1. What is Thatcherism?

Margaret Thatcher was the 20th century's **longest serving Prime Minister**, serving for an uninterrupted 11 years (1979-1990). She was then followed by her chosen successor, John Major, leaving the Conservatives in power until 1997 – a total of 18 years of continuous Conservative rule. The party won **four successive general elections** (1979, 1983, 1987, 1992) – again, a very impressive record. The support of a sizeable proportion of the electorate in this period suggests a party that was popular with the public – indeed, the Conservatives managed to widen their support to include a good number of the skilled working class in England. For some, particularly in S.E. England where wealth and industry were accumulated, the Conservatives were the party responsible of an "**enterprise culture**" and the **boom years** of the late 1980s, exemplified in the characters of the "yuppie", or the "loadsamoney" self-employed tradesman (an initially satirical persona of comedian Harry Enfield).

For others, however, the Thatcher years evoke a very negative picture – one of the end of heavy industry in the UK, high unemployment, two serious recessions (at the start of the 1980s, then 1990s) and the move towards a more selfish, individualistic society. Despite her election victories and record in office, Margaret Thatcher was also the **most unpopular PM of all time** at the beginning of the 1980s. She was also the only 20th century PM to be forced from power by her own party – another symbol of the deep divisions and hostility that she could elicit.

The truth is that the UK became increasingly polarised under Thatcher, with some sections of the population benefiting from reforms that disadvantaged others. In any case, Margaret Thatcher's style of politics is not often associated with compromise. Her nicknames of the "**Iron Lady**" or "**TINA**" (short for her much-liked phrase, "There is no alternative.")

are only fully understandable if we link them to the period of consensus that ended with her rule. For these names which insist on Thatcher's intransigence and determination must be contrasted with the decades in which the two key parties shared a general vision of how the UK should be run. Thatcher believed that consensus had proved a failure. Whereas, for some, it could have the positive connotations of compromise, dialogue or moderation, Thatcher once defined consensus as "**the process of abandoning all beliefs, principles, values and policies**". As a believer in "**conviction politics**", she marked her opposition to the figure of someone like Edward Heath who had been associated with U-turns. Thatcher criticised those who did what they knew was wrong, because they were afraid to do what they knew were right. As Thatcher told her detractors within the Conservative Party in 1980, "**You turn if you want to - the Lady's not for turning**." Thatcher seemed to be announcing a firm change in direction based on deeply-held political beliefs, although it can be argued that this "revolution" only really started in Thatcher's second term in office.

Margaret Thatcher's political beliefs have given us the term "Thatcherism" – the only 20th century PM to have been attributed a recognised ideology. Thatcherism is a mixture of three key elements, all of which are mutually reinforcing, and all of which involve a redefinition of the role of the state : **neo-liberalism**, **monetarism** and what could be termed "**Victorian values**".

Neo-liberalism

This is now the dominant economic model, but the move away from Keynesianism (with its focus on state intervention and full employment) represented a radical departure when Thatcher came to power. Indeed, if it has become the dominant model, it is largely due to Thatcher's (and Reagan's) influence. Neo-liberalism corresponds to the idea, largely influenced by the 18th Century **Adam Smith** and by the 20th Century Nobel Prize winning

economist **Friedrich Von Hayek**, that the economy is most efficient when it is left free of government intervention. Von Hayek, who was profoundly suspicious of the negative influence of socialism, particularly influenced Margaret Thatcher. The involvement of the state – ownership, regulations, planning, price and wage controls, subsidies – should be kept to an absolute minimum, since it will have a distorting effect on the fundamental **market forces**, i.e. **competition, supply and demand**. To stay in business, firms should produce what customers want, and do so more cheaply than other firms. Firms that do not will be forced by competition to cut their prices or improve their goods, or risk bankruptcy. This "**laissez-faire**" model states that as everyone is forced to continually improve and become more efficient, the economy enjoys growth and dynamism. On the contrary, **state intervention**, according to this view, means that firms may be allowed to continue in business even if they produce expensive, poor quality, undesired goods. There is no incentive to improve, modernise, innovate, cut costs or prices – as a result, the customer and the economy suffer. The solution to improving the economy, to use Thatcher's phrase, is therefore to "**roll back the frontiers of the state**" – to minimise the role the state plays in the economy. This also means limiting **taxation**, particularly income tax and corporate tax, for these are also seen as unwelcome forms of state intervention which discourage activity and wealth. The idea of **freedom to choose** will mean that indirect taxes, such as VAT, are favoured because the individual can choose whether or not he wishes to pay them, by purchasing or not the article concerned. Likewise, neo-liberals favour the **private provision** of public services (e.g. health, education, transport, energy) instead of state provision which are felt to lead to uncompetitive state monopolies which give poor service at high cost.

For these reasons, Thatcher has been referred to, not as a typical Conservative, but as a "**19th Century Liberal**", suggesting that she corresponded to the Liberal Party at the time when they stood as the party of free enterprise and individual liberty.

Monetarism

The influence of another Nobel Prize-winning economist, **Milton Friedman**, here made its mark on Thatcherism. Friedman, another free marketeer, wrote of the need to control the **money supply** as the key way to fight inflation. In simple terms, monetarism states that inflation is the number-one problem that must be addressed, taking precedence over the fight against inflation, because inflation devalues everyone's savings. Unemployment, is therefore given a lower priority than with Keynesianism. Monetarists believe that **inflation** is caused by an expansion in the **money supply** (la masse monétaire), i.e. when governments print or borrow too much money. Governments do so when they try to spend too much money. Therefore, the key way to tackle inflation is by **limiting public spending**, which must mean, for example, reducing **state subsidies** for industry. This goes hand in hand with the neo-liberal goal of removing state intervention in the economy. In addition, the need to limit state spending will mean that the **budgets allocated for social programmes** are constantly put under pressure, with the risk of reductions in quality and scope.

Victorian values

The Victorian era in Britain was that of **Queen Victoria** who reigned from 1837-1901. It corresponded to a period which saw the UK become the world's most important economic and imperial power. It evokes then a period of **patriotic nationalism** in which, according to the jingoist anthem of the day, Britannia ruled the waves. At a time when the UK was in decline, Margaret Thatcher sought to revive Britain's lost power and prestige and aimed to "**put the 'Great' back into Great Britain**."

