

## Chapter Seventy

# A NEW BEGINNING?

THE period 1979 to 1990 was to be encapsulated in one person, Margaret Thatcher. Her impact on the direction the country was to go in exceeded even that of Winston Churchill, whose role was essentially confined to one of leading a nation to victory in war but not of actually changing its internal course. In sharp contrast Mrs Thatcher was to be the vehicle whereby everything which everyone had taken for granted since 1945 was to come under sudden and devastating attack. Indeed during her eleven years in power, government was, for the first time since the 1830s, to attempt to draw back and not to extend the influence of the state into yet more areas of daily life. Ever-escalating state intervention had only resulted in a limping economy and slow growth. For decades governments had oscillated between expansionist and deflationary policies. For decades, too, it had been accepted that government's prime role was to spend more and more taxpayer's money. Margaret Thatcher, the daughter of a Grantham grocer, was quite unlike any other Prime Minister since 1945. Down-to-earth and with no time for the intellectual theorising which had dominated politics, her prime guide was her instinct and what she regarded as common-sense. That was the key to her initial success, the fact that her message was a very simple one: reduce the role of the state, stop inflation, and create a society which rewarded the effort of the individual. Tough, determined, ruthless, and ultimately divisive as a political personality, Mrs Thatcher was a Prime Minister whose era stands apart for another reason: the policies never changed. There was pragmatism, but on the whole there were no concessions. However rough the ride, and much of it was, the journey was to be endured to the bitter end.

This was a new brand of Conservatism, one which had emerged during the 1970s under the aegis of the Centre for Policy Studies and Mrs Thatcher's mentor, Sir Keith Joseph. The scenario outlined by the New Right read like a programme of revenge on two generations of social engineers, setting out to replace what they viewed as the dead-hand of state-directed corporatism with the doctrine of the free market. The stranglehold of the unions, which made the country virtually ungovernable during the 1970s, had to be broken. The money supply had to be controlled. Labour had

already tried a monetarist policy and failed. To achieve such a policy successfully would call for nerves of steel, for curbing inflation would entail not only mass bankruptcies but also soaring unemployment. That had to be endured, so that in the future, growth in the money supply would only match that in productivity. Such a policy in its initial stages could never be popular and it would take time to see its effects. Fortunately the Prime Minister was not only resolute but lucky.

The Conservatives were to win four elections in succession, providing the government with a period of time long enough to see their policies through, unrivalled in the post-war period. Mrs Thatcher was shrewd at choosing election dates, sweeping back to power on the euphoria of the Falkland triumph, in 1983; and finally, having brought down inflation, in 1987, just before the onset of a damaging recession. Such longevity meant that enormous changes could be made and from the outset it was assumed that any strategy had to be a long-term one. Although the longevity could not have been predicted, it welds the Thatcher era into an unusual whole, which opened quite cautiously in 1979 and reached a crescendo

Mrs Thatcher as Prime Minister cultivated a forceful public image which earned her the sobriquet of the Iron Lady. Here she arises out of a tank during a visit to British troops in Germany in 1986.





in 1987. At the outset the New Right were in a minority but were nonetheless placed in control of the purse-strings, with Sir Geoffrey Howe as Chancellor of the Exchequer. Gradually politicians Mrs Thatcher labelled as 'wet' were got rid of, and those she designated 'dry' or 'one of us' were brought into office. In this way the old style Conservatism with its paternalistic grandees and devotees of the Welfare State were swept aside. The old 'one nation' Conservatism of the consensus era met only with scorn as increasingly the New Right's policies, like privatisation, were set in motion.

What the programme was to be was first glimpsed in the area of taxation and public expenditure. Henceforward indirect taxation was preferred to direct. The standard rate of income tax was reduced from 33% to 30% and for the richest it was brought down from 83% to 40%. For the first time there was a government which believed that cutting people's taxes was better than spending their money. Cash limits were also imposed on government spending. What took time to sink in was that this policy had come to stay. Indeed in later budgets it was taken even further, with huge increases in indirect taxation and a reduction of the standard rate of income tax by 1987 to 27%. For the first time for nearly eighty years the idea that the electorate would welcome taxing the better off was thrown out. The effect for many was a far greater prosperity but it undoubtedly widened the gulf between the richest and the poorest.

These tight financial restraints, which included a high interest rate at between 14% and 17%, had a dramatic effect. The worst recession since 1931 set in, with a 100,000 people a month rendered unemployed in 1981. There was de-industrialisation on a vast scale and inflation running at 20%, not helped by having to meet huge wage increases which were inherited from the government's predecessors. The fact was that however appalling the level of unemployment (and ultimately it was to reach over three million) the majority remained in work with their standard of living unimpaired. Fear of job loss led to moderate pay settlements and increased productivity, so that by 1983 inflation had fallen to only 5%. Unemployment cost money in benefits, a bill which was met by cuts in expenditure and income from North Sea oil. It also contributed to social unrest with inner city riots occurring both in 1981 and 1985.

