

1 The 1970s

Explanations and origins

Introduction

Margaret Thatcher's political career was extraordinary. She was Britain's first woman prime minister. The eleven and a half years (May 1979 to November 1990) she spent in No. 10 Downing Street were comfortably longer than anyone else in the twentieth century. She was also prime minister for a longer continuous period than anyone for more than a century and a half – in fact since Lord Liverpool's fifteen-year tenure was prematurely halted by a stroke in 1827. She won three successive general elections, the last two with landslide majorities. No other party leader in the twentieth century won more than two successively and then with smaller majorities overall. Although it is still too early to be sure, the claims of Thatcher's supporters that she changed the course of British history cannot be lightly dismissed as heroine-worship or as grandiose posturing. At the very least, she cast a long – opponents would say baleful – shadow across both political parties into the twenty-first century. Controversial and partisan as she was, she also changed the mindset of the nation.

Change as moral crusade was the *leitmotif* of her career. As early as 1977, when asked by the right-wing journalist Patrick Cosgrave, then one of her special advisers, what she had changed, she replied, simply, 'Everything'.¹ When she was preparing her first Queen's Speech in 1979, a speech that many of her detractors say she would like to have delivered in person, it was uppermost in her thinking: 'If the opportunity to set a radical new course is not taken', she wrote in her Memoirs, 'it will almost certainly never recur . . . I was determined to send out a clear signal of change'.²

Certainly, she shook the country up. Certainly, too, she exercised the most profound effect on the structure and social composition of the Conservative Party, which she led for nearly sixteen years, from February

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1975 to November 1990. Her influence on the Labour Party was scarcely less substantial. ‘New Labour’ can be seen as the logical response to Thatcherite hegemony in the 1980s. Thatcher also profoundly altered the nature and orientation of the governmental machine. She required a fundamental reappraisal of the role and loyalties of a civil service that, like most professional structures, she was determined to turn upside down.

Once she had found her feet, she addressed both the nation and international political leaders in hectoring tones. Straightforward, simplified, and frequently moralistic, messages were conveyed with insistent, repetitive clarity. Thatcher transformed, by ignoring, the nuanced subtleties of international diplomacy. She became more readily recognised worldwide than any figure in British public life, except perhaps the most prominent members of the royal family. Her leadership, policies and personality alike excited stronger passions, for and against, than have those of any other twentieth-century prime minister, with the possible exception of Lloyd George.

Ideas and origins: what was ‘Thatcherism’?

Thatcher was the only twentieth-century prime minister to become eponymous. The use of the term ‘Thatcherism’ might be taken to imply a more or less coherent body of thought or ideology, much as well-established terms such as ‘liberalism’, ‘Marxism’ or, indeed, ‘Conservatism’ do. Thatcherism is markedly different from any of these. It offers no new insights and, although profoundly ideological on one level, it is better seen as a series of non-negotiable precepts than as a consistent body of thought.

Most modern commentators share the present writer’s view that Thatcherism does not represent a coherent ideology. One argued that it ‘combined in a new synthesis two British political traditions: neo-liberalism in economic matters and authoritarian conservatism in social policy’.³ In terms of economic thought, Thatcherism was more ‘neo-liberal’ than anything else since it held that prosperity depended on liberating businessmen and other ‘wealth creators’ from state controls and constraints. It believed in free trade and low taxation. Though the role of government is minimised, the state should staunchly defend individual property rights. In both its deference to the disciplines of the market and rejection of paternalism, especially by the state, it owed much of its inspiration to the US and especially to the so-called ‘Chicago School’, in which the economist Friedrich Hayek was prominent.⁴ Hayek’s views on the necessity of governments maintaining control over the money supply as a means of keeping inflation in check had influenced a number of right-wing Conservatives from the late 1960s.

