

## **Did the Thatcher governments change Britain?**

### INTRODUCTION – HOW CAN CHANGE BE ASSESSED?

In the most literal sense of the word 'change', the Conservative governments from 1979-90 did, in some way, change Britain. Yet a change such as this cannot easily be confined to such descriptions as 'incremental' or 'revolutionary', which are difficult to define; it is more helpful to analyse the Thatcher governments by their own criteria for success than to try to declare any 'size' of change. We must do this by studying not only legislative change, but also the implementation and the effects of party policy.

In order to assess the change, the question will be broken down into four parts. Firstly, what were the Thatcher governments intending to change? Secondly, to what extent did they succeed in achieving this? Thirdly, were there any unintentional changes arising from their policies? Finally, were the Thatcher governments the most influential agents of change?

### WHAT WERE THE THATCHER GOVERNMENTS INTENDING TO CHANGE?

It is clear that the Thatcher governments were not just aiming to effect some minor change in Britain within the parameters of the 'postwar consensus'. Their objectives, broadly, were threefold: a restoration in the political fortunes of the Conservative Party, the revival of market liberalism as the dominant public philosophy, and the creation of suitable conditions for a free economy, by limiting the scope of the state while restoring its authority. There was a concerted effort to change not only individual policies but also the climate of ideas in which policies could be pursued, shifting the parameters of the 'consensus' itself. It was distinctive in the scope of its ambitions, aiming for an hegemony of ideology and policy, requiring radical reform in many institutions of the state.

It is important not to *over*emphasise ideology in Thatcher's political project, as it is often hard to find coherent connections between the prevailing political style, ideology and policies. Neo-liberalism and neo-conservatism are an unhappy marriage at best, the former emphasising personal liberty and radical changes to a more market-oriented system, the latter emphasising a strong central state and 'traditional British values'. Dunleavy claims, "If Thatcherism means a coherent set of policies consistently applied then there is no Thatcherism". Given this caveat, it might be that their criteria for success were lower, concentrating on electoral hegemony rather than any distinct policy agenda. That said, electoral success would necessarily depend in part on

the dominant public philosophy and on the success of Thatcher's policies, so it is fair to judge the governments against all the aims outlined above.

## ANALYSIS OF CHANGES AND CONTINUITIES

### POLITICAL STYLE

Some of the most changes of the Thatcher years were in political style; the attempt to present an image of 'strong government' to the electorate. This can broadly be seen as a success in the early 1980s, as consultative arrangements with trade unions were ended and various attacks were launched on their political solidarity. The effort to reduce budgetary contributions to the EEC established the image of the Prime Minister as the 'Iron Lady', and this was reinforced by the conflict over the Falkland Islands. Furthermore, dissent within the party was punished, and loyalty in Parliament became increasingly important. Parliament increasingly became a charade with little supervisory power over the executive. Even Cabinet government under Thatcher declined; substantive issues such as ERM membership and the US bombing of Libya from British bases were decided by Thatcher in consultation with a few key ministers and advisers.

There has been a lasting impact of this change in style. Major (chosen deliberately as a conciliator, not a mobiliser) was seen as a 'weak leader' by the electorate and punished for it, while Blair's more 'presidential' style seems popular, and has led many commentators to draw comparisons between him and Thatcher. It seems that Thatcher's brand of 'strong leadership' is now crucial to success in British politics. However, whether this change in style has caused a substantial change in Britain generally is highly questionable.

### THE ECONOMY

Improving the state of Britain's economy was the overriding pledge of the Conservative governments during this period. The aim was to reduce inflation, the method the new creed of monetarism.

Thatcher's early belief in the direct control of the money supply as a means for controlling inflation was soon dismissed. Targets for M3 were greatly exceeded during Thatcher's first four years in office. Monetarist rhetoric could not produce a successful monetary policy, and inflation was only reduced by the UK falling into recession. Leys claims that monetarism was simply a 'cloak' for a deflationary policy which would have been more politically contentious in its 'uncloaked' form – aiming to reduce output and increase unemployment in order to control inflation. The increase in unemployment caused in part by this monetary policy confounded one

of Thatcher's other economic aims – to reduce social security spending. As the government later aimed to control the money supply through the interest rate, confounding factors such as the deregulation of financial markets led to an unprecedented consumer boom, with consequent increases in inflation. In 1990 inflation stood at 8%, little below the 10% inflation of 1979.