The expression which gained currency was to refer to 'real jobs', meaning not those hedged round with restrictive practices nor those concerned with the thousands supporting central and local government bureaucracy, a particular disdain was reserved for them. Early on, businessmen were brought in to scrutinise government structure with a view to reforms in efficiency and hiving off. Local

government was looked upon as a bloated monument to the old consensus corporatism with one in eight in the country working in the structure. They also made up the Labour heartland with extreme left wing councils squandering rate-payers' money. In 1980, controls were imposed on their expenditure and ability to borrow. Their reply was to levy a supplementary rate, but that was stopped by rate-capping. Value for money was to be achieved by the introduction of competitive tendering for local services like collecting refuse. The 1986 Local Government Act abolished the Greater London Council and six metropolitan authorities wiping out a structure which went back to the 1880s. In this way those seen as the worst offenders were obliterated, and the wings of local government by bureaucracy began to be clipped overall.

Similar considerations permeated the government's attitude to the Health Service and to education. The idea of state provision was not challenged but in the case of the former money was placed directly into the hands of the doctors and hospitals to exercise their own financial housekeeping. Hospitals were also given the opportunity of opting out of the Health Service, and many began to fear that what was still regarded as the glory of the Welfare State was about to be dismantled. In the case of education it was the universities which felt the full blast of government disapproval, being looked upon as complacent enclosed communities, which had eaten up money and failed to produce wealth creators. Stern monetary discipline was imposed with injunctions to adopt new managerial techniques. The 1986 and 1988 Education Acts applied the same rigours to schools. New-style examinations were introduced, results providing a means of assessing a school's success, which was then made public. A National Curriculum was laid down, and participation on governing bodies involved parents for the first time in a school's decision-making and accountability. This too was an attack on local authority management, which was taken further when schools were given the chance to opt out, be funded directly from the centre, and run their own affairs.

All of these actions irrevocably changed things which had seemed immutable to the majority. So too did the sale of council houses to their tenants in 1980, which was an immensely popular measure. Some 800,000 houses were sold by the end of 1984 and by 1990 it was to mean that two-thirds of the population were owner-occupiers. Britain had become a property-owning democracy on a scale inconceivable in 1900.

In this enormous shake-up there had to be losers as well as winners. Welfare benefits, although also unchallenged as a state obligation, were never satisfactorily dealt with. Poverty was still to be relieved as a right, and indeed it was accepted that extra payments should be made in particular circumstances. This process was