Victorian society, however, was rather austere, and placed great importance on the Protestant values of hard work and self-reliance. Summed up in the phrase "**God helps those**

who help themselves", there was the notion that the individual, and not society, was primarily responsible for success or failure. This **individualism** implied a degree of suspicion of the poor, since they could be considered responsible for their condition. Similarly, state aid and charity to such people could be viewed as a false solution in that it would encourage laziness and dependence. The minimal provision of state aid (under the 1834 Poor Law) was thus accorded in such a way as to discourage and stigmatize the poor and kept deliberately low, below the minimum salary a worker might receive.

Margaret Thatcher herself came from a simple background and was not an old-style aristocratic Tory. The daughter of a **shopkeeper**, she grew up in the environment of the small businessman who well understood the need for hard work and individual initiative. Margaret Thatcher was influenced by these beliefs and was opposed to the excessive involvement of the state. The "Welfare State" was criticised as the "**Nanny State**" which did not encourage people to take responsibility for their own lives, and ultimately proved a negative influence for society. Rather than the state and society, Margaret Thatcher clearly focused on individual, even famously once claiming:

"There is no such thing as society. There are individual men and women, and there are families" (interview in *Woman's Own*, 1986)

2. The Thatcher Revolution

Economy and Industry

Economic factors tended to influence all other areas of life in Britain in the 60s and 70s. The central problems of the British economy, as we have seen, were that of a lack of competitiveness, inflation and strikes. Margaret Thatcher's immediate priority was **lowering inflation**, and this she did, not by the methods used by previous governments (such as government-imposed wage and price limits) which were felt to be unsuccessful and were against her free market principles. After her election victory in 1979, Thatcher used extremely **high interest rates to combat inflation**. This meant that money became expensive to borrow both for **firms**, which would have difficulty investing to expand or to cover cash-flow problems, and for **individuals**, who have been dissuaded from purchasing on credit and encouraged to save instead. This would **limit consumer demand**, which would further affect the sales of firms, and so uncompetitive firms would find increasingly find themselves in difficulty. With the end to a **culture of state subsidies** for industry, these firms would find themselves forced to become **more efficient** (improving their products, cutting costs and reducing prices to boost their sales) if they wished to avoid closing down. Thatcher's insistence on maintaining very high interest rates and cutting subsidies (in an already depressed world economic context) thus threw the UK into the most **severe recession** it had known in decades, with record numbers of bankruptcies and closures. But although painful, this recession was felt to be a necessary remedy to help the UK in that it would be create **deflationary pressure** and force firms to become **more competitive**, hence leading ultimately to a **stronger economy**. Particularly badly affected by these measures was **heavy industry**, which tended to be concentrated in the North of England, Scotland and Wales. In

the 1980s, **ship-building, coal-mining, steelworks and automobile manufacturing** were particularly affected, leaving entire communities jobless and whole areas economically depressed and leading to the virtual disappearance of these activities in the UK. This very painful transition from declining manufacturing industry to a more modern services-based economy was felt to be inevitable, but the speed of the decline and the feeling of the government simply abandoning the communities concerned to their fate led to the Conservatives becoming **deeply unpopular** in, for example, Scotland and Wales.

Indeed, in the country as a whole, the Conservatives' drastic measures proved deeply unpopular with the public as unemployment had soon increased to over 3m people by 1981 and eventually reached a peak of over 3.5m in the mid-1980s. The **social costs** involved in the fight against inflation thus soon became evident as **poverty, hardship and reliance on state benefits** become more widespread.

Indeed, one of the paradoxes of Thatcherism was that despite the monetarist objectives of reducing state expenditure, the high levels of unemployment meant that the social security budget increased greatly as millions signed up for unemployment benefit. In addition, faced with the complete collapse of key nationalised industries such as steel, the government also occasionally broke with its monetarist principles and found government money for subsidies. Pragmatism was therefore occasionally stronger than ideology, even for Thatcher.

The Falklands War

Margaret Thatcher's record unpopularity in the early 1980s was checked by a military success. When Argentina invaded the British colony of the Falkland Islands in April1982, claiming sovereignty of the S. Atlantic islands, the UK Government was very badly prepared. Thatcher, however, quickly secured the backing of both the USA and the UN (resolution 502 insisted on an Argentinean withdrawal before any discussions) and prepared to fight. Very

quickly a huge "task force" composed of around 100 ships and 5000 troops was prepared to cross the Atlantic. The sinking of the Argentinean ship the Belgrano (370 dead) marked the start of the real war and was an occasion for The Sun to accentuate the jingoist mood of the population with its infamous "Gotcha!" headline. The war ended in June when British paratroopers regained control of the islands' capital, Port Stanley. The conflict left some feeling that the long period of British decline was over – by winning the Falklands War Thatcher had enabled Britain to rediscover some of the former power and glory it had once enjoyed as an imperial superpower. Despite the deaths of 255 UK soldiers, the Prime Minister's popularity soared thanks to this "Falklands Factor".

Union Reform

Margaret Thatcher's stance during the Winter of Discontent had suggested that she would waste no time in confronting the unions. In addition to depicting them as a powerful force that abused the weak, disregarded the law and threatened democracy, the unions, from a neo-liberal standpoint, were considered to be a negative influence which perturbed the free play of market forces. That is to say, that strikes and industrial action meant that wage levels were no longer being set on purely economic factors, i.e. what the firm could afford to pay *versus* what the worker was willing to accept. Nevertheless, Margaret Thatcher was forced, particularly in her first government, to avoid direct confrontation. In her party, and in her government, there still remained a considerable of old-school Conservatives who were far from sharing her radical neo-liberal views. These more moderate politicians, derisively termed "wets" by Thatcher, were partly responsible for the absence of an all-out attack on the unions.