Industrial output did not recover to 1979 levels until 1987. Some Keynesians have argued that the net effect of the policy was simply to set back growth by eight years, and add one million workers to the ranks of the permanently unemployed. Thatcher's supporters counter that sustained growth on the previous basis had become impossible, and that their strategy had made growth possible again by forcing industry and labour to become more efficient. However, the evidence for this is at best inconclusive. The jump in manufacturing productivity from 1980-84 was largely a statistical effect of the closure of so many inefficient plants; it did not suggest that individual plants had become more productive. Productivity growth slowed to virtually nil in 1986. Post-1986 increases signalled an improvement in management and working practices to catch up with competitors abroad; it is hard to argue that this was a direct consequence of Thatcher's policies. In particular, many comparative studies suggest that productivity over the whole post-war period grew fastest not in those countries with unrestrained free markets, but in those with high quality state education and other infrastructure initiatives, and state-led investment and product-development policies for targeted industrial sectors. Over the whole cycle of 1979-88, the increase in productivity growth was unremarkable compared to previous decades; the spurt from 1986 merely compensated for the earlier slowdown.

At the micro-economic level, the aim was to increase the degree to which unemployment falls if wages fall. A study by Blanchflower and Freeman suggests that male employment was not significantly more responsive to real wage changes in 1988 than it was in 1979. Female employment was, but this is possibly due to a concurrent increase in the demand for female labour. Hutton claims that at neither the macro nor the micro level have the policies "met the promise of their sponsors". This is perhaps due to the implausibility of a crucial assumption of the economic model on which the policies were based. Given the relative value of 'insiders' (current employees) with their skills, experience, existing working relationships and morale, it is virtually impossible for 'outsiders' (the unemployed) to price themselves into a job. Research by Blanchflower and Oswald finds a *positive* correlation between wages and employment in various regions spread across twelve countries, and claim simply that the standard supply and demand model for goods and services does not work regarding the labour market.

In addition, there was conflict within the Conservative party over the neo-liberal desire to reduce government expenditure. Many traditional Conservatives believed that high levels of public

spending were an essential contribution to a civilised society, and that actual reductions in spending in certain key areas would spell electoral disaster. This, combined with increases in unemployment, ensured that state spending in 1988 was not significantly lower than in 1979.

## THE POLICY AGENDA

### LOCAL GOVERNMENT

The Thatcher governments aimed to systematically reduce the power of local government, an area in which they found a great deal of resistance to their policies. This was especially true of the GLC and Metropolitan County Councils, which were abolished. Successive Environment Secretaries and the Urban Development Corporation frequently overrode the refusals of local governments to allow planning permission for new developments such as London's Docklands. Local governments were forced to put refuse collection, street cleaning and general maintenance out to tender, introducing competition into service provision. The government hoped to effectively abolish Local Education Authorities by encouraging schools to 'opt out' and receive funding directly from central government. The 1987 Local Government Bill prevented local authorities from levying rates on property, replacing local government funding with a combination of a nationwide tax on business, a central government grant and the 'community service charge', also known as the poll tax. Local governments were allowed to increase the charge, but this would penalise the least affluent electors, so effectively their hands were tied.

For all these changes, however, the Conservative governments failed to control local government expenditure, and there was little increase in accountability. The poll tax cost the government dearly in electoral support; one of many examples in which an incoherent agenda caused policies in pursuit of one aim (in this case, centralisation of power) to compromise the achievement of another (in this case, the electoral hegemony of the Conservative party).

### HOUSING

In pursuit of what Nigel Lawson called 'popular capitalism', and what Thatcher described as 'a property-owning democracy', local authorities were forced to put council homes up for sale to their tenants, often at prices far below the market rate. In 1979 52% of the population lived in their own homes, and this increased to 66% by 1987. Run-down estates were transferred to Housing Action Trusts, charged with upgrading them before transferring them to private owners.

In the area of housing, the government achieved most of their aims, increasing owner occupation, reducing local authority provision, reducing public expenditure and increasing

Conservative electoral advantage. However, they failed to increase the private rental sector, with damaging consequences for the geographical mobility of labour.

### PRIVATISATION

Belying the emphasis which it was later given, privatisation did not form a substantial plank of the Conservative policy agenda in 1979. There were two elements to the policy: denationalisation (sale of state shares and assets) and liberalisation (the eradication of statutory monopoly). The aims were both ideological and pragmatic. Ideologically, privatisation produces an extension of economic freedom and in the neo-liberal view thereby increases political freedom. Nationalised industries were unpopular, and deprived consumers of choice due to their monopoly status. In pragmatic terms, the absence of commercial disciplines in the state sector led to bad management and poor performance. The implementation was much the same as with housing policy, deliberately pricing shares low in order to create millions of new (and grateful) share owners and to make renationalisation virtually impossible. Lord Stockton claimed that the 'family silver' was "sold to the few family members who could afford it"; in effect, due to these deliberate undervaluations, nearly half of it was given away for free. By 1987, 20% of the population were share owners (up from 7% in 1979). Arguably its most important impact was electoral. The substantial proceeds of privatisation (around £4400 million in 1986-7) increased the funds available to the government for tax cuts, helping to fuel the 'Lawson boom' and improving the Conservatives' prospects in the 1987 General Election.