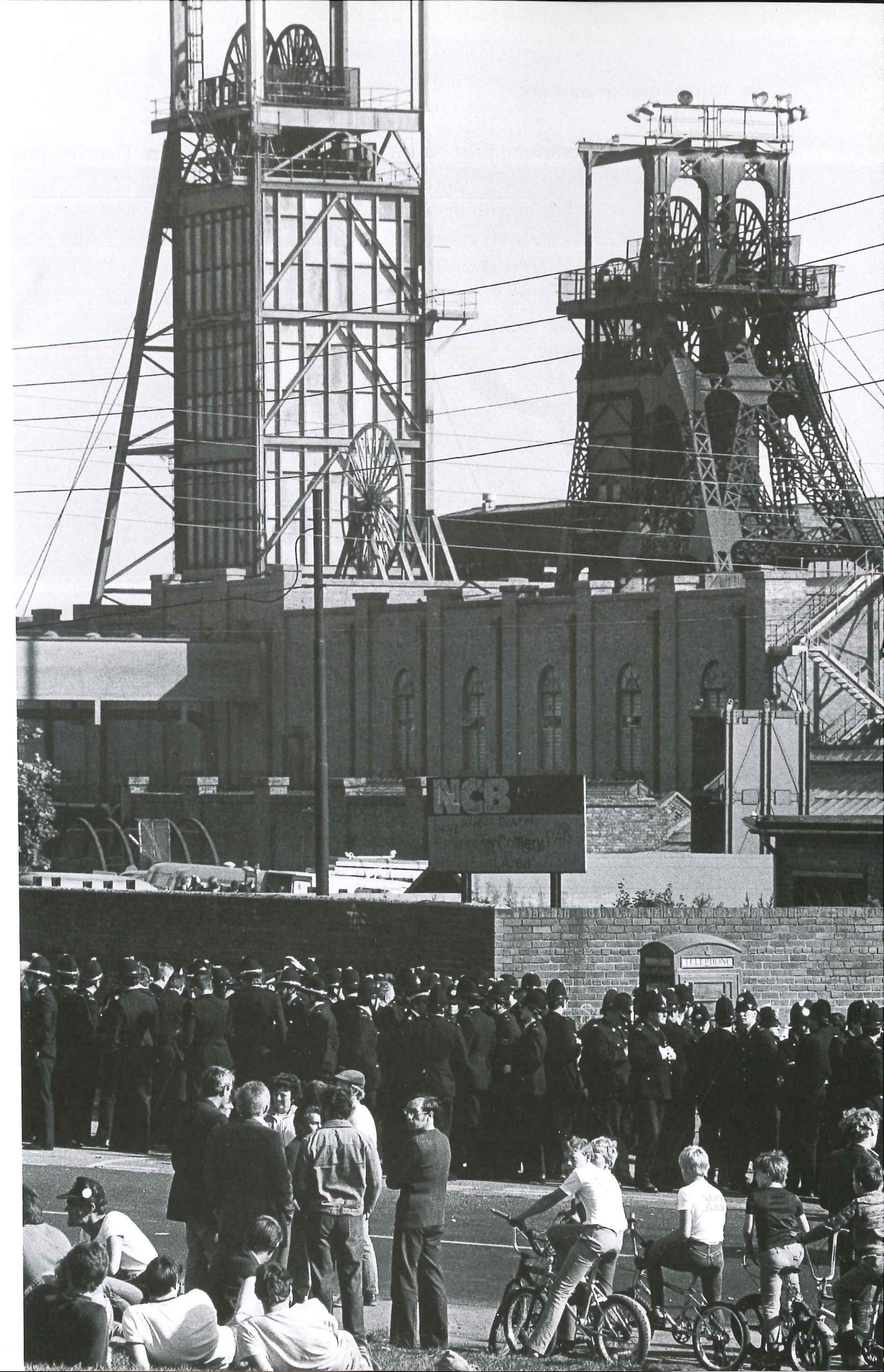


The downside of the years of Conservative rule, mass unemployment. Here the unemployed await their call in a Department of Health and Social Security Office in North London in 1984.

institutionalised in an act of 1970 but due to inflation, problems began to arise. By the 1980s even low-paid workers were paying income tax. Benefits were paid but a worker would find that 80% or 90% of any increase to his gross take-home pay was taken away at source. The result was to create a 'poverty trap' into which many people became inexorably caught.

These activities were tangential to the New Right's two central objectives: to humble the unions and to dismantle the collectivist state by privatising the nationalised industries. Neither was attempted until the government was in a position of strength. The unions stood by their old creed: full employment, Clause 4, and high wages. During the early years government steered clear of confrontation. The earliest sign of what was to come was a total freeze-out of the unions from government after forty years of dialogue. Proposals to close uneconomic mines in 1981 were abandoned, the same year in which the National Union of Mine Workers elected a new and uncompromising president, Arthur Scargill. Government spent its time preparing the ground for the clash to come. Two Employment Acts in 1980 and 1982 ate into union power. These involved secret ballots for strikes, the outlawing of secondary picketing and sympathy strikes, besides making unions legally responsible for their own actions. As a result the balance shifted back in favour of the employer. By 1984 the government could actually deny those who worked in its Intelligence Headquarters in Cheltenham the right to belong to a union at all.

Police surrounding Easington Colliery, County Durham, in August 1984, to protect any miner who wanted to work from intimidation. The miners' strike finally broke union power but it was to leave a legacy of embitterment.





Only after her triumphant return to power in 1983 was Mrs Thatcher prepared for the battle. By then not only was the necessary legislation firmly in place but union membership, due to unemployment, had dropped substantially. More to the point, the power stations had a six months' supply of coal after which many could go over to oil (which had largely replaced coal as an energy source). Already a 1982 report had said the coal industry was uneconomic and pits should close. Then in 1984 the Coal Board announced the closure of twenty pits, knowing what would follow. Apart from a group in Nottinghamshire, the miners voted to strike. The subsequent strike lasted 362 days from 5 March 1984 to 3 March 1985. It was to be a bloody strike, with violence and intimidation rending whole communities apart. Scargill sent his 'flying pickets' all over the country, while the government moved the police around to protect those who wanted to work. In the end the men were forced to go back out of sheer necessity, as well as disillusionment with their leadership. There was no settlement, just a return to work on a narrow majority vote. The government won, and the guts were knocked out of the union movement. Between 1984 and 1987 the number of miners fell by over 70,000 and forty-two pits were closed.

