

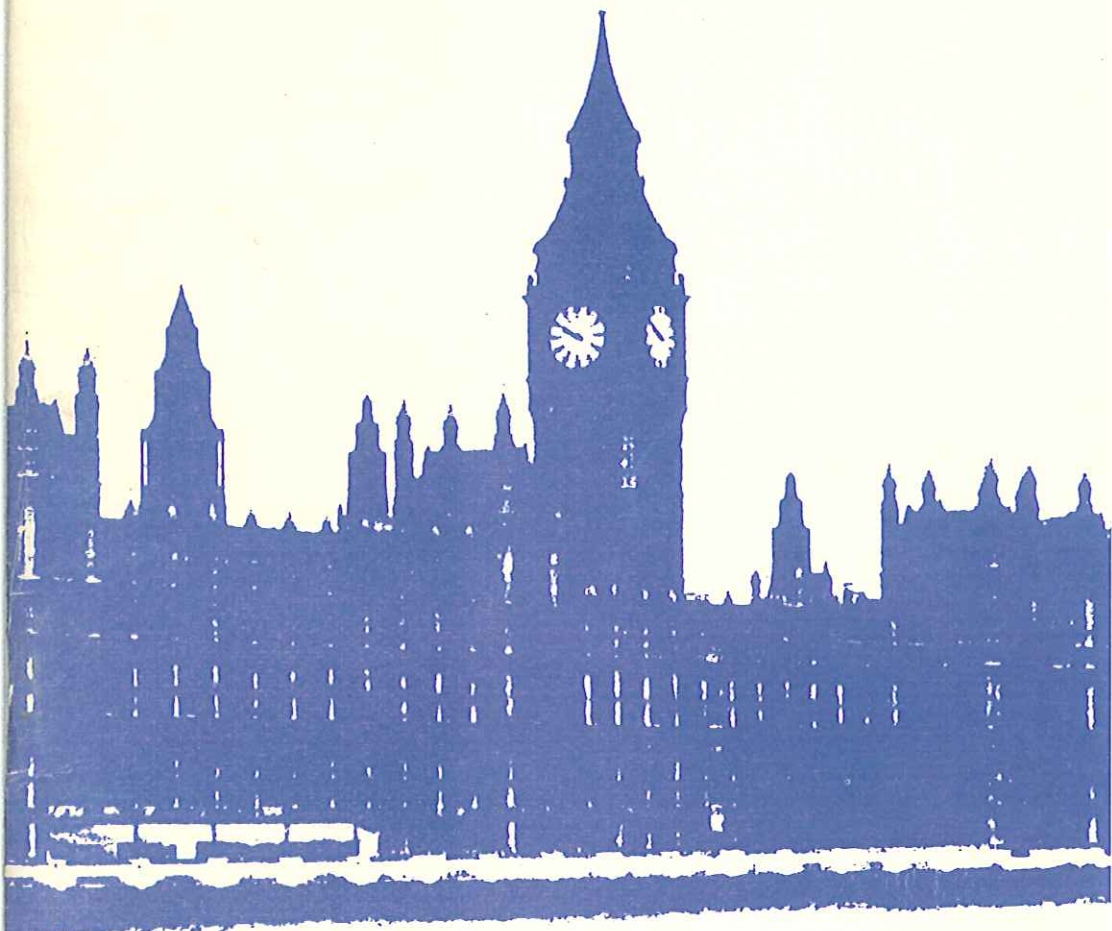


SUMMER ADDRESS

The Unfinished Task

the Conservative record in perspective

Ronald Butt



CENTRE FOR POLICY STUDIES



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The author

Ronald Butt, doyen of *Times* columnists, has during three decades won a reputation for independence of judgement, firmness of temper, and splendid lucidity of style. The Centre for Policy Studies, although never expressing a corporate opinion in any of its publications, is delighted to present his assessment of the political achievements and disasters of the past thirty years, and of the tasks to which the Conservatives should now not hesitate to address themselves.

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The Unfinished Task

The historical background

In a recent television programme about the post-war reconstruction of Britain, a film-clip was shown of Herbert Morrison addressing the Durham miners' rally on behalf of the Labour government. 'This great experiment of socialism in a democracy' he said, 'depends on you.' The words '*in a democracy*' imply very clearly the operative and illuminating point of his remark. He was surely reminding his listeners of the simple but easily forgotten truth that hitherto socialism, in any real and sustained sense of the term, had functioned only in the great communist totalitarian system which operated from Moscow. It had never been put into full effect in a democracy and its success in post-war Britain would depend very largely on whether the trade unions which governed the behaviour of organised labour would let it do so.

In a democracy, Morrison was rightly saying, the feasibility of socialism depended above all on the behaviour of the organised workers (miners and others) in relation to their state-owned and state-managed industries. More generally, the success of socialism in a politically free nation must rely on the attitude of all its workers, indeed of all its ordinary citizens, to a society in which the state and its agents were, with beneficent intentions, the supreme managers of all the basic institutions.

Where he was wrong was in his assumption that the organised miners and other workers could make the system work well simply by wishing to do so. The success or failure of socialism in a democracy depends not on the good-will of the workers but on the nature of socialism itself. The question in the years immediately after the war was whether a system which goes so much against the grain of human nature could be made operable in a society of free citizens, or whether it could function only in an all-powerful state and under maximum political sanctions, with the achievement of many held below their potential so as to ensure the theoretical equality of all.

Most of the political argument in Britain, and elsewhere in Europe, since the war has been about the desirability and feasibility of socialism, or at least of a significant degree of socialism, in a democracy, and neither the achievements of

Margaret Thatcher's Government nor their potential for development can be properly understood without appreciation of the historical background.

