

Chapter Sixty-Eight

CONSENSUS AND THE MISMANAGEMENT OF DECLINE

THE twenty-five years after 1950 are usually referred to as the era of consensus. However stormy the political, social, or economic waters, no one challenged the fundamental tenets upon which late twentieth century Britain stood. These stemmed from the Beveridge Report and from the economic theories of John Maynard Keynes. Indeed any attempt to alter the system, let alone suggest that some of it might be questionable, was viewed as being positively unpatriotic and got nowhere. What people failed to grasp was that there were actually some things government could not do. The state instead was seen as being capable of ushering in a golden age and politicians, who in a democracy depend on votes, naturally did nothing to disabuse the electorate of this idea. Irrespective of political party, for over twenty years there were certain shared assumptions and objectives which were to remain constant until they came under fire in the mid 1970s.

With memories of the twenties and thirties still vividly in people's minds full employment remained top of any political agenda. Throughout the fifties and sixties unemployment never exceeded more than 3% of the workforce, and to allow it to rise beyond that was considered dangerous to the country's social stability. To achieve this figure meant ignoring over-manning, restrictive practices and resistance to change. Ironically, no objections were raised to the growth of automation, as jobs were so plentiful. Such a policy, however, bore within itself the seeds of its own destruction. Full employment meant bidding for workers and so wages spiralled ever upwards, in the end reaching unaffordable heights, fuelling a deadly inflation and pricing British goods out of the world markets. For twenty years the policy just about worked through the state managing demand in the economy. Then, in the 1970s, full employment began to vanish. Attempts to achieve it again by the usual method of inducing growth failed, and produced exactly the opposite effect, more un-

employment. No government, whether Labour or Conservative ever dared to admit that a policy of full employment should be abandoned; to do so would have meant confronting the unions.

The unions were, of course, deeply committed not only to full employment but also to nationalisation. As the revival of Britain depended on its economy and therefore its workforce, the co-operation of the unions was regarded as crucial to any government. By the mid-1950s a new generation of trade union leaders had emerged. They took full employment for granted, and now saw their role as one of pressing for better conditions and higher and higher wages, irrespective of the state of the economy. No government was prepared to outface them. When, in 1956, the Conservatives passed their Monopolies and Restrictive Practices Act, for example, the unions were excluded, meaning that a golden opportunity to sweep away restrictive practices was lost. If the Conservatives dared not cross the unions, Labour's ability to do so was even more constricted for the party was actually enmeshed in a system which depended on the unions for its funds via the political levy. Progressively the electorate became aware of this link, and saw how it impaired the ability of any Labour government to take independent action. Nonetheless the first moves towards union reform were taken by the Socialists in the 1960s, but they were forced to draw back. It was not until the 1970s, when strikes soared out of control that a Conservative government determined to make a stand, but they, too were defeated.

These were the decades when the state was omniscient. There was intervention into every aspect of society, including areas in which it had no knowledge at all, where interference in the end often made a problem worse. No

By the close of the 1970s union militancy had lost them the sympathy of the voters. Strikes such as that by the refuse collectors resulted in scenes like this one in February 1979, in which piles of uncollected garbage lay rotting in a street in Victoria, London.



one questioned the state's role as the problem solver, a role which was valid just as long as the state could come up with solutions. When that increasingly failed to happen, as it did in the 1970s, the result was collapse. Inevitably such an ever-expanding government demanded an equally ever-expanding bureaucracy to sustain it. Not that more civil servants necessarily meant greater efficiency, indeed often quite the reverse. This was to be the age of the mega-department. In 1956 there were twenty-six government departments. By 1972 there were just seventeen including three major creations reflective of the state's burgeoning interventionist role: the Department of Trade and Industry, the Department of Health and Social Security, and the Department of the Environment. Those who staffed these huge departments changed too as the old Civil Service generalist gave way, in the aftermath of a government report in 1968, to staff with more specialised skills, including those of management. Civil servants multiplied but so did those who feared the state's ever-growing powers. Its competence gradually began to be questioned but it was not until the 1970s that actual disillusion set in.