Another commentator argues that Thatcherism maintained the traditional Conservative preoccupation with 'statecraft'. This involved winning general elections and retaining control of high politics. In a sympathetic valedictory piece written the day after Thatcher announced her resignation in November 1990, the *Daily Telegraph* asserted that 'Thatcherism . . . is not really an economic doctrine at all. It is a powerful collection of beliefs about the capacities of human beings in political society'.⁵ Shirley Letwin, another Thatcher sympathiser, saw individualism as the key attribute. Her view was that, since people naturally follow what they perceive as their own interests, Thatcher was merely drawing upon basic human motivation, rendering it as a political programme relevant to the circumstances of the late 1970s and 1980s.⁶

Those who see Thatcherism as an ideology fall into two categories. Tory 'wets', like Ian Gilmour and James Prior (see pp. 18, 23, 25), accused her of slavish adherence to the economic doctrine of monetarism, whereas traditional Conservatism was rooted in pragmatism, flexibility, compromise and common sense.⁷ Marxists (see Chapter 3), who rarely think other than ideologically anyway, tend to see Thatcherism as a malign campaign to further the interests of the capitalist rich and powerful, consolidating and then extending forms of political and cultural domination over the underprivileged.⁸

Debates about ideology, often politically motivated and intellectually sterile, should not lose sight of Thatcherism's visceral power. Thatcher's intellectual horizons may have been overly narrow but she knew what she wanted to achieve. As a woman making her way in an overwhelmingly male political world, she would not be 'pushed around'. Many of the strategies she used to assert personal influence over both political opponents and members of her own Cabinet were also employed on the international stage. She sought to ensure that Great Britain, after a humiliating period of retreat and declining influence, would no longer be pushed around either. Rooted, angry opposition to much prevailing orthodoxy framed the Thatcher agenda. She believed in: individual rights, particularly in economic matters; private enterprise within a free market; firm, sometimes authoritarian, leadership; low levels of personal taxation; union and vested-interest bashing; simple, unqualified, patriotism.

Professor Peter Clarke has argued that Thatcher was 'an inconsistent ideologue'.⁹ This was not because she was unintelligent. Far from it. Her inconsistencies were grounded in calculations of political advantage. When necessary – and, until her last year in office, her judgement about when it was necessary was almost invariably shrewd – she would trim, or even concede. Her trade was politics, which demanded more flexibility than ideology. She also knew that very few intellectuals made successful politicians. Nigel

Lawson, her chancellor of the exchequer from 1983 to 1989, hit the nail on the head. He accepted that Thatcherism was not a tightly drawn ideology. He referred instead to what he called her ‘particular constellation of policies and values . . . The right definition [of Thatcherism] involves a mixture of free markets, financial discipline, firm control over public expenditure, tax cuts, nationalism, “Victorian values”, privatization and a dash of populism’.¹⁰

Lawson was right to indicate that Thatcherism contained only a ‘dash’ of populism. On the big ‘social’ issues of the 1960s – changing the law on homosexuality and abortion – Thatcher had been a reformer. Her background was lower middle class and her misbegotten and damaging attempt to impose the Community Charge (or poll tax as it was almost invariably termed) reflected her upbringing (see Chapter 5). Her rooted belief was that the existing domestic rating system was unfair. She remembered that her father’s aim, as chairman of Grantham’s Finance and Rating Committee, was to keep the rates low. The burden of providing local services should be more equally shared by charging adults a uniform fixed rate.

A true populist would not have nailed colours to such a mast. Though popular with many small property owners, the poll tax was deeply resented both by those who had not previously paid rates and by those who believed, with Adam Smith, that levels of taxation should be aligned with capacity to pay.¹¹ On the poll tax, Thatcher acted partly as a party politician – she hated how predominantly Labour councils used ratepayers’ money to provide services for citizens who did not themselves pay any rates. She also acted as class warrior. The lower middle classes were ‘her people’ but insufficiently represented at Westminster in the 1970s. They needed a champion.

Thatcher handled most supposedly ‘populist’ causes with kid gloves. Although personally favouring the return of the death penalty for murder, as party leader she was careful not to impose such a policy on her parliamentary party, despite the fact that public opinion was overwhelmingly on her side. Similarly, though by no means unsympathetic to the ‘bang-’em-up brigade’ wanting to see criminals serve long sentences, she fretted about the cost of building the new prisons that would be needed to house them all. On the contentious immigration issue, Thatcher, as opposition leader, gave a television interview in January 1978 in which she spoke of people’s fear of being ‘swamped by people of a different culture’.¹² It caused the predictable stink. Just before the general election of 1979, she used another television interview to ram home her message about the dangers of ‘swamping’ and people’s fear that ‘their whole way of life has been changed’. Those expecting an incoming Conservative government to impose stringent immigration controls, however, would be sorely disappointed. Thatcher was playing politics rather than embracing populism. Her objective was to get across the message that the main parties were not ‘as bad as each other’ on perhaps

the most emotive and sensitive issue of the day. It was not to give pledges that, in office, she had no intention of keeping.