In most of Europe, Socialist and Communist parties shared a common background of Marxist theory. Both had the same conception of the ideal state towards which they wished to move, their difference being about means rather than ends. Socialists wished to operate within free democratic systems, and accepted the desirability of gradualism. Communists were revolutionary and absolutist. Nevertheless, both were at times, as in the French popular front, willing to make common cause. The rise of fascism, with all its (by many unsuspected) evils, was the direct consequence of fear that a Communist system was a real danger. That fear was by no means confined to middle-classes defending their own interests.

In Britain, however, the history of the Labour Party was rather different. It had roots in pre-Marxist Christian socialism and non-conformity as well as in Marxist theory. Though its socialist remedies were to prove unworkable and inefficient, its origins were a response to what would now be generally seen as failings and abuses in the old social and industrial order. The Labour Party had been founded by the trade union movement to defend its interest in Parliament, and its approach was pragmatic. In the inter-war years, as the Liberal Party declined and support for Labour increased, the political establishment, and notably King George V and Stanley Baldwin, saw every reason for taming Labour by bringing it fully into the parliamentary system of government, and encouraging it to share in the responsibility of office. They were justified by the way in which Labour leaders in office generally behaved when confronted in a crisis with a choice between national interest and party wishes. From Ramsay Macdonald in 1931, who was willing to split his party and enter a Tory-dominated coalition, to James Callaghan who accepted the terms required by the IMF for financial help rather than take the only other option – a socialist siege economy – Labour leaders have, in the final crisis, chosen the national interest – though, of course, they were often confronted with that difficult choice only as a result of the way their Governments had managed the economy. Implicit in that final choice was their unvoiced

recognition, as democrats, that in the last analysis a fully socialist society and democracy are incompatible.

Nevertheless, it is as well to recall the extent to which even democratic socialists were tempted to toy with the idea that less than democratic means might be necessary for them. After the defection of Macdonald, and the landslide against Labour, the comparatively pragmatic trade union officials generally ceased to sit in the House of Commons, and greater influence fell to extremist doctrinaire (and often middle-class) socialists who were intellectually impatient with the parliamentary system. In 1933, Stafford Cripps contributed to a symposium on the problems of a socialist government (Clement Attlee was another contributor) a chapter on the question 'Can socialism come by constitutional methods?' Cripps concluded that it *could* but was clear that a socialist party could not 'maintain its position of control without adopting some exceptional means, such as the prolongation of the life of Parliament for a further term without an election.' He also thought that an Emergency Powers Bill would be needed on the first day of a socialist parliament to allow all that was immediately necessary to be done by ministerial orders, which should be incapable of challenge in the courts, or anywhere else except in the House of Commons. Similar thinking (by Mr Tony Benn, for instance) is sometimes implied in the Labour Party today.

It was the war which finally established Labour as a democratic party fully fit for government. Attlee and his colleagues had demonstrated their patriotism and moderation by their part in the Churchill coalition. When the war was over, the nation was in the mood for change. It was tired of the Tory Party which had been in office for too long, and was not trusted to bring about the social reforms which, it was widely felt, were now essential to rebuild society on a basis of consent in post-war Britain. The memory of pre-war unemployment was held against the Tories; general support was given to the idea of the welfare state, on the lines suggested by the Beveridge report; no harm was seen in the nationalisation of a few basic industries to provide the investment for their regeneration. It was as a socially ameliorist party and in the tradition which had given wholehearted endorsement to the Liberals in 1906 that the Labour Party was installed in power in place of Churchill's administration.

Assumptions of the 'fifties and 'sixties

In the event, however, Labour's landslide victory in 1945 fundamentally altered the social structure of the country and determined the basic assumptions which were to govern the actions of politicians in all parties for the next twenty-five years. It did not erect a socialist society; there was not time for that in Labour's six years of office. In any case it is doubtful whether anything like a fully socialist system was any longer the real, as distinct from the rhetorical, objective of the Party's responsible leaders. But the very radical changes Labour had made altered the whole shape of politics in a socialist direction since, when its Tory opponents came to power in 1951, they took it for granted that what the Attlee government had done under mandate could not simply be undone, but should rather be absorbed and adapted. That was in accordance with the tradition which had done so much to give stability to British politics. In general political terms this does, indeed, make practical sense. For an incoming government immediately to root up everything planted, under mandate, by their predecessors, would be a recipe for serious political instability. At the least, time must be allowed for what has been done to be sufficiently tested.

When, therefore, the Conservatives returned to power in 1951, they did not simply accept the general principle that there should be a welfare state which ensured the education, health care, pensions and social security of all its citizens, and then change the Labour system to one that fitted their own political principles. They adopted in its entirety the welfare state established on socialist lines by the Attlee government to provide social security 'free' at the point of use for everyone in whatever circumstances, the cost being defrayed overwhelmingly by the Exchequer. (The small insurance contribution only served to nourish a false illusion that the system was insurance-based.) In any case the welfare state was undoubtedly popular. Whatever the shortcomings of bureaucratic management of hospitals and the like, and despite the vicissitudes of services dependent entirely on government funds which are vulnerable to changes in the economic climate, the new system appeared simply as a vast improvement compared with the state of things before the war. There was no way of comparing it with what might have been. It

was just not politically feasible, therefore, for the Conservatives to do anything but accept it.