However, privatisation did not widen share ownership as much as was hoped, except in the case of the British Telecom flotation; in practice, many shares were sold on to financial institutions such as pension companies. It is also doubtful whether or not it improved the efficiency of either the remaining public sector or the newly privatised industries, and in many cases private monopolies (or effective monopolies) simply replaced public ones.

### INDUSTRIAL RELATIONS

It was arguably Thatcher's uncompromising attitude towards the trade unions which launched the Conservatives into power with such a large majority in 1979, and it is beyond doubt that the government changed Britain's industrial relations permanently. Unions were forced by law to hold secret ballots on strikes and political contributions, to hold more frequent leadership elections by postal vote in order to reduce the influence of 'activists', and to follow strict procedures on industrial action or face civil action. The rights of individual unionists against their unions were extended, in an attempt to break trade union solidarity; unions were no longer

able to discipline members who refused to comply with the majority decision. Secondary strikes and 'flying pickets' were made illegal, as were 'closed shop' arrangements. Unions were made responsible for unofficial strikes unless they opposed them explicitly. Companies were no longer compelled to recognise either unions or collective bargaining agreements.

Total union membership fell from 13.3 million in 1979 to under 9 million in 1993, and the proportion of the workforce under collective bargaining arrangements fell from 75% to 50% in the same period. Between 1984 and 1990, 9% of companies derecognised unions. The role of unions in policy making was drastically reduced, and the new legislation appeared to work in establishing government authority.

#### POLICY AGENDA – CONCLUDING COMMENTS

Marsh and Rhodes (1989) argue that it is premature to talk of a policy revolution. To do so would be to ignore substantial continuities on economic management, local authority cuts, military procurement and the European Community with the Labour government in 1976-79. In addition, the Conservatives did not work to detailed plans, carefully constructed in opposition; policy was characterised by revisions and amendments according to wider circumstances and the pressures of holding office.

#### ELECTORAL RE-ALIGNMENT

It is often claimed that the Thatcher governments caused a substantial electoral re-alignment, with many who previously supported Labour 'defecting' from their 'natural' party and supporting the Conservatives in national elections. Many Conservative policies were aimed at increasing their 'natural' base of supporters, such as increasing home and share ownership.

The 1983 election saw the Conservatives increase their majority substantially, but actually reduce their share of the national vote. Its share of the vote also failed to increase in 1987. However, the major factor in their electoral victories was not any great national enthusiasm for Thatcher, but the general belief that the opposition were either weak, divided, or offering unacceptable policy alternatives. When Labour remodelled itself under Kinnock to look more like a European socialist party, with looser ties to trade unions and a firmer commitment to the market mechanism and the EU, its support increased greatly.

Whether the 'natural' Conservative vote increased or not is hotly contested by empirical psephologists, and the argument is too detailed to give sufficient coverage to here. Suffice to say that there is strong scepticism about just how much changed: W.L. Miller believes that the

decline in class voting has been exaggerated, while Crewe (1992) states that while there was certainly some partisan de-alignment, hastening the decline of the old Labour movement, there was not however a substantial and stable re-alignment in favour of the Conservatives and no durable Thatcherite consensus.

## IDEOLOGICAL CHANGES

Closely related to the aim of establishing a Conservative hegemony, but running much deeper through society, was the aim of establishing a new 'climate of ideas' within which policy proposals could be set. Riddell (1985) claimed "The Thatcher government has adopted a novel approach. It has tried to change the question".

The results of this are very mixed; certain ideas such as the Keynesian commitment to full employment were generally dismantled, though not necessarily by the government itself, while other ideas failed to take root. In some instances, such as in the case of commitment to the welfare state, Thatcher's policies may have actually increased support for some of the beliefs under attack.

Excluding perhaps the aborted experiment in monetarism, the ideology was not entirely new. 'Sound money' and limits on public spending were a return to the 1930s 'Treasury view', while the emphasis on competition, free trade and low taxation drew on 18<sup>th</sup> century English traditions. Shirley Letwin sees Thatcherism not so much as a free-standing ideology but the binding of the English 'vigorous virtues' of self-sufficiency, energy, adventure and independence. Hutton claims that the new focus on the market mechanism spoke to long-standing Tory prejudice, providing the "theoretical justification for tackling social security scroungers, bashing trade unions and cutting taxes and government spending".