On the whole the Welfare State was welcomed as it brought huge advantages across a broad spectrum of society. The problem was that people thought its cornucopia to be a never-ending one. The Welfare State became more and more expensive to maintain, so too did the taxation whereby to sustain it. As income tax gradually began to impinge, thanks to inflation, onto the wage-packets of even the working classes, blind adherence to the tenets of the Welfare State began to be questioned.

In the final analysis everything depended on the success of the economy and both parties accepted that the economy henceforth should be a mixed one. Most industry remained in private hands, but government acted as a planning agent, influencing business decisions without imposing direct controls. No one questioned the state's ability to manage the economy successfully. The state after all, had run the economy during the war which had been won; it was but the shortest of steps to accepting that the state should therefore intervene in the running of the economy in peacetime, in order to achieve its social and economic ends. What was not fully appreciated was that the economy was in decline. Already by 1950 the long era of effortless superiority had gone. Textiles were in continuous decline. Steel might double its output between 1950 and 1966 but in the rest of the world output was quadrupled. Shipbuilding began to lose out to the Japanese and by 1975 even the British car industry went into insolvency. The running of industry was not helped by party politics, as successive governments nationalised and de-nationalised, deflated and reflatated the economy. Neither was it aided by the small army of media economists who were forever

analysing and pronouncing upon its performance, resulting in industrial paranoia. As the years passed the British economy became a subject of universal fascination both inside the country and abroad. Unfortunately those who examined its workings applied to it a medical term: 'the British disease'.

If preserving full employment, placating the unions and intervening in the economy were fixed points of reference for the government of the day, so too was education. Both main parties had a passionate belief that education was the key to curing any British economic malaise. Education multiplied, not only in quantity but also in the age to which people were educated. In the 1960s eight new universities were founded and the old ones were encouraged to expand. It was hoped that these new students would pursue the sciences, but instead they opted for the social sciences, above all sociology with its concern for curing the problems of society. In the case of the Labour Party education had another dimension, for through it they believed a new social equality could be achieved. Even the middle classes realised that the eleven plus examination was a means whereby only a quarter of the population received a good education, so they did not oppose the socialist introduction of the comprehensive system which progressively did away with the old grammar schools. Indeed some of the major drives to introduce comprehensive schools occurred under the Conservative governments. The aim was to undermine privilege, and the old teaching method of learning verities was replaced by that of 'discovery', with an abundant use of tape-recorders, television, and other technology. By the 1970s this educational revolution was seen not to be working, as literacy and numeracy declined. Parents then began to make huge financial sacrifices in order to send their children to one of the untouched fee-paying private schools. At the same time the belief that education could solve the country's economic woes was also seen more and more to be a delusion, and, like other aspects of a burgeoning Welfare State, the growth of education ate up more and more of tax payers' money.

These were some of the major issues which made up the agenda for any government, whether Labour or Conservative. The Labour Party had a new leader in Hugh Gaitskell, who in fact never came to power as Prime Minister. Under him, the party moved to the right, although he failed in an attempt to re-write Clause 4. The fact that he attempted it at all signalled increasing division between left and right, intensified after 1960 when the left of the Labour Party became committed to unilateral nuclear disarmament. Not only was Labour beset by never-ending internal wrangles but it lacked any cohesive vision as to where to go next. Increasingly the militant left set the agenda, demanding a battery of social legislation dealing with issues such as racial discrimination and equal opportunities, in a manner which often

had little if any support from the party's grassroots. By then the working class vote was being eroded by affluence.

If Labour occupied the consensus ground by conviction the Conservative Party stood there with reluctance, acknowledging that the times had changed. They accepted that people expected as of right jobs, housing, health provision, better education, and more equality and justice. They were, however, a party which had always been remarkably successful at swimming with the tide and quickly emerged during the fifties as the natural party of government, winning three consecutive general elections. This was what was called One Nation Conservatism whose aim was not equality but rather that all men should have an equal chance to be unequal. It stood for freedom in a less state-dominated economic system and still clung to the old pillars of crown, church and Christian morality.