The Tories likewise assumed that virtually all that had been nationalised must remain nationalised, steel (which had only just been taken into public ownership), being the only exception. Moreover, it became increasingly obvious that most of the industries taken over by the state were declining, which was a further reason for affirming the necessity of state ownership to provide adequate investment. As a result, the monopolistic character of these industries and utilities was intensified and the provision of finance by the Government (even though they were theoretically managed at arm's length), was too often determined by political rather than commercial considerations. It became almost a ruling principle that, regardless of economic criteria, money should be found to finance wage settlements in order to buy industrial peace, or for the provision of unjustified investment to avoid the unpopularity of shutting down uneconomic plant.

Nationalisation had, admittedly, proved unpopular, as had the Labour government's preference for keeping war-time controls to assist its economic management, and the Tories were returned to power to increase economic freedom. They did this by dismantling the controls, re-opening markets and lowering taxation, and putting a stop to further state take-overs. But the basic structural changes had come to stay; the mixed economy with a major ingredient of social and economic collectivism had been born, and was not seriously to be challenged until Mrs Thatcher became Prime Minister.

The actions of both political parties were also governed by the assumption that economic policy must be determined by the Keynesian principle of demand-management in the interest of full employment. In the conditions of over-full employment which characterised the post-war years (in contrast to the pre-war slump in which the theory was first framed), this became a recipe for poor productivity and incipient inflation. During the earlier part of the Tories' twelve years in power after 1951, these dangers were hardly apparent; Britain's European competitors were still rebuilding their war-destroyed economies and our country seemed as yet to hold its traditional lead. These were comfortable years, and at the first sign of rising unemployment or flagging

demand, the government would borrow and spend more to boost the economy. There were occasional protests, as when the Chancellor of the Exchequer, the present Lord Thorneycroft, with his Treasury colleagues, Enoch Powell and Nigel Birch, resigned in 1958 because they could not obtain a small reduction in the estimates for the following year. But they were in a minority in the Party, and the Prime Minister, the present Lord Stockton, was able to shrug off their gesture as a 'little local difficulty', and depart immediately on a planned overseas tour. Thus, the conditions of industrial over-manning (in which disguised unemployment became a charge on private industry), poor productivity and inflation gradually became established.

While, however, the Conservative government was managing the mixed economy on the lines of consensus, Labour in opposition was riven by the question whether it should evolve as a social democratic party, acknowledging the desirability that the mixed economy should be permanent, or whether it should return to a fundamentalist socialism. The seeds of this quarrel had been sown under Attlee. Though the Labour government of 1945 faced no backbench rebellions against its domestic policy, which was rightly seen as a genuine first instalment of socialism. Attlee was confronted with a series of left-wing revolts against the American loan, conscription, defence and foreign policy, with particular reference to Russia. Once Labour was again in opposition, the left became much more aggressive. Between 1951 and 1957 the left for the first time had a really able leader in Aneurin Bevan and the party was rent over German rearmament, essentially a symbolic question. After 1957, though Bevan personally had been reconciled with the moderate leader, Hugh Gaitskell, the party was again split over the demand of the Bevanites (now without Bevan himself) for unilateral nuclear disarmament. After the third successive Tory election victory of 1959, Labour was further split over the wish of the moderate sections of the party to modify its traditional domestic policy – in particular to remove the formal uncompromising commitment to eventual complete public ownership by traditional nationalisation.

The moderate social democratic wing had seen clearly that the electorate would not support a Labour Party offering real socialism. In other words, Gaitskell and his supporters wished,

like the Tories, to function within a broad consensus for the mixed economy, but offering an alternative which leaned more towards collectivism and planning. Above all, Labour's 'social democrats' aimed to move towards a classless society by redistributive taxation, social engineering (for instance, through the comprehensive school system) and economic planning of the mixed economy as a whole. At the Labour Party conference of 1960, Gaitskell was humiliatingly defeated by the left over defence policy, but the following year he succeeded in winning back the balance of power for moderation. That victory for the social democratic element over the deeply embittered left was symbolic of a much wider victory. For the moment, the left seemed routed, its unpopularity clear to everyone. After Gaitskell's death, it was on the basis of the triumph in the Labour Party of social democratic policies over fundamentalist socialism that Harold Wilson won power – in the now classic model of Labour leaders who rise in their party on the rhetoric of the left but in office do their best to pursue the moderate policies of the Labour right which they know alone are able to attract public support.

Failures of planning

In many respects, the Wilson victory (narrow in 1964 but decisive in the follow-up election of 1966), was the logical consequence of the later Conservative years. The Tory government was not defeated simply because of internal dissensions nor because the public had become bored with it, though both were true. More fundamentally, the Conservatives in their last years before 1964 had turned to economic and social policies which, if they were to be implemented at all, would come much more naturally from a social democratic government. In response to a strong wind of fashion at the time, and also influenced by the example of prosperous Gaullist France, the Tories embraced indicative planning, and founded the National Economic Development Council (Neddy), and the short-lived National Incomes Commission to give guidance over wages. An unpopular pay restraint policy (which seemed principally to hit such people as nurses) was introduced as an antidote to inflation caused by too much government spending. The voguish vocabulary of classlessness crept into Conservative rhetoric; spending was high

and the Robbins report advocated a massive and precipitate increase of expenditure on expanding university education. It is not a bad rule of thumb in politics that when a party, in the hope of retaining popularity, turns to a diluted form of its opponents' ideas, it will lose power to them.