Thatcherism, then, embodies a series of interconnected political attitudes rather than a coherent body of thought. Few of these were new. Free-trade beliefs developed out of Adam Smith's distinctive contribution to the eighteenth-century European Enlightenment. The apogee was reached in the liberalism of William Gladstone, who fought – and lost – a general election in 1874 on the policy of abolishing income tax. Disraeli and Salisbury in the last third of the nineteenth century both exploited patriotism, through the burgeoning British Empire, as an effective vote winner for the Conservatives in the first age of mass politics. Attacks on the grasping, exploiting professions were the small change of eighteenth-century satire, while trade unions were widely tolerated in Victorian society only when their members – mostly a highly skilled minority of the labouring population – used collective activity in the furtherance of capitalist objectives rather than as a challenge to the dominant ideology of the age.

The importance of Thatcherism, therefore, lay not in the novelty of its ideas but in their operation in the late 1970s and 1980s. Two facts stand out. First, Thatcher actually believed in, and drew strength from, a set of precepts that most sophisticated politicians in the 1970s – not least in her own party – found almost unbelievably crude and shallow. Second, she retained throughout her career the unshakeable conviction that the domestic virtues absorbed from a dominating father in a lower middle-class, nonconformist home – hard work, taking personal responsibility, prudence, thrift, plain-dealing and an overriding concern to see that the books balanced – could be transferred into the public sphere as precepts for government. In a television interview broadcast in January 1983, she asserted that her views were 'born of the conviction which I learned in a small town from a father who had a conviction approach'.¹³

We should not exaggerate the ordinariness of Thatcher's origins. Her public recollections of her father were conveniently selective. On one point, though, all would agree. Alfred Roberts moved up in the world on the basis of talent and hard work. From limited beginnings in the archetypal grocer's 'corner shop' just after the end of the First World War, he invested his small profits in the purchase of adjacent properties in the mid-1920s. He went into local politics at about the same time, where he opposed the Labour Party and, particularly, the Co-operative retail movement which, of course, represented unwelcome competition. He became an alderman in 1943 and, as mayor of Grantham in 1945–46, had indubitably 'arrived' as a big man in that small town. 'Alderman Roberts' remained a figure of some substance there until his death.¹⁴ Drawing both on his Wesleyan Methodist background – he was a local preacher – and his involvement in Grantham

affairs, Thatcher's father was very much more communitarian in outlook than she was. Officially an Independent, he was more Conservative-leaning than anything, but of the 'one-nation' type. He possessed the successful shopkeeper's interest in, and knowledge of, his customers and he was careful to involve himself in a wide range of the town's main social and political activities. He does not appear to have made the same kinds of often-censorious moral distinctions between social groups that his daughter was prone to offer and his 'convictions' had little to do with conflict and the need to win victories over 'inferior' ideologies. Alderman Roberts had his enemies and he knew who his political opponents were, but he was not the 'conviction politician' his daughter was prone to imply.

Early career

Thatcher extracted maximum benefit from the fact that she was not an orthodox political 'insider' at a time when 'insider politics' was coming under increasingly hostile scrutiny. She engaged with the aspirations of the lower middle classes because she had been brought up as one of them, and she developed a genius for presenting her own attitudes, values and beliefs as if they shone out as beacons of common sense. At least from the early 1970s, she viewed established politics – mired and ensnared by misbegotten notions of consensus and the enfeebling apparatus of state provision – much as early nineteenth-century radicals viewed the political system before the Reform Act of 1832 as 'Old Corruption'. She offered a battered and disillusioned electorate a new beginning based on old truths. She presented herself as a 'conviction politician' who would roll back the frontiers of the state. As she told the House of Commons in 1983, hers was a vision of long-term economic growth based on the creation of an 'enterprise culture'.¹⁵

The 'newness' of Thatcherism was personal and political, not ideological. She was not an original thinker. Furthermore, little in her career before the early 1970s suggested that she was in any way an exceptional, still less a mould-breaking, politician. It is true that, as Margaret Roberts, she was the youngest woman Conservative candidate when she fought the secure Labour seat of Dartford in the general elections of 1950 and 1951. Her prospects of a successful political career were greatly enhanced by her marriage to Denis Thatcher in December 1951. He was general manager of his family's paint and chemicals business and well on his way to becoming a millionaire. His money liberated her both to accelerate her law studies and to widen her horizons. She passed her final examinations in December 1953 and was called to the Bar the following month. After a number of rebuffs in her search for a winnable seat in the south-east of England, she was adopted as candidate for the secure suburban Tory seat of Finchley in July 1958,

winning it with a majority of more than 16,000 at the general election held in October 1959.