Instead of one, early piece of legislation to greatly limit and codify trade union activities (a measure that Heath had tried and failed), Thatcher adopted a much more gradual,

step-by-step approach. This resulted in an almost yearly stream of legislation as successive laws **(Employment Acts 1980, 1982, 1988, 1990 ; Trade Union Act 1984)** dictated how unions were to be organised and how strikes must be organised, even imposing conditions on how individual trade unions were to hold leadership elections. The Acts banned secondary picketing (picketing outside a workplace other than one's own) and sympathy strikes ; they introduced more labour flexibility as they eased the conditions in which workers could be dismissed ; they limited restrictive practices such as the "closed shop" (a workplace where union membership of a particular union was required) ; they enforced postal ballots of union members before a strike could be called (which would demand a good deal of time) and provided government funds for this purpose ; they imposed financial penalties on unions that organised unofficial strikes (the unions would lose their legal immunity and could be sued for damages resulting from an unofficial strike). This was felt to be a return of power to both the business leaders (reinstating the "right to manage") and the union members (taking union power away from autocratic union leaders). In addition it was felt that the unions were an obstacle to reforming the economy as they were traditionally opposed to more "flexible" working practices.

The balance of power was indeed confirmed by a symbolic confrontation between unions and the Government. In 1984, the National Union of Mineworkers, led by the powerful figure of Arthur Scargill went on a year-long strike in order to resist the government's plans to close uncompetitive coalmines. This was felt, on both sides, to be a decisive battle, with the miners resisting the Government reforms threatening their jobs, and Thatcher describing Scargill as a "Marxist revolutionary" and calling the miners "the enemy within". The Government had planned for the strike by stockpiling coal and ensuring alternative fuel for power stations. Scargill made the mistake of calling the strike in Spring and, more importantly, refusing to call a ballot of his members. A certain number of miners resisted the

strike and there ensued daily scenes of violence between the police, "scabs" (those who wished to continue working) and the "flying pickets" (miners from other pits who arrived to prevent access to the workplace). The Government was not prepared to give in to the strikers and put huge police resources in place to ensure that the working mines remained open. The strike ended in failure for the miners after almost a year of hardship, signalling the defeat of what had historically been one of the most powerful and militant trade unions in Britain.

Privatisation

Whereas successive governments had preserved the "mixed economy" by keeping in place the nationalised industries, Thatcher undertook a mammoth privatisation programme in which many of the state industries were sold off. This was particularly true in her second and third term of office. Key sectors of the economy were concerned and the companies involved were often large, strategically important concerns such as British Petroleum, British Telecom, British Airways, British Steel, British Gas, with British Rail and the National Coal Board later being privatised under John Major. Automobile manufacturers such as British Leyland and Rolls Royce (automobiles and aeroplane engines) went also privatised. Also concerned were public utilities such as the water and electricity companies.

The neo-liberal view holds that privatisation is beneficial in that it puts an end to state-owned companies which are protected from the realities of the market by government subsidies and who often enjoy a monopoly in their market. Thus, it is argued, these companies are not under any pressure to improve their services and give better value to their customers. By privatising them, the firms become accountable to their shareholders who will demand success and profits and, at the same time, the firms will be forced to compete in an open market. Thus increased competition should force improvements in terms of efficiency. To stay in business the firms will need to cut costs, lower prices and improve quality, all of which

should benefit customers and the economy. The end of state ownership will also mean that the government was no longer called upon to inject cash in times of crisis, thus lowering state spending (a key monetarist objective). As it is no longer the employer of those who worked for these industries, the Government would also be distanced from union pressure through strikes, such as those which had affected the Heath and Callaghan Governments.

Secondly, some of the privatisations were advertised in upbeat TV commercials which encouraged the everyday public to buy shares – thus it was hoped that the UK would become a nation of shareholders whose direct involvement with the stock market would convince them of the need for market reforms.

Thirdly, it must be remembered that privatisation involves *selling* state assets which can lead to a non-renewable source of revenue. This large, one-off influx of cash was particularly important at a time when the government was cutting taxes (e.g. the top rate of income tax which affected the highest earners in the UK was cut in half) to encourage economic activity and wealth creation. This is why former Prime Minister Harold Macmillan described privatisation as a "selling-off of the family silver".

However, the results of privatisation have not all been beneficial. This is particularly true in the domain of the former utilities such as water and electricity and in the rail industry. It has been argued that a public monopoly was simply replaced by a private monopoly in these sectors and that the beneficial effects of competition thus failed to materialise. Water customers particularly have complained of poor services (e.g. contamination and declining quality) but ever higher prices. In the rail industry the situation is even more extreme since there have been a number of fatal accidents in England since privatisation (e.g. Paddington, 1999, 30 deaths ; Hatfield, 2000, 4 deaths ; Potters Bar, 2002, 7 deaths). Many commentators pointed to the private sector's focus on making a profit and their consequent failure to invest enough in track maintenance and safety. This domain has since been taken over by a non-

profit making body. In addition to the delays and disrupted services which followed the accidents, privatisation has led to a very confused rail system in the UK where twenty-five different private rail companies all compete for customers.

The Welfare State

Margaret Thatcher's belief in a responsible society, where individual initiative and self-reliance are promoted; her monetarist objective of cutting state budgets; and her neo-liberal desire to end state monopolies all point to a rejection of the post-war Welfare State. However, Thatcher could not launch an all-out attack on the "Nanny State". Economic recession meant that record numbers of people were now dependent on unemployment benefit, changing demographics led to more single parents and a more elderly population, while the NHS remained a popular institution. For these reasons, it would have been politically unwise to attack state aid and health services.

Therefore, rather than a direct assault, say by fully privatising the Welfare State, the Thatcher (and Major) governments opted instead for a change in philosophy. Thus if the state could not avoid investing in the Welfare State, it should at least attempt to get better value for money. This was done by ensuring the introduction of **market forces**, since Thatcher felt that the market was the best way of ensuring efficiency, and by changing the focus of state services. Thatcher signalled a move away from the conception of a comprehensive, universalist Welfare State which concerned the middle classes, to one which targeted more specifically the underprivileged and which offered them a reduced level of social security and services, i.e. a "**safety net**".

Benefits tended to become more **means-tested** (i.e. dependent on income) to **limit eligibility** and **focus more on the needy**. Benefits also tended to become **less generous** (no longer being linked to average wage levels, but to slower moving price levels, like **state**

pensions, or being frozen so that their real value declined, like **child benefit**). For 16-17 year-olds a system of **Youth Training Schemes** (YTS) was set up in 1983 which ensured that youngsters could only claim benefit in exchange for obtaining work experience. This was meant to improve the employability of unskilled teenagers, but critics suggested that this "benefit for work" system led to employers "recycling" youngsters as expendable, subsidised labour.

