the rating of the government, but this is an indirect influence whereas Sanders et al model a direct one.
such as the inflation and unemployment rates, lead this author to believe that the eight years of Thatcher *have* resulted in an electorate which is prepared to extend support to the party which it associates with these improvements, namely the Conservative Party. Thus, for example, by emphasizing the shift to the City, the government has maximised the benefits drawn from the bull-market which persisted for so long. The evidence gleaned from the BBC, Gallup poll taken on the day of the 1987 election is that the affluent working class, and workers in the private sector, voted for the government in increasing numbers in 1987. The latter group could be forgiven for expecting to gain in future years because, if they were still employed, they had seen their living standards rising considerably during the period.

6.2.4 An Election Budget, or a Lucky Accident

The way in which support for the government, and confidence in the state of the economy, grew so significantly in the last few months of the last Thatcher administration almost suggests that new time series data needs to be devised which incorporates a flexible time-lag culminating in the month before polling! This is impossible, but if we are to accept the above then it needs to be shown why macro-economic conditions, or more importantly, perceptions of their likely future paths, whether general or specific, with societal-level or individual-level impacts, suddenly change as the election approaches. Again it seems clear that the Thatcher governments have been able to capitalize. Friendly election budgets, a main opposition which continuously complains about profits and inequality (accentuating the negative, and so lowering expectations), and a government able to suggest that the economy is booming, even when measured with short-term indicators, have all helped at election time. It may also suggest that in spite of opinion poll evidence that more people now favor increases in welfare spending over tax cuts, the Conservative government which spends its surplus on the latter will benefit because of the impression of economic well-being which is engendered. Thus the Chancellor is given the benefit of the doubt for the 'creating' the money available if not for the manner of its dispersal.
In an earlier chapter it was suggested that the reduction in the basic rate of taxation by 2%, and the decision not to increase duties in line with inflation, in the budget of March 1987 had the effect of winning the government more support. March itself is not important because a cut had been predicted for some time. There was an element of surprise created by the fact that the tax reduction was achieved even though oil receipts had fallen along with the price the previous year. With a further reduction promised for the future years, and the opposition forced to admit that it would cancel the cut, the government was able to benefit on three counts—the actual reduction in taxes, the prospect of a further reduction, and the prospect of an increase if it was not reelected. As also mentioned before, the nature of the economic growth in that year was such that the budget was not widely seen as a bribe because the Chancellor chose to forego an even larger giveaway and spend two billion on reducing the borrowing requirement. This pleased the City, which helped to keep the stock market buoyant. As Whiteley has pointed out, while the electorate can come to its own conclusions about the well-being of the economy, “the accuracy of voters’ perceptions in terms of the actual performance of the economy is, of course, another question”.

It seems fair to say that the economy was in the midst of a boom at the time of the election. The electorate can hardly, then, be blamed for supporting the government at such a time.

For support for the government to rest on a confidence which might be as nebulous and ephemeral as that in the financial market, as opposed to real progress in tackling unemployment and inflation, is risky for that administration. The recent fall in the price of shares may affect support for the government among some share holders, and will almost certainly make it considerably harder for the government to attract more virgin capitalists into the market. However, the issue-priority model, applied to the short term dynamics of share prices, might suggest that the Conservative Party would actually gain from woes in the City if voters can be persuaded both that bad news on the City is bad for the whole economy and, through pension funds and the like, for themselves, and that the opposition parties can only make the situation worse. The unpopularity of the City, and the feeling that it is separate from the rest of the economy, described in Chapter 2 does not bode well for the government, but the next election is four years away and, as with the
unemployment rate, the impact of changes in the last months of a parliament far exceeds the impact of the previous few years. Sanders et al suggested that the government received a boost in its poll rating as a result of the 1982 budget not because the Chancellor was now especially popular (indeed his personal rating remained the post-war average), but because it had improved from the depths in 1980-1. The electorate is, therefore, pleased by nice surprises on the macro-economic level, and the government might be advised, therefore, to lower expectations to a point where it will be able to pull something out of its hat at the appropriate moment. The government has allowed the economy to keep expanding since the election and its popularity has increased as a result. It might wish to get the inevitable slump over and done with as soon as possible. All this has very little to do with tackling the post-war economic woes, but a lot to do with 'statecraft'. The government has already achieved a 'hat-trick' for reasons which are complicated and because of factors over which it cannot always exercise control. So, even if one forgets about the long-term prospects for the economy which do not augur well for the government, and the evidence of an increasing lack of interest, and even active objection to, the administration's outlook towards the trade unions and further privatization, and one concentrates on its dexterity in macroeconomic management, the dawning of a new Thatcherite consensus seems to be as far away as ever.