The two major parties dominated the political scene leaving the Liberals and the Welsh and Scottish Nationalist parties to surface only in elections, when the public became dissatisfied with the main parties. This was a democratic system whose weaknesses were inbuilt. As both major parties wanted power, intervention in the economy became geared around election dates. Neither side had any taste for telling the electorate what was often the bitter truth for fear of affecting their ratings at the polls, an arrangement which worked smoothly as long as the economy was more or less healthy. Problems only surfaced when circumstances demanded that the unions be curbed. Confrontation surfaced over wage demands, which had followed a set pattern established during the fifties. Wages rose annually as of right. What is so extraordinary in retrospect is that these annual settlements carried with them no obligation at all by the workforce to greater productivity or efficiency in return. This meant that by 1961 wages were rising 50% faster than industrial output. Nothing was done to confront this problem, or to face the fact that the cost of the Welfare State continued to spiral upward so that by the middle of the 1970s public expenditure ate up more than 50% of the entire national income. It was an age of cosmetic solutions, whose only outcome could be disaster.

Few periods in British history have been more complex, although a division into three, covering the decades, seems accurately to reflect its phases. The fifties passed smoothly with the economy apparently on the upturn, and the government avoiding any action on what were clearly to be in the future major problems, transport and immigration. The sixties began to press alarm bells as the country was forced to turn to the International Monetary Fund to be bailed out of financial difficulties and unemployment reached over three-quarters of a million. It was during these years that Britain's declining industrial heritage came home to roost with a vengeance. The

seventies saw the breakdown of consensus amidst a sea of acrimony and recrimination as both political parties struggled to reach a working relationship with union power, which ended in catastrophe.

The fifties, however, seemed to be an optimistic sunny decade. Winston Churchill, although in poor health, came back as Prime Minister and apart from de-nationalising steel and road transport left the work of his predecessors intact. There was no attempt to cross the unions. Indeed government policy was not far different from that which would have been pursued by Labour with an emphasis on a house-building programme which was hugely successful. In 1952 George VI died and his daughter came to the throne as Elizabeth II. Her accession was hailed as the



Churchill visits his old school, Harrow, in 1954 to join in the annual school sing-song.

beginning of a new Elizabethan age. The last of the war-time rationing ended in 1954 and building restrictions ended soon after, leading to a boom. The pattern of annual wage rises was set, with prices always lagging slightly behind. That should have been a warning as should also have been the return of Germany and Japan to production. By 1955 these two countries were manufacturing goods of such high quality that they quickly showed up their British equivalents as shoddy. Germany and Japan had the advantage of new post-war machinery and in the case of Japan, to which can be added India, that of cheap labour. For the first time for two centuries Britain began to import textiles. Nothing was done to stem that tide, nor the tide of Commonwealth immigrants which in the late fifties reached 26,000 a year.

In April 1955, in his eighties and ill, Churchill resigned and was succeeded by the urbane and charming Anthony Eden. There was another election and the Conservatives were returned. Eden's premiership was to be entirely dominated by the crisis over the Suez Canal which contributed to his breakdown in health and his resignation in 1957. Harold Macmillan became the new Prime Minister, 'Supermac', as he came to be called. Macmillan was a man of keen intelligence, a patrician and very much the opposite of the Labour leader, Hugh Gaitskell. As under Churchill there was no question of crossing the unions, and this was precisely the period during which the militant extreme left seized power on the workshop floor. Unofficial strikes began to multiply. Macmillan can be said to have inaugurated the era of spend, spend, spend. He overruled his Chancellor of the Exchequer and the estimates for government expenditure went £50 million in excess. He also relaxed credit. The result was a consumer boom during which most people bought cars, television sets, washing machines and refrigerators. In July 1957 he made a remark which has passed into history when he said that people had 'never had it so good'.

Such a policy had its inevitable consequences and in August 1961 the government, faced by rising deficits, turned to the International Monetary Fund, which had been created in 1944, its members contributing a quota upon which they could draw to redress temporary problems. The government was lent £714 million. This ushered in a decade in which, despite the fact that one cruel economic reality followed another, nothing seemed to impinge upon the impulse of government to spend. There was the cost of keeping troops around the globe in Germany, Kenya, Borneo and in the Persian Gulf, all seen as potential British markets, a point of view which also conditioned commitment to overseas aid to developing countries. Conscription to the armed

The coronation of Queen Elizabeth II in 1953 was the apogee of the monarchy's use of antiquarian pageantry to lighten a grey democratic age. The photographer, Cecil Beaton, responded exactly to this mood of nostalgia for an age which had gone in this image of the young queen in her coronation robes.





