

ANDREW GAMBLE



**THE FREE
ECONOMY
AND THE
STRONG
STATE**

**THE POLITICS OF
THATCHERISM**

The Free Economy and the Strong State

The Politics of Thatcherism

Andrew Gamble

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‘The part played in history by individuals, which was overemphasised by Carlyle, and is still exaggerated in our day by his reactionary disciples, tends, on the other hand, to be unduly minimised by those who believe themselves to have discovered the laws of sociological change. I do not believe that, if Bismarck had died in infancy, the history of Europe during the past seventy years would have been at all closely similar to what it has been.’ — **Bertrand Russell** (1934)

‘The Old Testament prophets did not say “Brothers I want a consensus”. They said: “This is my faith, this is what I passionately believe. If you believe it too, then come with me.”’ — **Margaret Thatcher** (1979)

‘I don’t at all mind having enemies. But not too many at the same time please.’ — **Margaret Thatcher** (1981)

Preface

This book is a continuation of a study of postwar Conservatism which began with *The Conservative Nation* published in 1974. Its more immediate origins lie in an article entitled 'The Free Economy and the Strong State' which appeared in *Socialist Register* in 1979. It also draws freely on the articles I have contributed to a number of journals in recent years, particularly *Marxism Today*, in which I have attempted to analyse Thatcherism and the policies of the Thatcher Government. Re-reading those articles and some of the confident judgements and assertions contained within them, and comparing them with what has happened since, has made me aware that there are few things more difficult than trying to make sense of contemporary political events and the direction in which they are moving. It is a belief that the attempt still needs to be made that is the primary motivation for this more extended study.

The book is organised in the following way. Chapter 1 analyses the new politics which emerged in the 1970s in response to the world recession, the exhaustion of Fordism as a regime of accumulation, and the breakdown of American hegemony. Thatcherism was one expression of this new politics, but acquired its distinctive characteristics through the exceptional and deep-seated crisis of state authority that developed in Britain in the mid-1970s. Different aspects of Thatcherism as a new hegemonic project are then explored in subsequent chapters.

The Thatcherite project seeks to promote a free economy and a strong state, and the meaning of these terms is explored in Chapter 2, through an examination of the ideas and

doctrines of the New Right, and its two main strands – identified here simply as the conservative New Right and the liberal New Right.

Chapter 3 seeks to place the rise of Thatcherism in the context of postwar British politics, and highlights a number of episodes and issues which are significant for understanding the context in which Margaret Thatcher became Leader of the Conservative party and how Thatcherism first began to emerge during her period as Leader of the Opposition.

Chapter 4 reviews the record of the Thatcher Government, the main events, policies, and achievements of its first eight years. It asks how radical and successful the Thatcher Government has proved in the light of its own manifesto commitments in 1979.

Chapter 5 examines the debates on the legitimacy of Thatcherism as a representative of the Conservative tradition, and probes the question: Is Thatcherism Conservatism? Its character as statecraft rather than ideology is strongly emphasised.

Chapter 6 analyses the debates on Thatcherism as a hegemonic project, by discussing the thesis of authoritarian populism and the criticisms that have been made of this from class politics, feminist, and state policy perspectives.

Chapter 7 provides a summary of the main points and the themes of the book, and an analysis of Thatcherism in terms of its success in managing the different requirements of the politics of support and the politics of power. It discusses the new policy agenda which the Thatcher Government has created and whether the Government has succeeded in its primary objective, to turn Britain round and reverse the long decline.

I have incurred many debts in writing this book. I should particularly like to thank Martin Jacques for the exceptional intellectual and editorial stimulus he has provided during the last eight years; Ralph Miliband for commissioning and commenting on the original article that suggested the theme of this book; Steven Kennedy, Gillian Peele and a Macmillan reviewer for reading and criticising a first draft; friends, colleagues and students at Sheffield, with whom I have discussed the themes of this book. Special thanks for their

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A crisis of hegemony

The new politics

During the 1980s a new politics became established in the West. There were different national variants but many common themes. In the 1980s its most celebrated exponents were the governments of Margaret Thatcher in Britain and Ronald Reagan in the United States. The new politics came to be thought of primarily as a new conservative politics.

It was not, however, confined to the Right. The opportunity and the necessity for new policies, new projects, new purposes and new doctrines were created by the breakdown of hegemony at both international and national levels during the 1970s. At the international level the breakdown occurred when the undisputed economic supremacy which the United States had enjoyed since the 1940s disappeared, and the world economy was plunged once more into recession. At the national level it occurred when the policies and institutions of postwar social democracy began to be discredited. The authority of the social democratic state in the fields of citizenship, representation and economic management was undermined.