Thatcher served her constituents in the north London suburb of Finchley assiduously but unremarkably. She rose steadily, and loyally, in the party hierarchy under the leadership of Edward Heath from 1965 to 1970. By the time of his unexpected victory at the election of 1970, she was sufficiently senior to be promoted to the middle-ranking post of secretary of state for education. Here, although she reversed Labour policy by halting the adoption of compulsory comprehensive schooling, she nevertheless assented to the creation of more comprehensive schools than any education secretary before or since. Although she already enjoyed a good argument, she revealed little of her later propensity for shaking received departmental orthodoxies and for humiliating civil servants and junior ministers who disagreed with her.

Thatcher was a rather conventional secretary of state by the standards of the time. Ironically in view of her later reputation as the scourge of 'big government', her conventional view of a minister's duties encompassed a strenuous, and successful, fight against the severe expenditure cuts that were a feature of the first two years of Heath's government. She attracted widespread publicity only for withdrawing free school milk from children over the age of seven. Though the easy slogan 'Margaret Thatcher, milk snatcher' was regularly heard, the policy was not an example of robust radicalism. Rather it reflected the dominant perception that the health value of free school milk was a declining asset when most families were enjoying rising living standards and a much more varied diet.

It could not be said, therefore, that Thatcher had established herself by the early 1970s as a dynamic new force in British political life. Rather the reverse. She was cautious, competent and gave the outward impression of wanting to fit in. But politics is a volatile and uncertain business in which luck plays a quite outrageous part. Had the Conservatives won fewer popular votes but four more seats than Labour in the February 1974 general election, rather than the other way round, then it is likely that the Thatcher phenomenon would not have been unleashed upon the world. Criticism of Heath's government had become increasingly forceful within the Conservative Party after the collapse of a brief economic boom engineered by his chancellor of the exchequer, Anthony Barber. This was followed by the imposition of wage controls, industrial unrest and, in response to the latter, the imposition of a power-saving three-day week. Heath gambled that he could break a damaging miners' strike by appealing to the country on the emotive cry of 'Who governs Britain?'. The gamble almost paid off; the election could have gone either way. Indeed, in terms of the votes cast and the seats won, it did. For a few days afterwards, an electoral pact with the Liberals, which would

have kept Heath in Downing Street, seemed possible. However, he lost office in March 1974 and failed to win it back in October when the Labour prime minister, Harold Wilson, called another election to secure an overall majority, which he only just achieved. Nevertheless, in both elections the Conservative share of the popular vote dropped to 35.7 per cent – the only occasion it had done so since 1945. Indeed, the party's share in October 1974 was the lowest in the century until the John Major debacle of 1997 (see Chapter 11).

The Conservative leadership

Heath had therefore lost two desperately close elections within eight months. Had he won either, he would have retained, or regained, the premiership. Margaret Thatcher would, in all probability, have remained a tolerably loyal and efficient, if unimaginative, Cabinet minister hoping for further promotion by working with the political grain of Heathite Conservatism rather than against it. By the time Heath would have retired, or resigned, five years or more later, other challengers would most likely have made their mark. The Conservative Party is, however, notoriously intolerant of electoral defeat. Heath's departure after the second election defeat was inevitable. What was *not* inevitable was Thatcher's succession. During the last months of the Heath administration, it is true, she had become increasingly disenchanted with the way in which yet another post-war government elected with high promise seemed unable to break out of the cycle of economic boom followed by slump, unable to control the power of the unions and, most important of all, unable to halt Britain's apparently inexorable economic decline. The rapid, and largely unforeseen, rise in oil prices in 1973–74 served to heighten the sense of crisis. It now became much easier to argue that only a radical new approach would do.