When Labour took power under a consummate master of political presentation, Harold Wilson, it seemed that the nation might at last be on the road to a better and more united future. The economy would be planned for growth by both sides of industry sitting down with the Government, and under the auspices of a new Department of Economic Affairs. In the event it did not happen and the Government staggered from financial crisis to financial crisis, as it tried to defend the sterling parity against mounting inflation, and the unions failed to deliver the successive packages of incomes restraint on which the edifice of confidence rested. It is not asserting too much to say that the unions destroyed Harold Wilson's attempt at a voluntarily planned social democracy in the '60s, and after devaluation in 1968, when the Government was obliged to adopt a financial policy stringent enough for the taste of a Tory government, the end of the Wilson experiment was predictable. The Conservatives were returned in 1970 under Edward Heath to do differently, notably to abandon an incomes policy, to reform trade union law, to lower taxation and to deal straight with the nation. In the event, when the unemployment figures rose, they too overspent and had recourse to a statutory incomes policy. Locked in conflict with the unions, Mr Heath appealed to the people and lost. But the electorate showed almost equal reluctance to accept a Labour Party which was closely involved with union aggression. It protested by means of the large Liberal vote which produced a hung parliament, but which also made Labour the largest party. Harold Wilson again formed a Government and the second election in 1974 gave him a bare majority. But this was eventually lost in by-election reverses. Labour was able to govern between 1974 and 1979 by at first avoiding definitely socialist legislation which might unite a fragmented opposition against it, and then, after the loss of the small majority produced by the second 1974 election, by means of the pact with the Liberals which James Callaghan (Wilson's successor), made with the Liberals. Labour's tenuous hold on

power in parliament was, however, undermined by the financial crisis which sent it cap in hand to the IMF, and finally destroyed by the strikes of the so-called 'winter of discontent' in which public services were paralysed by union irresponsibility.

End of the consensus

The political behaviour of Labour and the unions between 1974 and 1979 finally brought the death of the post-1945 consensus. By 1979, the unions had made unworkable both social democracy in its then form, and the Tory dirigisme of the Heath Government. Having destroyed a Conservative Government the unions, which were now overwhelmingly controlled by the left, had confronted their own Labour Government with a quite unprecedented sense of their own political power. Once again a Labour Government tried to do a deal with them under the so-called social contract. Spending policies demanded by the unions were bartered for a promise of wage restraint which the unions failed to deliver. In the ensuing financial crisis, the left (including Mr Tony Benn inside the cabinet), had wished to reject the conditions required by the IMF in exchange for financial aid, advocating instead a socialist siege economy.

More ominously still, Labour had dismantled its old internal defences against communist infiltration. Because the Communist Party in Britain was such a weak instrument for serious Marxism, a scarcely disguised communist element had long worked inside the Labour Party, as it still does, for its own ends. But it had always been kept under reasonable control and knew that if it went too far expulsion would be the penalty. This inhibition was now removed. One of the Labour marxists' most successful achievements at this stage was the abolition by the party conference of the list of proscribed organisations which had helped to exclude extremists. There was increasingly heavy infiltration, as both Harold Wilson and James Callaghan acknowledged, by Trotskyists whose right to be in the Labour Party was systematically and significantly defended by the old 'Leninist' hard left of fellow-travellers. Though the Trotskyist infiltrators represented a political unreality despised by the 'Leninists', they were useful agents for changing the nature of constituency parties and securing the de-selection of more moderate Labour MPs. Moreover, the parliamentary party was

deprived of the exclusive right to elect the party leader, and the vote of Labour MPs was outweighed in a new electoral college by union and constituency votes. In practice, only a leader acceptable to the left could now be chosen. All this, together with the mandatory 're-selection' of MPs to enable leftist caucuses to eject moderates, turned Labour firmly away from social democracy. By 1979 the Labour Party was more committed to fundamentalist socialism, more hostile to the mixed economy and to the defensive alliance of the West, than at any time in its history. The defection of a group of social democrats to form their own party was a witness to the change. Such were the circumstances in which the Conservatives returned to power in 1979.

Mrs Thatcher is conventionally accused, not only by Labour but by the self-styled 'radicals' who dominated fashionable opinion in the '60s of having broken the old consensus. That charge is false, and the principal purpose of reciting these past events here is to demonstrate its falsity. Those who make it cannot bring themselves to accept the following truths about post-war political history in Britain.

First, within the Labour Party, the custodians of Marxist traditions had won a battle to turn the party back from the kind of social democratic mixed economy which might have secured public support, and towards a more total and committed socialism than has prevailed at any previous time in the party's history. The extent to which the old hard left and the new hard left groups work together is indicated by the defence still put up by the traditional hard left against the present party leader's attempt to uproot the Militants – though it cannot be too strongly emphasised that there are many leftist groups far more dangerous (because more concealed) than Militant which are operating either under other names or covertly in the mainstream of the party.

Secondly, the realistic hard left had pursued a carefully calculated route, always pushing to change the party in its own direction but usually pulling back at the point at which it seemed to risk losing the chance of a period in power. In power, the left will make it impossible for the moderate party leaders to govern responsibly, but in opposition it will usually draw back a little in order to remain in a position from which the advance can be resumed. Strategically, the hard left must continue to push

Labour in its own direction, but it cannot afford to risk losing Labour's position as the principal alternative to the Tories by depriving it of credibility. Thus we now see socialists in the mould of Mr David Blunkett, the Sheffield leader, an increasingly influential figure in the Labour National Executive, joining forces with Mr Kinnock to prevent the party from being damaged by the Militants.

Third, it has been demonstrated both that the British electorate will not willingly place in power a Labour Party committed to fundamentalist socialism, and that the power of the left in the Labour Party will not allow the kind of socialism which can be reconciled with democracy to function effectively.