forces ended which meant that the army had to be paid properly for the first time since the war. Defence costs continued to rise, so much so that in the end it was thought cheaper to abandon a British nuclear deterrent in favour of buying an American one. As roads replaced rail the cost of building new motorways rocketed. The state found itself left with propping up an uneconomic Victorian railway system, a third of which it proposed to axe in 1963 in order to make it viable. Instead of carrying that policy through the government drew back, fearing the social consequences if they left places cut off, thus causing population movement which would engender yet more demands on state funding. With unemployment rising again, and immigration now running at 100,000 a year, government had no alternative but to act in an attempt to curb both. The 1962 Commonwealth Immigration Act imposed restrictions but it was already too late. The ghettos and social tensions were already there, not to mention the demands on the social services. Britain began to be billed as 'the sick man of Europe'.

The reaction to any problem during this period was to set up yet another government quango, in this instance a National Economic Council which was to consult with industry and produce a financial plan. The result of that investigation was the conclusion that a 4% annual growth in the economy was needed to sustain the country. A National Incomes Commission was set up, but the unions refused to co-operate. In the end it was not the state of the economy but scandal which brought the government down. That took the form of a minister lying to the Commons about his affair with a call girl who was also involved with a Russian diplomat, thus creating a security risk. Amidst a haze of sleaze Macmillan, by then ill, left a government in disarray. The Conservative Party, after consultation, chose the Scottish peer, the Earl of Home, as its leader. Home had to renounce his title in order to take on the role but he could not save his party from electoral defeat in 1964.

By then Hugh Gaitskell had died and the Labour Prime Minister was Harold Wilson. Wilson had much in common with his predecessor, Macmillan. Both continued to overestimate Britain's role in the world, both were to undergo the process of realising that change, and both in the end were unable to come to terms with it. Although not by any means patrician, Wilson was also a politician of considerable tactical skill. What started in his favour was the note of modernity which he set out to strike. That was not to last long and was dispelled when the state of the economy came fully to light. There was an £800 million trade deficit, allied to the fact that the advent of a Labour

Coventry Cathedral was bombed in November 1940. The new cathedral, designed by Sir Basil Spence, was completed in 1962, the first major public building since 1939. In the background, rising as a backcloth to the high altar, is the vast tapestry of Christ in Majesty designed by the painter, Graham Sutherland.



With the advent of television politicians had to take on the guise of actors and conquer the new art, one which could publicly make or break them. Harold Wilson, seen here giving an interview in 10 Downing Street in 1974, was a master of the common touch.

government always led people to move their money out of the country, fearful as to what Labour would do. Labour began by making dividends subject to income tax, and taxing all capital gains. Both moves were inimical to investment. Following in the wake of Macmillan another loan was negotiated, this time from the United States. The amount was £2 billion, and the government embarked on a spending spree. A whole rash of new ministries was set up ranging from one for the Arts to another for Land and Natural Resources. Prescription charges were abolished and old age pensions and other state benefits were increased.

Wilson's modernising thrust was to be expressed by a National Plan whose prime objective was to expand the national income. A Prices and Incomes Board was established to monitor tendencies to inflation and persuade both management and unions to accept its deliberations. In an effort to conciliate the unions the new Board made no real attempt to hold down wage settlements, which of course ran counter to its long term aim. Then the government dared to embark on union reform. In 1965 a Royal Commission on Industrial Relations called for all unions to be registered, and only those would henceforth have the right to strike. That, it was hoped, would eliminate unofficial strikes which now made up 95% of union action. When it came

to the crunch the government retreated, and the Commission's work remained a dead letter.

Restricted by Labour's small majority in the House, Wilson had no choice but to choose a moment for another election which took place in March 1966. The Labour government returned with an enhanced majority. By then the Conservatives had acquired a new and equally unpatrician leader in Edward Heath. Once in power, the Wilson government gave up trying to face realities and went instead for easy and cheap options, social legislation which reflected the growing libertarianism of the period. These included lowering the age for the vote to eighteen, the establishment of the Open University, the Sexual Offences Act, which permitted homosexual acts between consenting adults over twenty-one, and the Abortion Act, which laid down the guidelines for abortion. At the same time half the grammar schools went over to the comprehensive system. The only piece of legislation which attempted to cope with a deepening social problem was the 1968 Race Relations Act. Two years before, immigration had reached 600,000 with little sign of any assimilation of those who came into the existing population.