Thatcher allied herself with free-market Conservatives on the right of the Tory party. She was not, however, their intellectual leader. Sir Keith Joseph fulfilled that role. He had inherited it from the now marginalised Enoch Powell, probably the twentieth-century politician with the largest brain and the smallest amount of common sense. Joseph articulated a coherent critique of what was known as 'consensus politics' and advocated most of the economic policies that later became known as distinctively Thatcherite. As has been pointed out, this critique had been gaining support with Conservatives throughout the 1960s and early 1970s. It was also part of what E. H. H. Green called an 'international re-birth of interest in liberal-market and monetarist economics'.¹⁶ So when Joseph called for the state to have a smaller role and for steep cuts in taxation and more incentives for businessmen, he was far from crying in the wilderness. As businesses

made profits, so they expanded their enterprises, creating new jobs in industry and thus helping to reverse the years of economic decline. Competition within an enterprise culture was a much more effective means of securing full employment than the essentially defensive, spoiling tactics of an over-powerful trade union movement. At a speech in Preston in September 1974, Joseph argued that *a priori* government commitment to full employment was cruelly mistaken. The state could not guarantee jobs. It could only pay for them on borrowed, or printed, money. In the longer term, such a policy would destroy the very objective it sought.¹⁷

This frontal assault on the central tenet of Keynesianism – the dominant economic belief of both Labour and Conservative governments since 1945 that governments could ‘manage’ demand in order to secure full employment – proved immensely influential. Above all, following the theories of the Chicago School of anti-Keynesian economists, F. A. Hayek and Milton Friedman, Joseph called for strict control of the money supply.¹⁸ Put crudely, Joseph and the right-wing economists who had influenced him believed that successive governments had paid for welfare provision by printing money. The consequence was inflation, the rate of which had been increasing sharply and which now threatened to precipitate a massive economic crisis. After some years of fluctuation between 5 and 10 per cent, it rose to 24 per cent in 1974.¹⁹ Inflation ate away at the value of people’s savings, demoralising and literally devaluing a lifetime of effort. It was also likely to lead to political instability and social conflict, even in mature democracies. For monetarists, therefore, conquering inflation was the prime target.

Although Keith Joseph was the most senior, and probably the intellectually best-equipped, advocate of policies that were becoming increasingly influential within the Conservative Party, he had considerable weaknesses as a potential leader. Like many who are excited by ideas, he tended to spend more time on reflection than on action. He did not always distinguish well between small print and large. The civil servants with whom he worked, most of whom admired him on a personal level, were often driven to distraction both by the delays taken in reaching even straightforward decisions and by the retrospective hand-wringing that followed complex ones. Perhaps fatally for his leadership prospects, he did not always distinguish effectively between the logical conclusion of a closely reasoned argument and the need to make such conclusions politically attractive or expedient. He suffered enormous political damage from a speech concerning social policy in the Birmingham constituency of Edgbaston a week after the October election of 1974. He suggested that those feckless and disorganised folk in the lowest social classes, whose high birth rates engendered a disproportionate charge on the social services budget, should be directed to practise contraception. Partly because of this gaffe, but mostly because he was clear-headed enough

to realise his own political limitations, he stood aside when the challenge to Edward Heath's leadership was launched in November 1974.

Thatcher stepped into the breach. She would not have stood against Joseph but was now the only erstwhile Cabinet minister prepared to oppose Heath. Her performance in the first leadership ballot by Tory MPs vindicated her decision. She won 130 votes to Heath's 119, a more than respectable performance for a candidate who was relatively untried; still, it was, short of the 15 per cent lead required for a knock-out victory under the party's rules. However, a combination of Heath's stubbornness and the misplaced loyalty shown to him by William Whitelaw, the standard-bearer of the Tory centre-left, played into Thatcher's hands. Much of her support came from MPs who wanted Heath out far more than they wanted her in. Wits at the time called it the 'Peasants' Revolt', knowing that most of those who voted for her had been backbenchers vexed by Heath's high-handed ways and bemused by the shock of losing two elections in a year. In no sense did their votes represent a commitment to monetarist policies or, come to that, to the views of the ordinary delegates of Conservative Party conferences. Had Whitelaw, a classic example of the loyal and principled Tory gent, pressed his own claims at the outset, there is little doubt that the centre of the party would have rallied to him. As it was, his moment passed. In the second ballot, Thatcher won almost twice as many votes as Whitelaw. She gained an eighteen-vote majority over both him and the three other contenders. For the first time – but certainly not the last – Thatcher benefited from taking a clear stand against the established elite of her own party. The Tory faithful had gained a leader who understood their motivation and prejudices.