Fourth, once the old post-1945 consensus to which the Conservatives adhered in the Churchill-Eden-Butler-Macmillan period had been rendered non-viable by the left, there remained by 1979 only two choices. Either the nation had to go on to accept a much greater degree of fundamentalist socialism, or it had to draw back to somewhere near the post-war starting point and advance in a different direction. Mrs Thatcher's real achievement, over-riding any detailed catalogue of the changes she has brought about, has been to take us back and provide the opportunity for a new start. If 1945 represented a constitutionally achieved revolution in political structure, 1979 began a constitutionally achieved counter-revolution, the success of which depended on, and received, popular support.

The counter-revolution

To ensure a stable society in Britain this counter-revolution must be made durable and in my conclusion I shall discuss how that can be done. But first, it is instructive to examine the remarkable way in which the various arms of the Conservative Government's policy have interlocked to reverse the post-1945 dispensation, in the same way as the structural changes wrought by the Attlee Government had interlocked to create the society which is now being superseded.

The origin of Britain's post-war political malaise lay in the pressure on governments to inflate as a result of three separate facts of political and economic life.

First, the concentration of basic industries in State ownership, and the increasing tendency for the State to take over

financial responsibility for private industries and companies in trouble, together exerted an irresistible pressure on the Government to spend and borrow in order to provide money for investment, irrespective of commercial considerations.

Second, the concentration in the State's hands of responsibility for blanket welfare services imposed a massive requirement for the Government to spend on bureaucratically costly services when money seemed plentiful – which was another cause of inflation. Then, when economic crises arose and retrenchment was necessary, spending cuts had to be improvised in a hurry, hitting the essential services as much as the inessential, if not more so. Aneurin Bevan once said that socialism was about priorities, but the hard truth is that no satisfactory way of working out priorities between one claim and another on the State's limited resources has ever been found by socialist Governments seeking to operate in democratic conditions.

Third, whenever economic activity seemed to slacken it was assumed that the first priority must be to secure full employment by more government spending on public services, and by increasing the availability of money, regardless of inflation. Balancing budgets in any sense became a forgotten art; spending was financed not by borrowing honest money through funding in the market, or through taxation, but by virtually printing money. Increasing the supply of money beyond what was justified by real economic growth decreased its value. Over-full employment in inflationary conditions meant that industry had to bid for workers by uneconomic wages. Over-manning and unproductive jobs were encouraged and the unit costs of British industry became steadily less competitive.

In such conditions the power of the unions steadily increased as they competed with each other in demarcation disputes and imposed their power on the employers by strike threats for more wages. In the public sector, it was almost axiomatic, provided there was no immediate crisis, that such threats must be bought off by making more public money available. When the threat of inflation was acute, however, it became axiomatic that it could be countered only by relying on the unions for agreed wage restraint. In other words, to avoid strikes Governments chose to

be reliant on the very organisations which, by their monopolistic power and legal immunities, were at the heart of the problem.

The Conservative Government under Mrs Thatcher has, however, achieved radical change on all these fronts. Its priority has been the reduction of inflation by restraining the growth in the supply of money, partly by containing the growth of public spending and reducing borrowing; partly by using the interest rate structure. During the period of the last Labour Government, inflation had averaged 15 per cent and it remained on a sharply rising trend during the early years of Mrs Thatcher's administration. By 1983, however, it was down to 4.6 per cent, and it remained remarkably constant until, as a result of the strike in the coal mines it rose temporarily to 7 per cent. But that was a short-lived reverse, and one well worth accepting since the success in withstanding that quasi-insurrection has probably done more to establish confidence in the future of improved and democratised industrial relations in Britain than any other single event. Moreover, inflation quickly began to fall again: in February this year it was down to 4.2 per cent (below the European average), and there is good reason to hope it will fall to about 3 per cent during 1986, perhaps (though only temporarily) even dipping a fraction lower. It is still, unfortunately, above the rate of other leading industrial democracies. But it is not with such competitors that a comparison should principally be made. The true measure of the achievement can be grasped only by recalling that inflation in Britain is lower now than at any time since 1968. In its first three years, the Government had achieved what had been thought impossible; the reduction of inflation without reliance on industrial wage cuts, and since 1982 it has reduced inflation further while the economy continued to grow steadily. By British standards, that is remarkable.

During the inevitable shake-up in industry which has accompanied this policy, there has been a steady rise in unemployment which, alas, has gone higher and been more sustained than there had been good reason to expect. The Government's reasoned assumption had originally been that, as inflation was eradicated, the consequent increase in industrial and economic growth would create new jobs. The economy as a whole has grown steadily for over six years, at a rate now well above the European average. Industrial output in 1985 rose by 3.5

per cent (compared with a rise of 2.5 per cent in the previous year), and growth is expected to continue at around 3 per cent. Profits, the gauge of efficiency and competitiveness, have also increased. The real rate of return for all industrial and commercial companies is now 12 per cent, the highest for 25 years. Within that percentage, the real rate of return on manufacturing industry is 7 per cent, the highest figure since 1973. What is even more notable is that contrary to the general impression, growth is not simply in the form of a consumer boom. Both investment and exports have been growing faster than consumption. Since 1981, total investment has been growing by an average of 4.5 per cent. Manufacturing is the area where the post-inflation recession was deepest, and where most jobs were lost as a result of structural change. But even so, there has been an increase of 9.5 per cent in real terms since the trough of the recession, and since 1983 some 700,000 new jobs have been created, which is more than in the rest of the EEC countries. A growing economy, business inducements, and training schemes for the young have all helped. But since (for demographic reasons and because more women wish to work), more people have been standing ready to take the jobs, the unemployment figure has continued to rise. To a considerable extent, the unemployment problem is part of a world-wide phenomenon arising from social change and the industrial revolution based on computer technology. But in Britain, unemployment is also a consequence of particular aspects of our industrial history and practices, which need separate discussion. In the present context it is enough to note that the growing strength of the economy as measured by improved productivity and competitiveness has raised exports to a record level, which are 7 per cent higher in real terms than in 1979. Though there have been some disquieting signs of a deteriorating trade balance recently, it is still expected that there will be a current account trade balance of around £3 billion in 1986 compared with £3.5 billion in 1985.