Meanwhile the Prices and Incomes Board attempted to stem inflation. Dividend increases in 1966 were made illegal for a year, wage increases were also made illegal for six months and thereafter were to be granted only in special circumstances. Prices were held down. The following year a massive dock strike forced the devaluation of the pound to \$2.40, leading to the severest tax increases since 1939. The public was enraged. For the devaluation to achieve anything it had also to be accompanied by deflation, which meant unemployment, or prices would rise. Deflation was embarked upon. Once more the Labour government tried to turn its attention to the unions as the result of the 1969 Donovan Report. A bill was introduced into the House to curb union power. The unions forced its withdrawal. Wilson, ever optimistic, and also sensing that the deflationary policy was working, decided to call an election but this time Labour lost.

The ten years following 1969 were to be even more catastrophic. Just about everything seemed to come home to roost. By 1975 consumer prices were two-and-a-half times what they had been twenty years earlier. Of the world's major industrial countries in the seventies, Britain alone had declining exports. There was a 25% deterioration in the country's terms of trade and the value of the pound fell 30%. Meanwhile wage increases spiralled ever upwards, reaching 29.4% in 1974. The deflationary policy set in motion by the Wilson government called for three to four years to take effect, as in the meantime industrial profits fell. To stay the course called for enormous political resolution. This was the decade which truly marked the end of

the Industrial Revolution. It also witnessed the irony of a Conservative administration rescuing ailing companies by nationalising them. The only glimmer on the horizon was an unexpected stroke of luck, oil was discovered beneath the North Sea and began to come to the rescue as the seventies reached their close.

Already by the middle of the 1960s attitudes towards politicians had begun to change. Instead of being seen as benign agents ushering in Utopia they were blamed for failing to deliver. The new Prime Minister, Edward Heath, was a grammar school meritocrat who entered office with the determined intention of tackling the unions and a strong conviction that Britain should join the European Economic Community. In the latter endeavour he was successful. What his new government failed to grasp was that its predecessor's policy was beginning to have salutary effects. So instead of persevering with deflation, however painful, the Heath government reflationed the economy, reducing taxes and relaxing credit control. Until then the Bank of England had laid down guidelines for credit, but these were now swept away with a mandate to lend money to whatever seemed to be a good risk. The result within three years was that the money supply had multiplied by 84%. This triggered a surge of speculative buying of shares and property so that in one year, 1971-72, the price of houses in London doubled. Unemployment naturally fell, but in 1972 the cost of that was prices increasing by 10% and wages by 18%. This coincided with massive increases in commodity prices in the international markets. As a result, firms began to fail and go bankrupt. Against all Conservative principles the government saved both Rolls Royce and the Upper Clyde Shipyard by nationalising them. In 1972 government expenditure crossed the 50% margin to become 52% of national income.

In 1971, in fulfilment of its pledge to face up to the unions, Parliament passed the Industrial Relations Act. Henceforth unions would have to register in order to have legal status. The government could impose strike ballots and delays of up to sixty days before strike action could be taken. Unions which broke the rules were to be subject to fines, and an Industrial Relations Court was set up to implement the Act. Few measures have evoked such embittered resistance. In 1970 10 million days had been lost through strikes; in 1971 that rose to over 13 million. The Trades Union Conference passed a resolution instructing its members not to register. Government now found that it was one thing to pass an Act, and quite another to enforce it. The battle lines were drawn.

In the autumn of 1972 a three-month pay freeze was introduced after which the maximum increase was to be a pound a week plus 4% of existing wages. That year 24 million days were lost in strikes. The most spectacular was the miners' strike for they went on to arbitration which found in their favour. This opened the floodgates. The

railways worked to rule for three months. Then the dockers followed. The government bravely embarked on a statutory wages policy along with a ban on all strikes. This policy was to go in three stages and involved freezes on prices, rents and dividends. The third phase of that policy began in October 1973. The fact that strikes were banned was completely ignored. The gas workers and the Civil Services went on strike, the miners refused to work overtime, and the railways again worked to rule. The government was forced to introduce a three-day working week to save energy. There were swingeing cuts in public expenditure and the minimum lending rate soared to 13%. Britain was reduced to being a twilight zone. Then, on 5 February 1974, the miners voted once more to strike. Heath decided to call a general election, hoping for a mandate from the population to outface the unions but he failed to get it. The election revealed a deeply divided country and Labour under Harold Wilson was returned with a majority of three, despite the fact that the Conservatives got more votes. Disillusionment with both sides found expression in a surge of Liberal and Nationalist MPs.