This move towards more coercive forms of benefit was confirmed under John Major. In 1996, unemployment benefit and income support were replaced by a new **Jobseekers Allowance** : benefit was no longer to be paid because one had lost one's previous job, but because one was actively looking for new employment.

As for the levels of unemployment benefit, Thatcher was keen to make "**make work pay**" and was therefore keen to maintain benefits at a relatively low level so as not to discourage people from taking paid employment.

Council Housing: One of Thatcher's key and most popular measures was that of giving council tenants "the right to buy" the house that they rented from their local authority. This was the object of the **1980 Housing Act**. By ensuring that the houses could be bought at less than their market value, Thatcher hoped to create a "property owning democracy" and also reduce the huge cost of maintaining social housing. Many people were very happy to become homeowners for the first time, although the costs of maintenance could prove too expensive for some. In an era of booming house prices, many bought low and quickly sold their house for a large profit in order to buy a larger property. However, it must be remember that after the property boom of the 1980s many people saw the value of their home decline (**negative equity**) and many had their homes repossessed as interest rate rises led to higher mortgage repayments (400,000 householders lost their homes for not keeping up with credit repayments 1990-1996).

More significantly, by being forced to sell off their stock of social housing, in particular the most desirable properties, councils had very little subsidised accommodation to offer those in difficulty who cannot afford to pay the higher rents demanded in the private sector. Fewer properties meant that the waiting lists for obtaining council housing increased, so much so that those near the end of the list (single people with no children) had virtually no chance of ever obtaining affordable accommodation. It is no coincidence that from the 1980s onwards the problem of **homelessness** in the UK has increased greatly.

The NHS

Fears that Thatcher sought to privatise or dismantle the health service, led to repeated Conservative claims that the NHS was "**safe in Conservative hands**". Indeed, the Conservatives claimed to even have increased the spending on health care, however it must be noted that these increases were insufficient to guarantee quality care. As health care became increasingly sophisticated, using more and more high-tech techniques, health care was becoming more **expensive** to administer. In addition, Britain's **ageing population** required more health care than in the past. Lastly, as a percentage of GDP, Britain continued to **spend less on health care** than many other developed countries. Thus, despite claims of increased spending on health, the health service tended to decline, most strikingly felt by the closures of hospitals and wards.

Since, for political reasons, the Conservatives could not directly privatise the NHS, they were intent on making sure that they got better value for money, that the resources put into the health service were used efficiently. This was to be partly done by **privatising** certain areas of health care. The government thus chose to "**contract out**" (*sous-traiter*) what were known as **ancillary services**, such as catering, cleaning and sterilising. A system of "competitive tendering" (*appel d'offres*) would mean that private companies competed with

each other for, say, the contract to clean a hospital, with the contract being awarded to the cheapest firm. Thus, replacing NHS personnel with staff working for private firms on contract would, it was hoped, generate competition and thus lower costs.

Another way to improve the NHS was to be the introduction of market principles. Since the Conservatives held that competition was the key to greater efficiency, they encouraged doctors to act as customers and hospitals to act as businesses. The **National Health Service and Community Care Act 1990** set up what was described as an "internal market" within the NHS. GPs, for example, were to be allocated their own budget with which they were to "purchase" the best value hospital care for their patients. Instead of automatically sending a patient to the nearest NHS hospital, they were to compare what was offered by various hospitals, near or far, public or private. Hospitals would thus be forced to "compete" for patients, by proposing the treatment more cheaply than others. This remained a "quasi market" however, meaning that the patient still received free hospital treatment at the end of the day. Another feature of the Act was to encourage hospitals to become **self-governing trusts**, which had much greater financial autonomy, but remained within the NHS. In effect, with more budgetary control, the hospitals were encouraged to run themselves as businesses, directly responsible for their spending decisions. However, one unfortunate feature of this was the increase in the numbers of highly-paid accountants and managers that were then needed to run the new trusts, resulting in less money than before on health care and more on administration and marketing.

Education

A similar logic was visible in the Conservatives' education policy. As in health, Thatcher wished to introduce competition into the sector in order to improve efficiency. The **1980 Education Act** illustrated this in two ways. Firstly, the Conservatives set up the

Assisted Places Scheme which provided state funding so that bright youngsters from poorer backgrounds could enjoy a public school education. Thus it can be seen that Thatcher opposed the idea of the state education system enjoying a monopolistic position. Critics pointed out that this scheme meant that funds that could have been used to improve state education were instead being used to subsidise independent fee-paying schools. Secondly, in 1988 the Conservatives strengthened the idea of **parental choice**, allowing parents the right to choose the state school that their children were to attend, instead of imposing the nearest local school. In addition, school funding would depend on the number of pupils attending, so successful schools that attracted pupils would receive more government money. Thus state schools would have to successfully "compete" for pupils, e.g. by improving exam results (new national tests and school “league-tables” showing each school’s results were developed with the aim of allowing parents to better compare schools), or else see their funding diminish. Critics again pointed to an increasingly unequal situation where successful schools (often in well-to-do middle class areas) attracted more pupils (often from other middle-class families) and enjoyed improved funding and conditions, whereas less successful schools (often in problematic inner cities) lost pupils, in particular, the brightest, and saw their conditions degenerate. Thus parental choice, and the resulting competition between schools, is often criticised as polarising the situation between good and bad schools, rather than resulting in improved standards across the board. Former Conservative Education Secretary Kenneth Baker admitted in the 1990s that his policy of parental choice had been intended to reduce militancy among the teachers unions, limit the power of the Local Education Authorities and weaken the standing of Comprehensive schools, which the Conservatives had never favoured.

The Conservatives were critical of the often leftwing **Local Education Authorities (LEA)** that were responsible for budgets, recruitment and curriculum in the British state school sector. Thus the **1988 Education Act**, in addition to imposing a new national

curriculum and testing, also allowed schools to "**opt out**" of LEA control and become "**grant-maintained schools**", i.e. to choose to become more autonomous, with funds coming directly from the government. (Meanwhile, a national curriculum was imposed to harmonise what schools were teaching.) Around 15% of secondary schools voted to make this change in order to have great budgetary freedom and enjoy more decision-making powers, particularly in terms of remuneration and recruitment. There has been the suggestion that this freedom enabled them to recruit the best teachers by offering higher salaries than those available in state schools, thus hastening the decline of an already troubled state sector.