All this was possible only because the Government refused to be driven by rising unemployment figures into seeking a cure by demand-management and by 'reflating' the economy. It has not been as successful as it would have liked in reducing government spending, but it has courageously resisted demands that it should spend and borrow more in order to give a general

stimulus to the economy in the hope of creating more jobs. In the long run, such a policy would simply bring a return to inflation, followed inevitably by a squeeze on the economy which would again hit employment. By adhering to its anti-inflation financial and economic policy, the Government freed itself of the albatross of attempted incomes policy deals with the trade unions which have been the downfall of previous Governments. It ceased to need to go to the unions, cap in hand, to beg for pay restraint in return for policies agreeable to union leaders.

This, in turn, has made it possible to bring a new realism to industrial relations by reforming the law on trade unions so as to create a more sensible balance between the rights of managements to manage and the rights of trade unions to look after the interests of their members. It set about this cautiously, gaining the approval of the public as it went along, and not least gradually winning the support of very many trade unionists, and eventually of some union leaders, to changes which gave trade union rank-and-file members a greater voice in their unions' affairs than they have ever enjoyed before. In 1980, the first Employment Act gave employers legal remedies against secondary picketing, and most other kinds of secondary action (including 'blacking'), in order to prevent unions from damaging industries not directly involved in their disputes. It also required that all new closed shops should be approved by four-fifths of those affected, and (in some ways most important) made public funds available to encourage unions to hold postal ballots.

These reforms were followed by a second Employment Act in 1982 which provided that no closed shop should be enforceable unless it were approved in a postal ballot by an overwhelming majority of members, and which also authorised government compensation for people dismissed from closed shops. 'Union labour only' conditions were no longer to be allowed in contracts, and trade unions (as distinct from individual strike organisers), were made liable for damages if they caused unlawful industrial action. Employers were given legal remedies against any industrial action where they themselves were not in dispute with their own employees, or which was not purely concerned with employment matters.

It was, however, the Trade Union Act of 1984 which introduced the reforms most popular with union rank-and-file

themselves. For decades, union members had been involved in disputes and restrictive practices over which they had little say, and had been represented by people who do not reflect their real wishes. Under this Act, union members must be consulted in a secret ballot before any strike if the union wishes to retain its immunity from civil action for damages. All elections for union officials must now be 'fair, free, secret and direct' and ballots in these elections must be by post unless the Act's criteria can be satisfied by other means. (In non-postal ballots, every union elector must have a ballot paper available to him at work and must be able to vote in secret.) In addition, secret ballots must be conducted every ten years to approve the political levy of those unions which operate one, and an agreement was reached with the TUC securing the right of members to contract out of the political levy.

All this amounts to a radical extension of democracy within the trade unions, and it has been so obviously popular with the rank-and-file that union leaders who bitterly resisted it have had to accept it. Likewise, the Labour Party which opposed the right of ballot is now having to acknowledge that this is too popular with trade unionists to be taken away, and is having to try to adjust its policies to this situation. In these radical changes, the Government has acted very much in accord with public opinion which had become deeply resentful of irresponsible strikes which damaged public services and industrial prosperity. Ordinary trade unionists have also increasingly come to understand the extent to which union-enforced restrictive practices and poor productivity have caused firms to close or to reduce the scope of their operations, and have led to the loss of jobs and job opportunities. They themselves after all are also part of the public, and have suffered loss of amenities and seen prosperity damaged through industrial disputes and uneconomic industrial practices.

A new climate of realism and responsibility has been created. The government is no longer torn between financing uneconomic and inflationary public sector wage claims or being locked in wasteful stoppages and strikes. Not for 50 years has the number of industrial stoppages been as low as it is now. The miners' strike was the watershed. It was fought by an extremist leadership for political ends and with the declared objective of bringing the

Government down, and it failed. Had the Government not stood firm, the strike could not have been defeated. But the Government could not have defeated it if the public, and particularly the general union rank-and-file, had supported the strike. It was the Nottinghamshire miners who refused to join Arthur Scargill, and all the members of other unions, transport workers, dockers and railwaymen who refused to be brought out in his support who ultimately defeated this insurrectionary strike. What has happened is that democracy and responsibility have been brought to the trade unions, and during the Conservative period of power since 1979 an understanding has been born that the prosperity of the workers and the existence of their jobs depends on their part in making their enterprises prosper.

The third element in the Government's transformation of British society has been its direct action on the structure of business and industry. The abolition of exchange controls has both freed the government from the repeated sterling crises which were associated with vain attempts to maintain an artificial parity, and has helped the City of London play a remarkably reinvigorated role as a revenue earner. Still more remarkable, however, has been the return to private ownership of a major proportion of the previously state-owned sector of industry. The series of public take-overs which characterised the previous thirty-five years has been reversed in a manner which would have been scorned as fanciful before 1979. Not only has massive privatisation taken place without resistance; there is every evidence of its popularity. Even the Labour Party has been driven to carefully contrived statements designed to avoid any inflexible commitment to renationalise what Mrs Thatcher's government has denationalised. According to Mr Neil Kinnock, renationalisation now comes well down Labour's list of priorities on the grounds that in a Labour Government's programme of massively increased spending, the needs of economic regeneration would have to take precedence and have first claim on the resources available.