The Heath government had ended in failure but at least it had faced up to the unions even though it lost the fight. In the midst of all this industrial unrest and turmoil it had carried through a massive reorganisation of local government, creating forty-five counties and six metropolitan areas. It had also introduced selective eligibility for welfare benefits. Heath's greatest achievement, however, was Britain's entry into the European Common Market. But his government remained a failure. The unions had brought it down. Also, contrary to Conservative principles, it had epitomised state intervention on a gargantuan scale. As it left office the full impact of an external circumstance beyond its control began to be dramatically felt. In 1973 the Organisation of Petroleum Exporting Countries (OPEC) began sharply to push up the price of oil in the aftermath of a war in the Middle East between the Arabs and the Israelis. The oil price not only quadrupled, but the Arab countries also imposed a restriction on supplies. The implications for every Western European country, all of which had gone over to oil as an energy source, was to be massive, both in economic and political terms. But this was to be Harold Wilson's inheritance.

In 1973 the balance of payments deficit had stood at £1½ billion. The increased oil and commodity prices would force that up to £4 billion. Worse, the advent of a Labour government, always associated with prodigality, meant that investors began selling, so much so that the secondary banks which had financed the previous government's speculative boom had to be bailed out by the Bank of England and the large clearing banks, in order to avoid bankruptcy. The incoming Wilson administration had no choice but to give way to the miners. The Industrial Relations

Act was repealed and any form of pay restraint was dismantled. The government then went on to spend on increased old age pensions and other benefits, to subsidise food, and allow loss-making nationalised industries to run up deficits. Within six months prices rose by 8% and wages by 16%. In order to meet the rising balance of payments deficit the government had to pay 17% interest on long-dated bonds. The Chancellor of the Exchequer embarked on reflation, triggering a mass of bankruptcies in the private sector. To avert even more unemployment government was forced to step in to save them. By the middle of 1975 inflation was running at 25%, wages were going up at a rate of 35% and public expenditure was swallowing 60% of national income. Wilson had come in with the promise of some kind of 'social contract' with the unions but it is hardly surprising it proved a dead issue. The economics of Maynard Keynes were finally seen not to work, when soaring labour costs went hand in hand with rising unemployment and low productivity. Inflation was worse in Britain than anywhere else, and the country was viewed as being in absolute decline.

At this point Harold Wilson decided to retire, passing on his premiership to James Callaghan. He was a man with union credentials and sterling straightforward qualities. The unions proffered him co-operation, but only on condition that there would be no income policy imposed by law. It was an appalling inheritance. The rest of the world looked on askance as Britain slipped ever downwards, and the international money markets, investors and financiers began to lose faith in the pound. What the country needed was wage restraint, public spending cuts, and the acceptance of some unemployment. By 1976 its debts were greater than ever. The sterling balances of other countries, which had remained at £4 billion for twenty-five years, in the 1970s rose to £12 billion. Money flowed out of Britain in a torrent. The value of the pound fell to \$1.63. Unemployment reached 1.5 million with inflation running at 17%. There was no alternative but to call in the International Monetary Fund and suffer the ignominy of whatever conditions would be imposed.

The loan was of £2.3 billion on the basis of dramatic cuts in the money supply. Those who for years had advocated budget deficits to stimulate demand were criticised for the impact of the amount of money in circulation and its effect on the economy. The government, whether it liked it or not, had to embrace a monetarist policy based on a belief that the amount of money in circulation at any given time was important. Added to that was the necessity of imposing, and keeping to, cash limits on spending. Callaghan summed it up in a speech which heralded the Conservatism of his successor, Margaret Thatcher, when he denounced the idea that:

'... you just spend your way out of recession and increase employment by cutting taxes and boosting spending ... that option no longer exists ... it

worked by injecting inflation into the economy. And each time that happened the average level of employment has risen. Higher inflation followed by higher unemployment. That is the history of the last twenty years.'