Thatcher's fall from power

Thatcher's dogmatic style ended up alienating both the public and key members of her own party. The key reason for public hostility was Thatcher's attempt to reform the financing of local government by replacing the old system of "rates" (local taxes based on property values) by a flat-rate (i.e. undifferentiated) tax known as the "**community charge**" or "**poll tax**". This meant that all members of a community, rich or poor, were liable to pay the same amount to contribute to the running of local services (although there were reductions for the poorest in society). It was hoped that by introducing a direct relationship between what their local authority spent and what they, as residents, had to pay, local authorities would be pressured to limit their spending. However, the extremely anti-egalitarian nature of the tax led to a massive campaign of non payment and civil disobedience, and ultimately led to violent riots in central London in 1990. Thatcher's popularity in Scotland went down even further in Scotland as her government had decided to introduce this unpopular measure in Scotland one year earlier than in the rest of the country.

Members of her own party were starting to consider Thatcher as an electoral liability, and a number of high profile Conservatives had resigned or been sacked from the government

by now. When she alienated the pro-European wing of her party by strongly resisting further moves towards European integration she was challenged in a leadership battle by a former minister (Michael Heseltine). She stepped down when she did not secure enough votes within her party to be re-elected as leader in the first round.

Her successor was the much blander John Major, who, in many domains continued the policies that she had set out. The exception was Europe, over which Major showed a more tolerant approach, with the UK signing the Maastricht Treaty in 1991. However Major's term of office was marked by another serious recession, the longest ever to hit the UK, with over two years of declining economic output from 1991 to 1993.

The Thatcher Revolution: Conclusion

The 18 years that the Conservatives were in power from 1979 to 1997 were, for some, the years in which Britain went through a much-needed period of modernisation. After years of economic decline in which the UK seemed to be suffering from an incurable "British Disease", the Conservatives had managed to totally transform the old mixed economy with its wage and price restrictions, its "lame ducks", its chronic inflation and its disruptive strikes. Reforms of the Welfare State sought to cut state spending and encourage a more dynamic society, corresponding to the goal of creating an entrepreneurial climate, or in the words of Margaret Thatcher, "**change Britain from a dependent to a self-reliant society, from a give-it-to-me to a do-it-yourself nation; a get-up-and-go instead of a sit-back-and-wait-for-it Britain**." (*Les Clés de la Civilisation Britannique*, p.180). Britain was in the forefront of the neo-liberal revolution and its business-friendly, low-tax, low-regulation environment cannot be dissociated from the Conservatives' very restrictive union legislation and privatisation programme.

However, it also seems clear that the price for this modernisation was an increasingly divided society. Unemployment affected millions during the 1980s and 1990s with the old industrial North suffering more heavily than the wealthier and more service-oriented South. Despite the neo-liberal reforms designed to invigorate the economy, creating jobs and wealth, many indicators of poverty worsened under Thatcher. Average wages rose, but not all households benefited. Between 1979 and 1992 child poverty went from 10% to 33% while the poverty gap also widened: the revenues of the richest 10% increased +61%, while the revenues of the poorest 10% decreased -18%.

3. Blair, Brown and "New Labour"

From 1979 to 1997, Labour were in the political wilderness for 18 years, having been **defeated in four consecutive general elections**. After an initial period in the early eighties when the party had turned more resolutely **leftwards**, Labour's leadership became dominated by more **centrist progressives** who were convinced of the need for "reform" and "modernisation". The reformers within the Labour Party set out to discover what electors disliked about Labour and what the party might need to change in order to become elected. What had previously been central to the values and principles of the Labour Party were increasingly considered to be a handicap in a new drive to win the support of the **middle classes, the business community and the right-wing press** necessary for an election victory. In particular, it was considered that Labour was too closely associated as the party of the **working classes** and **the unions**; it was thought of as the party which imposed high levels of taxation in order to **redistribute wealth** and fund costly **social programmes**, often described as a "**tax and spend**" approach. Importantly, these are the elements which gave the Labour Party its leftwing, socialist credentials.

The Labour Party thus sought to show how it had moved on from these values, which now became associated with the past or utopia. Instead Blair has promoted the vision of a thoroughly modern party which is "beyond left or right", i.e. which can no longer be classified according to traditional political ideologies. Thus, Blair offered voters a "**Third Way**" which would maintain the necessary conditions for a successful, business-friendly economy (**low taxes, low state spending, deregulation, labour flexibility, strict controls on union activity**), while, importantly, still offering "**social justice**", i.e. public services and benefits that would ensure that the less fortunate in society do not suffer unduly from poverty and its

effects. The "Third Way" was thus a move to make the Labour Party a more centrist party (some would say "right of centre") which would attempt a difficult balancing act as it attempt to maintain leftwing social objectives while promoting a neo-liberal economic policy. It is in this second sense that we suggest there is a sense of continuity and consensus between Thatcher and Blair. The reality of this continuation is sometimes openly accepted by those closest to Blair, for example, the declaration by Peter Mandelson (former N.I. minister, close advisor and now the UK's commissioner to the EU) that in strictly economic terms: "**We're all Thatcherite now**".

In order to re-invent itself Blair has been largely aided by **marketing and public relations techniques**, such as **focus group** interviews that study voters' desires, motivations and reactions; the constant use of "**spin doctors**" (propaganda experts and media specialists) to oversee communication strategies; and the promotion of policies through "**sound bites**" (media-friendly phrases which a politician uses to sum up a simplified policy in headline form, repeated often so as to make them easily remembered, e.g. "Tough on crime, tough on the causes of crime"). It was thus this process of "modernisation" which culminated in the "re-branding" of Labour as "**New Labour**", with the corollary of "Old Labour" being used to describe those who still stood by their socialist beliefs, now criticised as being old-fashioned, reactionary and out-of-date. The change has proved successful: in 1997 Labour won a landslide victory with a parliamentary majority of 179 seats. In 2001, Labour again won a decisive general election victory.