The philosophy faced two ways at once; market forces released powerful detraditionalising influences which undermined some of the institutions essential to the social solidity of Conservative England. The churches and universities are cases in point; at a speech in Newcastle during 1985, Thatcher claimed that "nowhere is [opposition to wealth creation] more marked than in the cloister and common room". Hutton claims that not only was Thatcher's philosophy internally inconsistent, it was also self-destructive:

*"taking social cohesion for granted while recreating the conditions that in the very early part of the century had endangered the very social order she purported to admire"*

Indeed, many neo-conservative thinkers realised this. Roger Scruton of the Salisbury Review is one leading example, rejecting the free market, and seeing Britain's main problem as an excess of democracy and permissiveness, not an excess of government. Sir Ian Gilmour, a Conservative MEP, saw Thatcherism as a break with the Tory tradition of

*“scepticism, a sense of the limitations of human reason, a rejection of abstraction or abstract doctrines, a distrust of systems and a belief in the importance of experience and circumstances”*

It has been claimed that the major ideological shift (though far short of a revolution) was that the 'winners' under Thatcher began to endorse individualism; the 'losers' were seen as either unfortunate (deserving sympathy) or as 'scroungers', but ultimately *unproductive*, and their satisfaction was no longer seen as the ultimate test of government policy. High levels of unemployment were seen as unfortunate, but essentially tolerable provided the economy was otherwise successful. Some estimates claim that in 1987, 8 million people were below the poverty line – the fact that the government had no consistent policy for correcting this was not seen by Conservative voters to be a great enough concern to prevent them from supporting Thatcher. In Locke's terms, the government became seen as *primarily* a provider of 'negative goods', such as the sense of security on which the attainment of all privately chosen goods depends, not 'positive' ones such as welfare.

However, public opinion was never fully converted to the Conservative agenda. There was growing support for liberal social policy, such as equal opportunities measures, abortion on the NHS and the abolition of the death penalty, and growing hostility to Thatcher's 'tough', anti-consensus political style. Kavanagh claims a major shift in support for privatisation. However, the greatest change was between October 1974 (when 25% supported further privatisation, according to his research) and October 1979 (40%). By 1983 this had increased only to 42% – privatisation was popular, but it was not the Thatcher government which brought about this shift. A similar pattern emerges regarding trade union reforms. More interestingly, the government failed entirely in its bid to reduce support for tax and spending increases. In May 1979, the proportion of people favouring spending cuts and spending increases (with consequent effects on taxation) was roughly equal at 34%. By February 1985, only 16% favoured cuts while 59% favoured increases. This applied also to local government, where in 1985 15% favoured cuts and 50% favoured increases. In the same survey, 75% believed that “money and welfare should be more evenly distributed”. Even the attacks on 'social security scroungers' failed to make a deep psychological impact; the proportion believing poverty was mostly due to 'fecklessness' was 21% in 1985 (down from 33% in 1979), while 'circumstances' were seen as the main cause by 49% in 1985 (up from 30% in 1979). It is important to take these figures with a

pinch of salt; despite apparently increasing hostility to Thatcherite principles, the Conservatives still maintained high electoral support. However, the dramatic shifts against the ideology still suggests that the revolution in ideology was a failure. This failure was caused at least in part by highly unemployment and poverty in the early 1980s, which itself resulted partly from Conservative economic policy.

#### DID THE THATCHER GOVERNMENTS CAUSE UNINTENTIONAL CHANGES?

Some commentators believe that the unprecedented unemployment figures during the 1980s were deliberately engineered by the Conservative government in order to reduce the solidarity and power of the trade unions. This highly sceptical view may not be entirely correct; it was a major risk for any government to take, and Conservative opinion poll ratings in 1981 were consistently low. However, even if unemployment was not deliberate in this sense, the focus on inflation and tight monetary policy certainly helped to create them. Riddell claims that government policy directly caused 40-50% of the total increase in unemployment between 1979 and 1989. The maintenance of a high interest rate contributed substantially to a 14% fall in manufacturing output. As unemployment increased, so did social security spending, by 46% from 1979 to 1990. The lifting of exchange controls also led to a significant 'capital flight' which may not have been entirely intentional: British privately owned assets abroad increased from £6300 million in 1979 to £24,300 million in 1981, while investment in British industry fell dramatically.

In housing, the emphasis on home ownership and the extension of mortgage tax relief led to inflationary pressure. Property prices rose, and strong positive equity encouraged landlords to realise their assets. At the same time, increasing property prices contributed to a rise in homelessness from around 57,000 households in 1979 to around 127,000 in 1989. This put yet more pressure on social security spending.