Context

The immediate context of Thatcher's great experiment in government needs exposition. Three closely linked factors should be identified. The first revolves around Britain's growing economic troubles during the period of the so-called Keynesian consensus, roughly from 1945–73. This period saw unprecedented social advance, characterised by more extensive welfare provision, better housing, sharply rising living standards and successive consumer booms, against a background of accelerating relative economic decline. For right-wing thinkers, the social successes were, if not illusory, then certainly unsustainable. In the period 1950 to 1970 they had been funded by economic output, which had increased by approximately two thirds. The problem was that other nations' output had been increasing much faster. Britain had, therefore, been slipping down a succession of league tables. During the decade 1962–72, for example, France sustained an annual growth rate of 4.7 per cent, while Britain could manage only 2.2 per cent.

In the period 1969–73, annual gross domestic product (GDP) per employee for European Economic Community (EEC) countries was 4.63 per cent, while in Britain it was 2.79 per cent. While this represented a substantial improvement on the position in the late 1950s, it was still a relative decline. Britain had been ninth in the international league table of GDP per head; it had fallen to fifteenth in 1971 and would fall further – to eighteenth – by 1976.²⁰ Right-wing theorists tend to look askance at a culture that permits restrictive practices to flourish at work. They were, therefore, fiercely critical of the powerful role exercised by British trade unions, particularly during periods of Labour government. Statistics showing that labour productivity in the United States ran approximately 50 per cent higher than that in Britain, while West Germany's was more than a quarter higher,²¹ suggested to economists and right-wing politicians alike that trade unions should receive particular attention in the developing critique. The circumstances surrounding the fall of Heath's government – the only Tory administration during what was to prove a fifteen-year period dominated by Labour – gave extra force to the argument.

The second relevant factor is the crisis of confidence caused by the end of the long post-war boom in the late 1960s. By the early 1970s, international agreements on fixed exchange rates were breaking down. This created a volatile economic climate that was substantially worsened by the oil crisis of 1973–74. Britain, like many countries following Keynesian prescriptions, attempted to sustain domestic demand in order to keep unemployment levels low. Even so, by 1971, the number of people out of work reached almost a million, roughly three times the average levels of the 1950s and 1960s. Keynesian anti-unemployment policies could only be pursued at the risk of building up inflationary pressures. These were exacerbated during periods of economic growth when British consumers developed an understandable, but economically distressing, preference for overseas manufactures – particularly Japanese cars and electronic equipment. Adverse balance of payments figures mounted alarmingly. A trade deficit of £110 million in 1965 had reached £1,673 million by 1975.²² The quadrupling of oil prices at the end of 1973, which brought a short period of growth to a shuddering halt, threatened to put inflation into orbit. In Britain, it reached a peak of 26.9 per cent in August 1975.²³ The value of the pound continued to plummet on international currency markets. Formally devalued by Wilson's government in 1967, it lost a further 30 per cent of its value between 1971 and 1975.

The symbolic nadir of decline was the revelation in 1971 that Rolls Royce, for so long the talisman of Britain's manufacturing excellence, was bankrupt. It was saved from going under, but only at the cost of creating a government-owned company that ate up huge amounts of taxpayers'

money. By the middle of the 1970s, the economic tide seemed to have turned decisively in favour of monetarism. Keynesianism appeared to be a busted flush: a one-way street to hyperinflation and political instability. Tight government controls on the supply of money (the key tenet of monetarism) and tight restrictions on expenditure appeared to be the only roads back to economic virtue and effective governance.

The third contextual factor requires a brief look at the economic policies of the Wilson-Callaghan Labour governments that staggered on, first with a tiny parliamentary majority and later by virtue of a pact with the Liberal Party, from 1974 to 1979. The electorate had invested limited confidence in Labour in 1974, probably on the basis that only a party that had close links with the trade unions could save the country from ungovernability at a time of profound economic strain. Labour attempted to respond. A ‘Social Contract’ was cobbled together whereby the governing party agreed to discuss with union leaders, almost on a basis of equality, the major questions of the day. In return for this, the unions agreed to recognise an obligation wider – more patriotic even – than their members’ pay packets. For a time, the Contract delivered. Both inflation and pay demands became more moderate in the years 1976–78. From the mid-1970s, significant amounts of North Sea oil and gas were beginning to become available. In 1978, North Sea oil produced more than half the country’s energy needs. The prospects both of energy self-sufficiency and, perhaps, even of permanent economic recovery, began to brighten.