Yet if nationalisation is not justified on grounds of economic regeneration (which used, above all, to be the claim made for it) what *is* its justification? The truth is that it has now lost all credibility with the electorate which (quite apart from the

interests of those who have newly become share owners in former state industries) sees no grounds in utility for state ownership and is aware, on grounds of efficiency, of a strong case against it. Labour, however, will not be deflected from its fundamental conviction that state direction is the right way to solve problems; and if it achieves power in its present frame of mind, it will exert control over industry in ways other than straightforward nationalisation – indeed, on a wider front than ever before. It intends to enforce the repatriation of overseas investments by using tax penalties against them, and then direct the repatriated funds into channels determined by planners rather than by the market. It intends to plan and direct industry, using the power of the state as much as it has ever done. But for the moment the fact that renationalisation and new nationalisation have been ruled out on the grounds of expediency by the Labour Party, is a remarkable tribute to the Thatcher revolution in which twelve corporations have been returned to the private sector. In all, this has brought (or in some cases it would be better to say brought back) over £5 billion pounds to the public purse from the realisation of these assets. The list includes British Telecom (with small shareowners playing a major part), the National Freight Company (to the enthusiastic welcome of participating employees), British Aerospace, Britoil, Amersham International, Cable and Wireless and Jaguar. British Gas is to follow. There is already evidence (and the public sees it at its most direct in British Telecom) of managerial and organisational improvement, and all the newly privatized companies have achieved outstanding financial results. These changes will have reduced state industry's share of the gross national product from 10.5 per cent to 6.5 per cent, a reduction which hardly anyone could have predicted ten years ago.

There remain, of course, difficulties in respect of a number of the remaining state industries. It is not, for instance, easy to privatize the once basic industries which have gone into decline and which, so long as they are not commercially viable, would find no buyers. Coal and steel are obvious examples. But even here there is hope. The steel industry has made remarkable progress towards commercial viability, though British Steel Corporation was held back by the miners' strike. The coal industry itself has been made more economically productive, and

the attitude and performance of the Nottinghamshire miners surely point the direction in which this industry, or parts of it, including the profitable open-cast operations, might eventually go. It cannot be out of the question that a future Conservative Government might explore ways of selling parts of the industry to its own employees on the model of National Freight.

Thus in the management of the economy, in industrial relations and in state versus private industry the Government has achieved a revolution. It has similarly changed attitudes in the private sector, promoting the rise of new companies as the industrial structure changes in response to market forces. Planning restrictions and employment regulations have been done away with or lightened and since 1979 there has been a wide range of fiscal and other changes (worth over £600 million a year) to help small businesses. Some unnecessary planning controls have been lifted: the period necessary for qualifying for protection against unfair dismissal (which has been an inhibition against the creation of new jobs), has been extended; the Business Expansion Scheme, the Enterprise Allowance Scheme, the Loan Guarantee Scheme and such tax changes as the reductions in Corporation tax have all helped small businesses too. As a result the net number of small businesses started over the past few years has steadily increased. All this has assisted what the Prime Minister calls the enterprise culture. In the five years from 1980 to 1984, 140,000 more businesses (after allowing for those ceasing to operate) have come into existence. Mrs Thatcher would like British society and attitudes to enterprise to become more like the American, and the Government's policies have been directed at creating an economic, financial and social climate in which new businesses can get going; and in which the skills for high technology, financial acumen and efficient general management are encouraged by due reward, instead of being held back in the idle hope of promoting egalitarianism. Mrs Thatcher admits that she would like to see in Britain a society in which commercial risk-taking ceased to be inhibited by the fear of liquidation in the event of failure: she would rather that the possibility of liquidation should be accepted as something that, if it should come, is seen as an opportunity for a new beginning rather than as an end to be abhorred and a risk to be avoided at all costs. This attitude is the

basis of much of the thinking behind the Thatcher counter-revolution.

The task ahead

The Government, like any other, has of course had its failures. Some have been the consequence of political clumsiness, of which the Westland affair was the most conspicuous and lamentable example. More fundamentally, some things have been left undone because of the difficulties of doing them along with so much else. The principal example has been the failure to work out a system of priorities for spending on welfare in the public sector, for lack of which the Government attracts blame for declining standards in hospitals and in some schools. It can argue, fairly enough, that more patients are being treated in NHS hospitals, that waiting lists have been reduced, that spending on the NHS has been increased by over 20 per cent in real terms between 1978/79 and 1985, that over the same period the social service budget has increased by 28 per cent, that more is being spent on each child's education in real terms (allowing for the fall in school rolls). But pushing out such statistics does little to convince people who see their local hospitals closing wings or wards; who watch television programmes analysing the difficulties in major teaching hospitals; and who know about the conditions in the schools which their children attend, and who see at first hand the consequences of the teachers' strike on teaching and discipline.

Of course, there are reasonable enough explanations. The cost of a whole range of services, from ever more sophisticated medical procedures to school books, has advanced more steeply than the conventional 'real terms' calculation. There are failures of organisation, administration and of system. In the schools the way in which local authorities deploy their resources is often very questionable. All this is true, but scarcely represents a sufficient answer to the problem, or to public concern.