The end of "Old Labour"?

Labour's "modernisation" has led to some of the key notions and symbols of the party being abandoned. The symbolic heart of the party was often taken to be the fourth paragraph of the party's internal constitution (adopted in 1918) known as "**Clause Four**". This paragraph

stated that the party believed in the "common ownership of the means of production", a leftwing, but rather vague statement, often taken to mean a fundamental belief in nationalised industry. In 1995, one of Blair's most important acts as the new leader of the Labour Party was to replace this with a statement which while stile claiming Labour was "a democratic socialist party" dropped the traditional leftwing rhetoric and now affirmed the party's desire to bring about "a community in which power, wealth and opportunity are in the hands of the many, not the few."

Taxation, Spending and the Economy

Because Labour had lost previous elections due to Conservative claims that an irresponsible Labour government would inevitably raise taxes in order to pay for indiscriminate state spending, "New Labour" made specific election promises in 1997 concerning these issues. In effect, to show how "careful" they would be with the economy, they promised that if they would they would maintain, for a period of two years, the **exisiting low levels of taxation and government spending**, i.e. those set up by the Conservatives under Thatcher and Major. This promise was indeed initially kept by the Chancellor of the Exchequer, **Gordon Brown**, who acquired, for the first few years of the New Labour administration, a strong reputation for running the economy with prudence, i.e. promoting the need for market reforms while keeping state spending and borrowing to acceptable levels. These “prudent” economic policies were promoted as proving New Labour’s sophisticated management of the economy, leading to a long initial period of stable economic growth which contrasted with the sometimes erratic progression of the economy under the Conservatives, characterised by periods of intense activity and then recession. Famously Brown promoted New Labour’s economic management as signalling the end to such “boom and bust”

economic policies. However, after 2001 state spending began to rise again, which ended up becoming one of the key factors in the UK's severe economic downturn from 2008 on.

Rather than a return to a strongly redistributive tax system (high taxes aimed at the wealthiest to minimise the poverty gap) the Blair and Brown governments continued to see high direct taxes as "punitive" measures which discourage people from creating wealth. Despite Tory claims of the introduction of "**stealth taxes**", i.e. more indirect, less visible forms of taxation such as fuel duty, the UK in 2010 remained one of the lower-tax economies of the European Union in terms of its top rate of income tax and corporate tax.

It should be noted that by sticking, at least in the first few years, to the Thatcherite principle of low levels of state spending coupled with relatively low levels of taxation, the government found it necessary and desirable to find new innovative ways to finance public services.

The Unions

Even before the arrival of Tony Blair the move had been to put some distance between the unions and the Labour Party. Constitutionally and historically linked, the unions had traditionally played an important role within the Labour Party, in terms of financing the party and influencing policy and the choice of leader. In 1993, under the previous Labour leader, John Smith, the union's power at the annual party conference, one of the key forums for establishing party policy, was reduced. Instead of the traditional "block vote" whereby union leaders voted on behalf of their members (giving huge power to individual union leaders), a system of "One Man One Vote" was introduced. In addition, the union's share of the votes at the conference was reduced from 90% to 50%, and their share of the vote for the electoral college which designates the leader of the Labour Party was also reduced (40% to 33.3%).

In the 1997 election campaign Blair indicated that there would be no calling into question of the restrictive anti-union legislation that had appeared under Thatcher. In an interview with the rightwing newspaper The Daily Mail, Blair even boasted how "**Britain will remain with the most restrictive trade union laws anywhere in the western world**". His tone has often been very confrontational with the unions, indicating that they must "**modernise or die**". In 2001, he also told public service unions that "**it is reform or bust**". This seemed to clearly signal the end of the old privileged relationship between Labour and the unions.

As an aside, we can note the effects of this change in terms of The unions, once the most important financial backers of the Party, have started to decrease their financing of the party (although they continue to contribute around a quarter of funds. Consequently; the Labour Party has started to rely more heavily on private donors, such as the supermarket millionaire David Sainsbury who gave the party £2m in 1997. (This was the single largest donation to the party. It can be noted that one month later Sainsbury was given a lordship and he then became Science and Technology minister one year later).

Privatisation

By redrafting the famous "Clause Four", Blair indicated that the Labour Party no longer believed in nationalised industry, instead embracing private enterprise. This can be seen in their handling of the economy. With the exception of Railtrack (the private firm meant to oversee rail infrastructure, which was briefly taken into state administration when it was on the verge of bankruptcy in 2001. Rail infrastructure is now run by a private, but non-profit-making, company called Network Rail) no attempt has been made to renationalise any of the sectors of the economy. On the contrary, there have been moves towards greater privatisation, even though there remained few sectors that had not been privatised under the Conservatives.

There has, for example, been a partial privatisation of the **London Underground** (just at the same time as the private sector was found to be failing in maintaining the quality of the overground rail infrastructure) which means that a private firm is now responsible for investing in and maintaining the underground rail network in the capital. In return, they will be paid an annual fee over the next thirty years, while the state continues to own the network. The House of Commons Public Accounts Committee has estimated that this system of **Public-Private Partnership (PPP)** will cost the British public £450m more than it would have cost if the government had simply borrowed the money to pay for the renovations and maintenance itself. The government, however maintains that PPP is a cost-effective way to get the private sector to finance large-scale projects and has used it in many different domains (see Blair and the Welfare State). It is argued that PPP allows improvements in public services without the state having to make a large, initial investment.

Some of these remaining sectors were areas where it had not previously been thought wise to introduce the need to introduce private enterprise with the consequent focus on profit making. One such controversial privatisation has been the privatisation of the **National Air Traffic Control Service**, where the fear is that cost-cutting could possibly compromise safety. The use of private firms to build and run **private prisons** and to transport prisoners (prisoner transfer by private firms started under the Tories in 1993) has also caused controversy, notably over several high-profile security lapses and low standards of care (e.g. prisoners escaping from Securicor and Group 4 vans, prisoner deaths and health issues in Parc Prison, Bridgend, suicides due to staff negligence in Kilmarnock Prison run by "Premier Prisons").