The loss of hegemony did not occur suddenly. It was a long-drawn-out process. Hegemony exists when the political leadership of a group or a nation is exercised with minimal dispute and resistance. Constant work and struggle is required to achieve and to maintain it, for no hegemony is ever complete, and many attempts to establish hegemony are never realised. That is why hegemonic projects are encountered much more frequently than hegemony itself.

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The radical right programmes of both Thatcher and Reagan were responses to the breakdown of authority and stability in the world system and in national politics. From the outset they offered to restore strong national and international leadership on a new basis. They planned to restore the vigour of British and American capitalism through a new accumulation strategy; they planned to rebuild the system of alliances and defences of the West; they planned to change the balance between state and society and reinvigorate their national cultures.

These were new hegemonic projects which openly repudiated the older hegemonic projects of British social democracy and American welfarism. Both were seen as having failed. They were rejected as sets of institutions and policies for managing advanced industrial societies and also as models of the kind of good society political activity should be seeking to create.

The breakdown of hegemony forced a new policy agenda on governments. As policies began to change so new political doctrines emerged to justify the new measures and to suggest how they might be extended. But the changes in political institutions and modes of political organisation that the new policies often required occurred much more slowly. The new doctrines and political rhetoric ran far in advance of them.

The new politics developed in response to the events and crises of the 1970s. It did not have a single focus or a single driving force. The various crises of state authority on which it fastened had developed separately and although there were some interrelationships there was at no time a single problem to which all the others could be reduced. As structures of authority weakened so the task of governing became more intractable. But at the same time it created new space for more active and creative political leadership, the forging of new coalitions of voters and interests, the framing of new policies, the articulation of new ideologies and doctrines, in short the construction of new hegemonic projects.

The opportunity for challenging the policies enshrined in the 'Great Society' programme of the United States or Britain's welfare state arose out of events during the 1970s that changed the parameters and assumptions of national politics. The

relative political stability and prosperity of the advanced capitalist world that had been painfully established after the years of world war and postwar reconstruction gave way to renewed turbulence, domestic conflict and international tensions.

What all states faced in the 1970s was a growth in the number of problems that did not seem capable of being solved by ordinary political means. The space for asserting national sovereignty was shrinking; economic management was increasingly unsuccessful; the structures for mobilising consent for national policies were no longer adequate; and the bases of social order and national identity were under threat. The inability of governments to find solutions weakened political authority and generated a deep malaise and pessimism about the possibility of rational management of public policy. Governments appeared weak and indecisive.

None of these problems were new. All had figured in domestic political argument from at least the mid-1960s onwards. But what changed in the 1970s was appreciation of their scale. The trigger for this was the collapse of fixed exchange rates in 1971/2 followed by the quadrupling of the oil price in 1973 and the generalised world recession which then ensued. The collapse of currency stability and the rise in oil prices did not cause the recession but such events drew attention to the increasingly precarious foundations of western prosperity, since cheap energy and stable money had been two of the key factors in postwar expansion. The long boom was now definitely over and a period of much slower growth lay ahead. Following the acceleration of inflation after 1971 and the steep rise in unemployment after 1973 it was recognised that managing the economy successfully was going to be much more difficult than in the previous two decades.

The slowdown in growth and the breakdown of fixed exchange rates undermined the policy regimes that had developed in the period of prosperity. Controlling inflation assumed a higher priority than maintaining full employment; public expenditure programmes no longer seemed affordable and were reined back; and strict curbs on wages and internal demand were applied.

All governments in the mid-1970s were forced to adopt

similar crisis packages to deal with the problem of inflation and the disappearance of growth. At first the disappearance of growth was regarded as temporary and an early resumption was anticipated. But it soon became clear that the shocks of the early 1970s were not accidents but signalled deep and permanent changes in the political and economic organisation of the world economy. Waiting for the storm to pass was no longer enough. The world outside was never going to be quite the same again.

The world system

The single most important reason for the development of a new politics was the shift in the political and economic balance of the world system. This had two main features: the exhaustion of the old regime of accumulation known as Fordism, and the decline in the position of the United States. The emergence of an increasingly interdependent world economy over a period of several centuries has brought an unprecedented enlargement of production, population, trade and communications. But political authority within this relatively unified world economy has remained fragmented between a large (and increasing) number of states. This modern world economy has never experienced rule from a single centre, and has owed its dynamism to the permanent competition and occasional armed conflict between states as they seek to promote particular national interests within the framework of international cooperation.¹

The world system follows no fixed cycle or pattern of development. Every succeeding phase brings new possibilities and novel features. Periods of relative stability within the world system have been associated firstly with the establishment and diffusion of a major new technology capable of revolutionising all the major branches of production, and secondly with the emergence of one state which enjoys such undisputed industrial, commercial, and financial supremacy that it can exercise hegemony. For a time it can act as though it were a world state, a central authority laying down rules and providing services for the world economy.