In Europe, Britain's aggressive negotiations to reduce its budgetary contribution may have increased pressure on the continent for increased political union, to better prevent such conflicts in the future. These unintentional changes point to the internal inconsistency of the Thatcherite programme and the weakness of the assumptions of the economic models on which it was based.

There were also unintentional difficulties in policy implementation. While all governments are constrained to some extent by the implementation process, this was particularly acute in the case of a government that deliberately adopted a centralised, top-down model; obsessed with the idea

of 'strong government', they deliberately rejected consultation with certain interest groups. Government policy itself was undermined by this approach, a lack of consultation resulting firstly in the creation of poorly designed legislation, and secondly in a lack of enthusiasm by marginalised interest groups in implementing this legislation.

## WERE THE THATCHER GOVERNMENTS THE MOST INFLUENTIAL AGENTS OF CHANGE?

In certain aspects, Britain changed a great deal between 1979 and 1990. It is important to question how much of this change can be directly attributed to the Thatcher governments.

In industrial relations, while government legislation played an important part in undermining the unions, other trends were at work. The services sector was increasing in size, and the part-time, small-plant and geographically scattered nature of these businesses made them less conducive to unionisation than traditional heavy industry. At the same time, due to international competition from countries with cheap labour, many of these heavy industries were in terminal decline. In the coal mining sector, the continued exhaustion of Britain's easily accessible coal caused a natural increase in the cost of mining year on year.

In the sphere of ideology, 'consensus' values about nationalised industries and pure Keynesian economic policy had already been seriously undermined before the 1979 election; it was no longer inconceivable for 'workers' to be hostile to the state or egalitarianism. Even among Labour voters, there was a shift to the right before 1979, leaving many of these voters feeling abandoned by the increasingly left-wing agenda of their own party. The Conservatives' re-election in 1983 may have been strongly influenced by the 'Falklands effect', but as outlined earlier, support for Thatcherite ideology was consistently low. It is likely that the two re-elections were influenced more by the weakness and unpopularity of their opponents than by active support for the Conservative programme. Even Thatcher herself sometimes seemed aware of this – 'there is no alternative' was one of her most common refrains.

In contrast to Finer's model of problematic 'adversary politics', where discontinuities following changes in government policy cause Britain to suffer, Richard Rose claims that parties do not make a significant difference. He points instead to long-term secular trends in economic figures regardless of government changes, and emphasises the continued importance of interest groups, international forces, the civil service and inherited commitments, along with a fear of electoral retribution for truly radical policy. While this model seems to exaggerate the irrelevance of party, it may be correct in that some of Britain's greatest changes were not due to policies pursued by Thatcher's governments at all. Certain social trends are a case in point; Thatcher aimed her appeal squarely at the old Conservative 'family values', but could not change such dramatic and important trends as increasing divorce rates and the rise in long-term cohabitation.

## CONCLUSION – THATCHERITE BRITAIN?

It would be foolish to suggest that the Thatcher governments did not change Britain. Legislation on industrial relations and a radical privatisation policy have created an almost irreversible shift in the relationship between the state and industry. This was, critically, also popular with voters, and was in tune with long-term trends in Britain and abroad. However, it becomes clear that the level of change was meagre compared to Thatcher's own ambitions. Marsh and Rhodes conclude, "The Thatcherite revolution is more a product of rhetoric than of the reality of policy impact". Their objectives and much of their legislation was certainly radical, but they were frequently unsuccessful in implementing policies which actually achieved these objectives.

While some of Thatcher's more populist rhetoric could be seen as 'anti-establishment', the assault was limited in its effects on British institutions. It is true that there were major institutional reorganisations, emphasising self-management, in schools and hospitals. However, the old Tory network of the military, public schools, law, the City and landed interest was left much stronger by these apparently radical Conservative governments.

Strong public support for the welfare state, especially what Leys describes as the 'middle class sacred cows' of the NHS, tax relief on mortgage interest and maintenance grants for students, prevented any wide-ranging reforms in this crucial area. Taxation and spending at the end of 1989 were not significantly below the 1979 levels. Social security increased in absolute terms, real terms and (for most of the period) as a proportion of GNP. This was a direct result of arguably the most visible change of all during the Thatcher years, the unintentional rise in unemployment.

The implementation gap between what the Thatcher governments intended to achieve, and what they did actually achieve, was largely self-inflicted. The inconsistency of Thatcherite ideology and their mistaken belief in a purely top-down approach to government ensured that according to their own criteria for success, especially in those areas where they faced popular opposition, the Thatcher governments were always destined to fail.

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