New Labour and the Welfare State

The logic of private investment, privatisation and market reforms also advanced further into the Welfare State. Blair's claim in the 1997 election was that his priority was "**education, education, education**", but as we have mentioned, the Labour Party had also promised in that election not to increase overall public spending to a level higher than that set by the Conservatives. The problem remained, therefore, of how to finance public services such as education. One way of building new schools was by encouraging *private* firms to build, maintain, own and even help operate them. The schools officially remain in the state sector, with the state paying the firm an annual fee for the services and the use of the buildings. This is known as the **Private Finance Initiative (PFI)**, similar to the PPP we discussed in the case of the London Underground.

Tony Blair's controversial plans for education reform also involve increasing autonomy and private sector involvement for schools. He has signalled that the state should no longer be considered as the sole provider of state education, stating that businesses or church groups should be allowed to take over "failing" state schools with the poorest results. In exchange for a £2m donation, the government also contributes £20m but leaves the private donors with great freedom in determining the school's ethos, curriculum and recruitment. This has resulted in the creation of a number of generously funded "Academy" schools, whose effectiveness has nevertheless been called into question. In 2006, Blair's controversial education bill only passed thanks to the support of Conservative MPs : it advocated the creation of "Trust Schools", i.e. a model similar to the "opt-out" schools created by the Conservatives whereby individual state schools are given greater autonomy to run themselves and be responsible for their own budgets outside Local Authority control. The 2006 Labour budget however also signalled a great spending increase on state education over the next five years to reduce the gap between funding in private and state education.

The Labour government also began in later years to provide large amounts of extra investment for the NHS (particularly 2003-2006) which compensated for the years of under-investment under the Conservatives. Blair had championed the need to improve services in the NHS, by, for example, reducing the desperately long waiting lists for hospital treatment. But while the government has increased spending on health care, Blair has repeatedly made clear that this extra money must be met by "reform" within the health care system. One element of such reform is the idea that the state should no longer be thought of as the sole provider of care and finance – solutions should be sought equally through the private sector. Thus reforms included the use of PFI to build and help run new hospitals and the decision to use private medical firms to undertake some tasks previously carried out by the NHS (such as diagnostic tests, ultrasound scans or non-urgent surgery such as knee operations and cataracts). Critics have pointed out that although these centres reduce waiting times, they also divert funds away from the NHS, which is left to deal with the more complicated, expensive, long-term conditions such as the chronic illnesses that geriatrics may suffer from. In the health sector, one of Blair's final reforms was the plan to create so-called "foundation hospitals" which would remain within the NHS but which would have almost complete financial autonomy, being able to sell off land or buildings and borrow money from private banks. This corresponded to Blair's idea that the state should no longer have the monopoly in the provision of public services.

Government Benefit

The more coercive approach to welfare payment that we mentioned under the Conservatives has been maintained with New Labour. Although the Labour Party was responsible for the creation of a post-war Welfare State based on the principles of universality and comprehensiveness, these principles were undermined by reforms that sought to target

welfare support more accurately on the most needy, providing aid which would be provided on certain conditions only. The aim, as with the Conservatives, was to target (in the words of the tabloids) “benefit scroungers” (i.e. those who live on state benefits without working) and to end a "dependency culture" which saw those on benefit as losing the initiative to take the responsibility for their own lives. The key feature of this was the **New Deal** element of the **Welfare to Work** programme, which was inspired by similar policies in the USA. With different conditions for **under-25s** (if unemployed for over 6 months), **over-25s** (if unemployed for over 2 years), **lone parents** (most commonly "single mothers") and **the disabled**, this scheme sought to actively "encourage" a return to work rather than a life on benefit, although the scheme was voluntary in nature for single parents and the disabled. For example, an unemployed young person was given a mandatory interview to assess his real motivation in finding employment, then would be offered four options: **a full-time job** (this is the favoured option), a **6-month training course**, **a 6-month period of environmental work**, or a similar period of **voluntary work**. The coercive element was clearly expressed in the words of the Government that there would be "no fifth option of an inactive life on benefit." To this end, anyone who refused what was proposed was to lose two weeks' benefit payments. The government was able to find youngsters jobs to fill as it subsidised the full-time employment by paying a private-sector employer a significant percentage of the wage costs for six months (£60-75/week) – this aimed to cut welfare budgets, reduce the unemployment figures and end a mentality of dependency on the state. The extent to which the government sought to return people to work can be seen in more controversial ways such as the way they cut lone-parent benefit in their first year of government as a way to "encourage" single mothers to return to work. Later controversial policies involved making it more difficult to remain eligible for "incapacity benefit" (*allocations d'invalidité* - a government payment for those considered unable to work for health or disability reasons).

Welfare payments clearly became based on the principle that recipients had responsibilities as well as rights, and that work was always the best way of moving people out of poverty.

4. A Neo-Liberal Consensus?

It is measures such as those that we have just described - a restrictive and coercive welfare system; the introduction of private capital into education, health and prisons; the belief in the need to promote open markets and labour flexibility (see Blair's participation in the Lisbon Agenda, 2000, which led to the proposed Services Directives (or Bolkestien Directive) for the EU – that Tony Blair's New Labour is often described as being a centrist, or even centre-right party.

The Labour Party moved undeniably rightwards under Blair with some Labour candidates that were too leftwing found themselves deselected, i.e. prevented from representing the party in elections. This was, for example, what happened to the long-standing Scottish MP Dennis Canavan (Falkirk West) or to the popular politician **Ken Livingstone** whom the Labour Party chose not to have as their official candidate for the London mayoral election, but who instead led a victorious campaign as an independent. (Livingstone was later reinstated in the Labour Party). Although Gordon Brown, some hoped, would mark a return to more traditional Labour values after his premiership began in 2007 this did not come to pass.

However, the party still finds itself attacked by neo-liberal thinktanks and the Conservative Party over the Government's supposedly leftwing policies which have led to high taxes, high state spending and an unreformed, over-expensive, inefficient welfare state that encourages dependency. Where does the truth lie?