Both these conditions were realised during the period of exceptional stability and prosperity experienced during the 1950s and 1960s: the diffusion of technologies based on electric motors into new sectors, particularly consumer goods, and the undisputed hegemonic position of the United States.²

During the years of prosperity and rapid expansion of national economies the foreign economic policy of the leading capitalist powers settled into a pattern. The intense debates during the postwar reconstruction period gave way at the end of the 1950s to a (belated) acceptance of the agreements made at Bretton Woods. Currencies were made convertible, trade became multilateral, exchange rates were fixed, and progress towards reduction of tariffs through successive rounds of negotiation through the General Agreement on Tariffs and Trade (GATT) were endorsed. The International Monetary Fund (IMF) and the World Bank were confirmed as the principal international agencies charged with policing and lubricating the system.³

Fordism

The ultimate acceptance of a regime of multilateral trade and payments was made possible by the huge expansion of output and markets based on the full development of the technologies and methods of industrial organisation known as Fordism.⁴ The Fordist regime of accumulation was based on assembly-line mass production, and the gradual elimination of skilled workers through the systematic incorporation of their skills into the production process using the techniques of scientific management.

Mass production entailed mass consumption which had to be achieved either through exports or through the enlargement of the domestic market. The latter was achieved through new measures of national economic management designed to maintain high and stable levels of demand, and through the emergence of collective bargaining arrangements which ensured that wages were high in the leading sectors and that wage increases matched increases in productivity and prices.

There was nothing inevitable about the establishment of

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such a regime of accumulation. The political conditions for it had first to be created. The internal political battles for the acceptance of interventionist state policies were prolonged, and the trade unions' ability to win a strong bargaining position in the mass production industries was not conceded without a struggle.

There was inevitably a wide variation in how far and when these conditions were realised in different countries. But as the industrial methods of Fordism became established, they helped the emergence of social democratic regimes. Social democracy, in its different national variants, subsequently allowed the full logic of Fordism to unfold. Organised labour was successfully incorporated as a support for the modern industrial order and there followed an era of exceptional growth in output, living standards and the public sector, throughout the advanced capitalist countries.

The world recession

As the world system has developed, states have often experienced difficulty in maintaining their autonomy in the face of changing patterns in world trade and production and in political, military and economic competition from other states. This is particularly acute when a period of relative political stability and economic prosperity gives way to a period of political conflict and economic uncertainty.

The breakdown of international hegemony and the emergence of a crisis of accumulation in the world economy forces all national governments to reconsider the role of their countries within the world system. They must rethink what their essential national interests are and adapt policies accordingly. The adequacy of national accumulation strategies in respect of foreign economic policy, stabilisation policy and industrial policy has to be reassessed in the light of changing world circumstances. Such rethinking can provoke lively internal debate and major social and political conflicts. The merits of greater autonomy versus greater dependence, of protectionism against free trade, of currency blocs against freely convertible currencies, of controlling inflation against

maintaining employment, of markets against planning, as well as questions of military and diplomatic alliances all come under examination.

This was the context of the new politics of the 1970s. The breakdown of the hegemony exercised by the United States and the relative exhaustion of profitable investment opportunities threw the Fordist regime of accumulation into turmoil. The abrupt slowing down of economic growth in the mid-1970s reopened numerous questions that had been thought settled. The foundations of postwar prosperity were put in doubt. The increase in interdependence since 1945 had initially increased rather than diminished the authority of governments because of the growth in the pool of resources available to be distributed through market and political mechanisms. When the pool stopped growing, and even began contracting, national governments struggled to retain their authority.

The advent of the recession was triggered by the deflationary measures which many countries adopted to contain the upsurge in inflation in 1973/4 and to reduce their non-oil imports so as to protect their balance of payments.⁵ The check to demand and confidence dramatically exposed the obsolescence of many established industries. Investment opportunities in many fields had become exhausted because markets were saturated and in many industries it was difficult to make any further gains in productivity with the existing technology. A huge shake-out of labour began plunging national economies into the kind of mass unemployment that had not been experienced since the 1930s.

It soon became clear that a major restructuring of the world economy would have to be carried through, involving the liquidation of a huge amount of capacity, the disappearance of a large part of existing employment, and the introduction of new technological systems. The deployment of new technology was aimed at preserving the competitiveness of some parts of national and international capital. It was not itself the direct cause of the unemployment but what it underlined was that previous levels of employment in those industries would never return. New levels of productivity and new standards of competition had been established which all companies and industries in the future would have to match.