Labour’s experiment with consensus, however, went hand in hand with policies for coping with short-term crises. One such policy appeared during 1976 and it had profound consequences. Labour’s chancellor of the exchequer, Denis Healey, proposed to deal with yet another run on the pound by a strict set of economic measures: stringent reductions in expenditure, wage restraint and moves towards a balanced budget. These, of course, were the key tenets of monetarist economic policy. It is worth stressing that the first post-war moves towards deflation and sound money came not from Thatcher or her new-right gurus, but from a hard-pressed Labour government. James Callaghan, who had recently replaced Harold Wilson as prime minister, told the Labour Party conference bluntly in 1976: ‘You cannot spend your way out of recession’²⁴ – but neither he nor Healey was a free agent. The Bank of England’s reserves were so depleted, and the currency so depreciated, that the government required an international loan necessary to stave off the prospect of currency collapse or even bankruptcy. The International Monetary Fund’s (IMF) loan of US\$3.9 million naturally came with further deflationary strings attached in the form of additional expenditure cuts. Although in part externally imposed and divisive internally, monetarist economic policies were alive

and well within the Treasury and the upper echelons of the Labour Party in the years 1976–78.

Naturally, the Tories exploited Labour discomfiture and disunity. Much was made of a Labour government needing to go cap in hand to international bankers. A key feature of opposition speeches in the years 1976–79 was loss of sovereignty and a weakening of government authority. Thatcher was also keen to stress the importance of Britain's full commitment to the North Atlantic Treaty Organization (NATO) and particularly to the alliance with the US. To this extent, she was stressing traditional Tory commitment to a strong Britain linked to its powerful 'natural' ally. She seems not to have considered the extent to which Americans any longer saw Britain as at all 'special'. In economic terms, Thatcher favoured new-right, deflationary policies, although, like many in the Conservative Party, she was concerned that these would prove electorally unpopular.²⁵ However, since Denis Healey was busily putting many of them in place anyway, the preferred Tory theme was that Labour was acting under duress, even conceding sovereignty to the IMF. Only the Tories could be trusted to continue with policies of prudence and pragmatism backed by the need for 'sound money'.²⁶

Three factors brought the Labour government down. The first was timing. With hindsight, Callaghan should have called a general election in the autumn of 1978. The party could have argued plausibly that key economic policies were beginning to work. Inflation was on a downward path. To the amazement of many, the unions were behaving themselves over the Social Contract. Labour held an opinion poll lead and might well have won an October election, albeit narrowly. Callaghan's decision annoyed many in the party, who felt that they had been misled. Metaphysical rationalisation was never one of the outgoing prime minister's strengths and his windy explanation for Labour's defeat cut little ice either:

there are times, perhaps once every thirty years, when there is a sea-change in politics. It then does not matter what you say or what you do. There is a shift in what the public wants and what it approves of. I suspect there is now such a sea change and it is for Mrs. Thatcher.²⁷

Labour's second major problem was that it proved impossible for a party largely funded by the trade unions to maintain a deflationary economic policy. What has famously been called the 'Winter of Discontent' ensued. It followed the unions' rejection of yet another pay restraint deal – this time for a 5 per cent limit. The Social Contract, which the Conservatives had always claimed to be an illusion, finally fell apart. The rash of strikes brought back to the centre of debate claims about 'ungovernability' and the

need for firm action. Popular hostility to unions ‘holding the nation to ransom’ was gleefully stoked by a predominantly Conservative press.

The third factor in Labour’s demise was the party’s failure to carry through its proposals for devolution in Scotland and Wales. This alienated the minority nationalist parties and left Callaghan’s minority government vulnerable to a vote of no confidence. One was eventually lost by a single vote on 28 March 1979.²⁸ ‘We shall take our case to the country’, Callaghan defiantly told the Commons when the result was announced. Privately, he did not believe that the coming general election was winnable.