It has been suggested that one problem with the City is that it takes too short-term a view about investment decisions, that it favors those companies able to show profits on the short-term, rather than those which invest for the long-term benefit of the firm. Is the public not similarly rewarding the government for short-term improvements in the economy in the periods leading up to the election (perhaps publicized by a media which also sees capital to be made from printing 'good news' stories), and not for longer-term trends which remain on a downward slope. Short-termism works both ways, and an administration which has already won the right to serve for three, long terms would do well to foster a notion of permanence.
7.0 Conclusion

The British have looked at Margaret Thatcher for eight years. They have heard her and hated her: been repelled by her lecturing, enraged by her unctuous piety, often insulted by her patronising indifference for common concerns. They have run screaming from the room when that familiar face, all anyone under 20 has ever seen as Prime Minister, looms once again on to the television screen. But they go on voting for her. That is the measure of her achievement. (Hugo Young *The Guardian* 6/13/87 p21).

Thatcherism demanded to be seen as an antidote to economic decline. It is not, therefore surprising that it should have been judged on economic terms, like previous administrations. This paper, by attempting to offer an explanation for the electoral success of the Conservative government in terms of its most distinctive policies designed to effect an end to economic decline is therefore concerned with fundamental questions which have been dealt with in great detail elsewhere. (James Alt’s 1979 work is particularly important in this respect). The central conclusion reached is that the support received by the government has not been given because of popular support for the actual policies designed to achieve the renaissance. The Thatcher administration has benefitted from:

- Increases in living standards resulting from wage rises which it regards as excessive, and which its policies were designed to prevent;

- Populist policies towards the trade unions which have not fully addressed the labor market difficulties, nor which have greatly reformed the attitudes within the movement;
• An attempt to spread share ownership to the maximum number, even when this is in contradiction with other policies towards the City;

• An extended bull market in The City giving the impression of boom;

• Reductions in income tax, paid for in part by oil and privatization receipts, but credited with improvements in the economy;

• An increasingly egocentric form of voting behavior which is concerned with individualistic short-term goals and which is based on expectations;

• A divided opposition, its divisions encouraged by the divisive nature of the government's targets, seen as extreme or unelectable which has failed to offer a popular alternative to the Conservative economic policy (in spite of Holmes' comments (see Introduction, the more lasting legacy of the Thatcher years may be its impact on the left, not the right).

• The emphasis given to the service sector at a time when it has suddenly increased in importance, a political, not economic move.

Many of these policies have succeeded for reasons which are partly explained by good fortune. Wage rises seem to have resulted from the preference of managers in sacking employees and rewarding those left behind, rather than from lowering wages and retaining their services. This harmed the government for only the period in which unemployment was rising. The use of privatization receipts to finance reductions in income taxes has been popular, in spite of survey evidence suggesting different priorities among the electorate, because it implies greater wealth creation in the economy. That taxes as a whole have risen for all but the most wealthy has not been accepted. The structural changes in the economy which have reduced the support base of the Labor Party, encouraged by the sudden increase in activity in the financial services sector which has been caused by many factors apart from government legislation.
Non-economic factors have helped· the defence policies of the opposition and the internal splits in the Labor Party and the Alliance, the vaguaries of the electoral system and the careful timing of the elections to maximize the Tory vote, all helped. The sale of council houses, and (using the issue-priority model), perhaps the increase in crime, including that in industrial disputes (such as at Wapping).

The above is not to suggest that the policies adopted by the Thatcher governments will not be successful in the end, or that improvements have not occurred which have resulted from its policies. Deregulation in the City, some elements of trade union reform, the adoption of 'sound money' policies, and so on have complicated impacts which may prove to be beneficial in the end. The shift to services may represent an astute gamble, a successful effort at picking the winners which will bring long-term benefits to the economy and once one of its side-effects- the increased north-south divide- is dissipated by a more mobile labor force, one which will encourage the adjustment in the economy which it has lacked. It does suggest, though, that these measures are not those which have won support for the government. Since the economic problems faced by the country are so enormous and requiring such a long-term solution, suggestions that the government has achieved the economic renaissance to match its electoral success are premature even for those impressed by the recent experience. If a new political consensus has been achieved, though many would argue that the experience of thatcherism has only served to reinforce the continued strength of the butskellism which it was designed to replace, then it is then it must either be that expressed in opinion polls, or that expressed in general elections. These do not say the same thing.
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