The heart of the matter is this. Past Governments have taken over responsibility for the most important services affecting the lives of all of us. State monopolies, or at any rate quasi-monopolies, have been created which have to be paid for by every citizen who is a taxpayer. For most people, it is quite out of the question also to find the money which would be required to join

the relatively small private health insurance schemes, or to pay for independent schools. They can only accept the services provided by the Government, whatever the standards. Because resources are limited; because we have had to face the consequences of holding back expenditure to cut inflation; but perhaps above all because the Government spreads its resources too thinly, these essential services are not being run by the State to standards which most people would regard as adequate. Everyone knows about the resources wasted (not least through local government) on unnecessary support for often questionable pressure groups and 'voluntary' bodies: on the state and local government funded organisations which individually do not cost a great deal but which together add up to a significant drain on the public purse. Everyone knows too that even in the essential services there are areas where some charges for use could be levied according to means. As it is, the state has difficulty in finding enough for disabled people who (being handicapped through no fault of their own) surely do have a prior claim on society as a whole – while directly or indirectly finding public funds for the kind of activities which were so often caricatured when Mr Ken Livingstone reigned at the GLC and which are still too often provided with superfluous money by local authorities and even by central government.

So long as Governments assume responsibility for what is essential, depriving citizens of the opportunity of trying to look after themselves, and do not take steps to shed or rationalise that responsibility, they have a duty to see that the essential services are run acceptably, and there can be little doubt that the failure to do this has been one of the Government's principal political liabilities. It is, of course, easy to understand why this should have happened. The Government had to concentrate first of all on getting the economy straight, on industrial relations and on privatization. When, just before the last election, attention was drawn (through the leaked think tank report) to the alarming future cost of the welfare services an uproar was created at the thought that any of the vested arrangements might be altered, and the Government was simply thrown back onto an undertaking to defend the services. Bearing in mind the scope of the existing commitments, it has done as well as it could. But with the butter spread so thinly, it has become ever more apparent that

the pieces of bread that really matter are inadequately covered. It must, therefore, surely be a first task in a Conservative third term to establish a scale of priorities for the welfare state which puts real need first in respect of the services which the Government concludes must be kept under State management; and to find ways of hiving off responsibility, where that is feasible, without causing hardship.

A radical reform of the education system is clearly necessary, one which should give as much scope for parents to make decisions and for schools to be independently managed as possible. Schools should be freed from the management of local (political) authorities on the one hand, but it would certainly not be an answer to place them under centralised Whitehall control. The solution might be some new version of the education voucher, or credit system. Or there might be an expansion of the system whereby voluntary aided schools are independently managed, but for the greatest part of their requirements are publicly financed (though if this happened the money should be provided by central not by local government grant). Or both approaches could be used. But the problem has to be tackled along some such lines – and in the same way radical solutions are imperative for the health and social services. A start might be made by itemising all the grants to so-called voluntary bodies which Whitehall departments make, and then asking questions: why is this funded; what is it doing; is the money going in a cause or causes which we could defend to the public?

Solving the social problems created by state services which deliver inadequate welfare could be the major achievement of a third term Conservative Government and would neatly complete the Thatcher counter-revolution. That radical solutions can have popular support is indicated by the Government's achievement in spreading private ownership, not least through the sale of council houses which Labour has been forced reluctantly to accept in the same way as it has been forced to accept the right of union members to hold ballots. The Thatcher Government's achievement has been to edge the nation away from a quasi-socialist society to a popular capitalist society, and in doing so it has moved some way towards turning itself into a People's Party. The task, however, is not yet complete.

The idea that the individual and society stand in some sort of contradiction to each other, and that the individual artificially (so to speak) subjected himself to society by some sort of voluntary or enforced contract was always a figment of philosophical imagination. Man is both a social and political animal and an individual, and there does not have to be extreme tension between the two aspects of his nature. The modern (socialist) contract theory implies that the individual is a selfish agent of his own interests, but that society and the state are unselfish and more responsible than the individual. Responsibility for the things that most matter have been progressively removed from the individual to a state which collects the money to pay for them – through unhypothecated taxation which it then spends as it thinks fit (or at any rate, as a myriad of bureaucrats advise Government is proper). The result is the avoidance of taxation; the black economy; declining and diffuse public services; and worst of all, gradual loss of individual responsibility and, it is not unfair to say, of happiness. For men and women get their greatest fulfilment from the knowledge that through their endeavours they exercise a measure of control over their own and their family's lives. Since the State has taken over the moral duty of providing so much (and not doing it terribly well), the individual has lost a great deal of the moral urge to do his or her own best. The notion of collective morality has damaged that of individual responsibility.

Since 1979, however, we have seen individual responsibility gradually, if hesitantly, moving out again into the open. We have seen union members calling their union leaders to account, and taking their own decisions about what is right in the interests of their family and of society. We have seen more individuals anxious to work for themselves, and to make provision to improve the lot of their families. We have seen a popular response to a Government which ceases to govern by bread-and-circus economics. We have seen a popular response to opportunities for ownership. The implied post-1945 notion that social morality was essentially collective has been dealt a potentially mortal blow – and that is Mrs Thatcher's greatest achievement. But the process is not yet completed. No doubt if the Conservatives lost the next election some of these changes would stick. After all, even Communist states evolve and flirt

with market ideas these days and Mr Kinnock and his friends have been learning a lesson – which, of course, is the real danger. For its appearance of greater open-mindedness makes Labour seem more personable and attractive, and camouflages the leftist forces which would try to dominate Mr Kinnock if he gained power. What is perfectly clear is that if the achievements of the first two terms of the Thatcher Government are to solidify into a new consensus which the other parties have to accept, a third term must be won by the Conservatives. But it is essential that as soon as they possibly can, they should clarify their own minds about the road along which they should travel in order to realise their vision of Britain's new political consensus.

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