New Labour was certainly responsible for introducing a number of socially-oriented measures that would have been unthinkable under the Conservatives. For example, when the Conservatives signed the Maastricht Treaty, which led to the creation of the EU single market

(1993), they specifically arranged to be allowed out of the "Social Chapter" which provided a certain number of minimum rights for workers. New Labour, despite its commitment to flexible labour markets, adopted the Social Chapter for the UK too. (But although they now apply the EU working time directive (48 hours max / week) the UK under Labour negotiated an “opt-out” which allows employees to “accept” to do more hours, above the legal limit, if they “wish”.) The 2-year period before unfair dismissal laws can be applied has also been brought down to 1 year, giving greater protection to workers, and maternity leave was lengthened (up to 1 year, but last six months unpaid) with the creation of two weeks’ paid paternity leave.

In addition, the Labour Government was responsible for the creation of a **minimum wage** in the UK, which was introduced for the first time in 1999. However, this also led to some controversy and trade unions and Labour Party leftwingers attacked the level chosen (£3.60 / hour) as being far too low to protect workers from exploitation and poverty. An even lower rate of £3 was set for under-21s. The rate later rose in 2005, although critics were still unsatisfied by the new rate of £5.05 / hour. Meanwhile, on the right, Conservatives and business leaders claimed that this would lead to higher costs and ultimately higher unemployment in the UK.

There were some changes made to the tax system which had been made less distributive under the Conservatives. Blair maintained the low top levels of income tax that he inherited from the Conservatives, but he raised National Insurance contributions to help pay for the NHS where a lack of funding continued to be a problem. To counter these rises, his government introduced **Working Family Tax Credits** which offered payments to low-paid parents to help supplement their low incomes. This involves a degree of wealth redistribution in that they benefit the lowest paid workers, however Blair has also refused to raise taxes for the highest earners in the population as he wishes to encourage “wealth creation”.

After the initial period of maintaining strict limits on taxation and spending, both then began to rise. Blair and Brown claimed that this was necessary to counteract the years of under-investment in health and education, and claimed that has been made possible by the Government's strong record in running the economy (1997-2006 was a period of sustained growth, low inflation and the lowest unemployment for 30 years). They also made clear that any extra money must be accompanied by structural reforms, such as the introduction of more choice for parents and patients or lay-offs in over-manned administrative departments. Nevertheless, critics in the Conservative Party claimed that the Government had begun again to borrow too much money and proposed instead spending and tax cuts, with some extreme voices suggesting that state-provided public services such as the NHS simply do not work and should be replaced by private provision.

Brown and Blair's Britain: conclusion

Despite some improvements, particularly in health, the UK's key public services were often seen to be in serious difficulty with following standards and conditions. The school sector became dogged by absenteeism and low morale amongst teachers. Tuition fees were reintroduced for university students who, by the end of the Brown administration, had to pay £3000 a year (Under the Conservatives, this was then increased from 2012 on to a maximum of £9000 a year). The health sector was still suffering from long waiting lists, with some patients even being sent to France or Germany for quicker treatment. A later problem for hospital patiens became the spread of the MRSA superbug, a potentially lethal bacteria which resists all known antibiotics and which has developed particularly in hospitals where hygiene standards are lacking.

Tony Blair's personal legacy however, is unlikely to be domestic politics where slight, debatable improvements in public services were obtained at the cost of increased private sector involvement. Certainly there was also constitutional reform – Devolution in Scotland and Wales, a so-far incomplete reform of the House of Lords, the introduction of a "Bill of Rights-style" Human Rights Act, the introduction of new electoral systems for certain elections.

But what indelibly marked Blair's mandate, bringing into doubt his judgement, his honesty, his trustworthiness and his world vision is Iraq, where the UK in 2003 sought to prove itself as the USA's most loyal ally by sending ground troops to help overturn the regime of Saddam Hussein. (British troops landed in the south of the country.) This decision was justified before Parliament because of the pressing need to protect the world from the Weapons of Mass Destruction (**WMDs**) that Iraq, according to British and American intelligence services, still had in its possession and which it refused to give up. Tony Blair even declared (House of Commons, September 2002) that the threat was so great since Saddam Hussein had biological weapons that he could use at 45 minutes' notice. Needless to say, no such weapons were ever found. The **Iraq War** was one of the factors which led to Blair relinquishing power in 2007 to be replaced by his former Chancellor as the new leader of the Labour Party.

Gordon Brown as Chancellor of the Exchequer, had initially declared an end to "boom and bust" thanks to his "prudent" handling of the economy which had resulted in stable growth, low inflation, low unemployment and low debt in the first few years of New Labour rule. When Gordon Brown, now Prime Minister, addressed the press after the global **financial crisis** took hold in 2008 he was still asserting that the UK was "better placed" to face the crisis than other countries, thanks to Labour's successful record in managing the economy. However, his critics on both the left and the right, were quick to point out the failings of the

economic model under New Labour whose structural weaknesses became quickly apparent after 2008. The general feeling of prosperity in the country had resulted not from increasing wages for workers (which were stagnating during the period), but from increasing use of credit cards to finance purchases and from a **house price bubble** which led to home-owners taking out larger and larger loans in the illusion that the price of their homes would increase eternally: both resulted in massive levels of private debt for individuals. The UK economy owed much of its dynamism to the financial services sector which was focused on the City of London. However this over-reliance on financial services to the detriment of manufacturing, led to a structural weakness in industry and also led to insufficient regulation of the financial services sector from a complicit government eager to keep the support of the banks and insurance firms. This contributed to banks taking on risky investments and ill-conceived business models which ultimately led to their downfall. When failing UK banks such as **Northern Rock** or the **Royal Bank of Scotland** risked going out of business and causing a chain-reaction of bankruptcies among other financial institutions, the UK Government felt obliged to step in and in 2008 it spent £500 billion of tax-payers' money to provide the capital the banks needed to stay in business. These **bank bailouts** (while not purely a UK phenomenon) caused the level of the **national debt** to increase dramatically.

The fact that despite the years of economic growth before 2007 the UK was now suffering from a record level of national debt led to Conservative criticism about Labour "irresponsibility" in handling the economy and set the context for the **coalition government** (**David Cameron, Nick Clegg 2010 -**) to introduce a series of drastic **austerity budgets** whose aim was to bring back down the national debt to an acceptable level. The social cost of this, however, would be an unprecedented decline in living standards for UK citizens, a **triple-dip recession** as the economy contracted further, and large reductions in state spending for almost every Government department with the consequent effects on social services.