Notes

- 1 Patrick Cosgrave, *Thatcher: The First Term* (Bodley Head, London, 1985), pp26–7.
- 2 Margaret Thatcher, *The Downing Street Years* (Harper Collins, London, 1993), p38.
- 3 P. Calvert, ‘Authoritarianism’ in (ed.) M. Foley, *Ideas that Shape Politics* (Manchester University Press, 1994), p66.
- 4 Hayek’s *The Fatal Conceit: The Errors of Socialism* (University of Chicago Press, 1991) appeared as part of a collection of Hayek’s writings edited by W. E. Bartley. The collection provided heavyweight intellectual ballast to Thatcher’s long, and visceral, struggle against socialism and socialists.
- 5 *Daily Telegraph*, 23 November 1990..
- 6 J. Bulpitt, ‘The discipline of the new democracy: Mrs Thatcher’s domestic statecraft’, *Political Studies*, 34 (1986); *Daily Telegraph*, 23 November 1990, quoted in J. Charmley, *A History of Conservative Politics, 1900–96* (Macmillan, London, 1996), p236; S. Letwin, *The Anatomy of Thatcherism* (Fontana, London, 1992). A useful summary of the arguments about Thatcherism as an ideology can be found in B. Evans and A. Taylor, ‘The debate about Thatcherism’ in *From Salisbury to Major: Continuity and Change in Conservative Politics* (Manchester University Press, Manchester, 1996), pp219–40.
- 7 I. Gilmour, *Dancing with Dogma* (Simon & Schuster, London, 1992), Francis Pym, *The Politics of Consent* (Hamish Hamilton, London, 1994).
- 8 This is a line that initiates will recognise as deriving from Gramsci and is reliably rendered in S. Hall, *The Hard Road to Renewal: Thatcherism and the Crisis of the Left* (Verson Books, London, 1988).
- 9 P. Clarke, *Hope and Glory, Britain 1900–1990* (London, 1996), p367.
- 10 P. Clarke, *Hope and Glory: Britain 1900–2000* (2nd ed., Penguin, London, 2004), p367. Lawson made this speech to Swiss bankers in 1981: Nigel Lawson, *The View from Number 11: Memoirs of a Tory Radical* (Bantam Press, London, 1992), p64. This quotation may also be found in R. Vinen, *Thatcher’s Britain: The Politics and Upheaval of the 1980s* (Simon & Schuster, London, 2009), p275. Vinen offers useful observations on the link between Thatcher and ideology.
- 11 On the Community charge, see G. K. Fry, *The Politics of the Thatcher Revolution* (Palgrave Macmillan, Basingstoke, 2008), pp174–9 and J. Campbell, *Margaret Thatcher, Vol 2: The Iron Lady* (Jonathan Cape, London, 2003), pp503–5 and 698–9.

- 12 John Campbell, *Margaret Thatcher Vol 1: The Grocer's Daughter* (Jonathan Cape, London, 2000), pp399–400.
- 13 Quoted in P. Riddell, *The Thatcher Government* (Blackwell, 1985 ed., Oxford), p7.
- 14 For information about Thatcher's father, see John Campbell, *Margaret Thatcher Vol 1*, esp. pp8–13.
- 15 Quoted in K. Harris, *Thatcher* (Fontana, London, 1989), p250.
- 16 E. H. H. Green, 'Thatcherism: An historical perspective', *Transactions of the Royal Historical Society*, 6th series, vol. 9 (1999), p19. The theme is further developed in E. H. H. Green, *Thatcher* (Hodder Arnold, London, 2006).
- 17 (ed.) R. Skidelsky, *Thatcherism* (Blackwell, Oxford, 1989), p14.
- 18 The ideas of Friedman and Hayek were not identical. Friedman was a more thoroughgoing monetarist, while Hayek placed greater stress upon the supremacy of markets over all other kinds of organisation, political and social. See F. A. Hayek, *Denationalisation of Money* (Institute of Economic Affairs, London, 1978), Milton Friedman, *Inflation and Unemployment* (IEA, London, 1977) and Norman Barry, *Hayek's Social and Economic Philosophy* (Macmillan, London, 1979). Monetarism and the new right in the 1970s is accessibly discussed in A. Gamble, *The Free Economy and the Strong State* (Macmillan, London, 1988), pp27–60.
- 19 International Monetary Fund Statistics, quoted in 'www.clev.frb.org/research'.
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- 22 Keith Robbins, *The Eclipse of a Great Power: Modern Britain, 1870–1992* (Addison Wesley Longman, Harlow, 1994), p429.
- 23 Bernard Porter, *Britannia's Burden: The Political Evolution of Modern Britain, 1851–1990* (Arnold, London, 1994), p343.
- 24 P. Cosgrave, *op. cit.*, p42.
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- 27 K. O. Morgan, *Callaghan: A Life* (Oxford University Press, 1997), p697
- 28 M. Pugh, *State and Society: British Political and Social History 1870–1992* (Arnold, London, 1994), p298.