This signalled the end of an era, for there were to be no more stimulative deficits. Unemployment was taken on board as a necessary evil to the running of an economy. Ever since 1945 even 2% unemployment had been regarded as politically and socially dangerous. Heath blanched when it reached a million and did a U-turn to bring it down and Wilson had the irony of presiding over 1.4 million unemployed.

Such conditions could only signal industrial anarchy. The government itself was reduced to a majority of one, and was kept going only by a pact with Liberal MPs. It pushed on with social legislation which led to the establishment of a Police Complaints Board and a Race Relations Commission, but the focus of attention was never really to shift from the economy and the unions. In 1978 the government wanted four years of wage restraint with no cuts in income tax as compensation (by then inflation had brought the vast majority of workers into the tax bracket). The unions rejected it; the car workers struck, and got a rise of 17%. The next year the lorry drivers claimed 25% followed by a litany of claims from the public sector workers in the winter of 1978-79. Six weeks of strikes closed schools, saw the rubbish pile up in the streets and even, in Liverpool, the dead lie unburied. Callaghan had the misfortune on returning from abroad and, on being asked about the crisis, to reply 'What crisis?' The government then proceeded to settle for a 9% increase in the public sector which left their policy in ribbons. On 28 March a vote of no confidence in the Commons was carried by just one vote, 311 to 310. The Conservatives swept to power with their new leader, Margaret Thatcher, on a programme which promised to curb the unions, cut taxes and government spending and to bring an end to constant government intervention in the management of the economy. Such a programme would mean not just an adjustment in the role of the state but a radical change in its very function.

In many ways this was a most extraordinary period, turbulent at times and just short of outright mob violence. What is remarkable is that Britain in 1979 seemed intact, its social hierarchy untouched, still stretching down from the monarchy through the aristocracy to the middle and working classes. This facade concealed, however, what was constant change, with the upper classes being levelled downwards and the working classes moving up. Together, they formed a massive middle class. In 1960, 1% of the population owned 38% of the private capital. In 1974, that had dropped to 25%. And in spite of all the traumas nothing could conceal the stupendous overall rise in the working class standard of living. In fact the Welfare

State had made everyone in one sense better off, for people no longer had to make their own provision for the services the state provided.

What is also striking is that so many of the fundamental tenets upon which successive governments founded their policies during these years proved to be delusory. A budget deficit had been seen as an almost magically effective instrument of policy. The continuing failure to create conditions to encourage investment had accelerated decline. It was investment which had been the key to the Industrial Revolution in the past and which had given the country its financial strength and political prestige which other nations had envied and copied. Alas, both had gone, along with the Victorian virtues which had maintained them, now looked upon as dull and constraining. These had been the first decades in the nation's history when power was concentrated not in the hands of the landed classes or even the businessmen, but instead in those of a group of specialised politicians who depended for their existence on the electorate. Much that subsequently occurred raises the question as to whether these politicians were in fact qualified effectively to run an economy, affected as they always were by their desire to be re-elected.

What cannot be denied is that things began to go wrong in the sixties and radically in the seventies. It is still too early to pinpoint the cause. Certainly the country was still living off the moral and financial heritage of its Victorian forebears. Two world wars had also left their devastating imprint upon the whole of society. But no one can deny that there had been crass mismanagement. By the close of the 1970s Britain had lost status and was seen both by those within it and outside as in decline and decay. Doubts began to cross people's minds as to whether everything which had been built up since 1945 was indeed right for the country. As far back as 1966 Edward Heath had expressed enthusiasm for the free play of the market-place and went on to dare to question the ever-escalating cost of the Welfare State. When Margaret Thatcher came to power in 1979 she was faced with two options, either to continue to manage decline more successfully than it had been so far by her predecessors, or to attempt to sweep away the lumber of the past in such a way as would not lead the country into polarity, thereby hoping to usher in a new order.

David Hockney's *Mr and Mrs Ossie Clark and Percy* painted in 1970 catches the atmosphere of the period known as 'The Swinging Sixties' with its emphasis on youth, sartorial elegance, and relaxed living style.