An equally violent strike by printworkers followed in 1986. A group who worked for a major newspaper magnate refused to move to Wapping in the Docklands, and to operate the new computerised print technology which elsewhere in the world had been in use since the 1960s. Once again the police were heavily involved in protection, this time of members of the electricians' union who had taken on the job. These uses of the police to handle what were deemed 'riotous assemblies' led to them being seen as agents of the government rather than law enforcers. That view was also reinforced for many by their role in suppressing the inner city riots which were made up in the main of black youths. As a result the police began also to be thought of as racist.

Union power had been broken after almost a century. The dismantling of the mixed economy was another reversal of a long-lived phenomenon over which again few tears were shed. The call was to 'roll back the state' by sweeping aside the infrastructure of the era of consensus. The nationalised industries made losses which were subsidised by the taxpayer. Not only would government shed a loss-maker and all the problems such an industry involved, but they would also end its bureaucracy. As in the case of the unions, the problem was cautiously approached until the time was right and it could be accelerated. From 1979 to 1983 only £1.4 billion of publicly owned enterprises was sold off. In the first fifteen months following the 1983 election £1.7 billion went, followed by the massive £4 billion sell-off of the telephone system, British Telecom. That sale was designed to spread share-owning through the



The Docklands were the flagship of the Thatcher free enterprise era. Nine square miles were open for redevelopment by the private sector, the crowning glory of which was Canary Wharf with its towering skyscraper symbolising the new age.



community as never before. British Airways followed and then British Steel, Britoil, Britgas, British Airports, in 1989 water, and in 1990 electricity. In this way a major objective was achieved whereby government withdrew from being directly involved in running major sections of the economy, letting market forces take over.

The sell-off of the nationalised industries, which expanded share-holding across the land, went hand-in-hand with a reform of the City, starting with the abolition of exchange controls. Ever since the Second World War it had been difficult to invest abroad. That policy was now reversed, releasing huge investment funds. In five years the amount invested abroad rose from £12½ billion to £70 billion. On 26 October 1986, 'big bang', as it was nicknamed, occurred – a reform of the stockmarket, bringing an end to restrictive practices, and going over fully to the new technology of computerisation, in an effort to make London a global trading centre along with New York and Tokyo, able to cope not only with the orders of large institutional finance but also with the needs of the small share-holder. All of this reflected the fact that the focus of money-making had shifted from industry to financial services: banks, unit trusts, pension funds and insurance companies. At the same time the old established rules governing credit were relaxed so that 100% mortgages, for example, were given. In the end this activity only fuelled an expansion whose foundation was debt, and on 19 October 1987 there was a stockmarket crash. This signalled the onset of a recession which hit all of Europe, but Britain worst of all.

This coincided with the decline in Mrs Thatcher's fortunes. In her third term of office she seemed to become increasingly imperious, but, more significantly, things like privatisation were carried through without sufficient regard to making out the case to the public. The government's refusal to listen meant that the measure to reform the antiquated rating system was to end in disaster. The flat-rate tax which assessed the value of houses, other buildings and landed property was the main source of local government revenue. 18 million of the 35 million voters in the country paid rates, albeit 6 million of those had them paid by the social services. The existing system was unjust but to transform it into a poll tax based on the number of adult occupants of a property was to extend disaffection with the government through a huge swathe of the population. The only other poll tax in the country's history had led to the Peasants' Revolt. This time there were riots in Scotland where it was introduced first in 1989, and then in the following year there were similar and violent demonstrations in England and Wales.

As 1990 progressed the Prime Minister's style attracted more and more criticism. There were also internal disagreements in the government. The Chancellor, by then Nigel Lawson, had resigned over her opposition to joining the European Exchange

Rate Mechanism and then, in November, her Foreign Secretary, Geoffrey Howe, resigned. He followed his resignation with a devastating attack on Mrs Thatcher in the Commons. The Conservatives, with an election looming, feared that they might be carrying an electoral liability, and began to cast around for a new leader. In the contest which followed Mrs Thatcher lost in the first round, and rather than face the humiliation of defeat she resigned. By then there were enemies on all sides but her exit needs to be placed in the context of a biting recession. She had come to power promising prosperity and had for a time given it. Now it was seen to have ebbed. Her last gesture was to throw her weight behind John Major as her successor.

One of the brilliant posters which contributed to the sweeping Conservative victory of 1979. The irony was that not long after unemployment, far from falling, was dramatically to rise to three million.



For a decade it had seemed as though no other political party existed and those that struggled to oppose were incalculably affected by the impact of Mrs Thatcher. As the 1980s progressed, Labour was rendered an anachronism still adhering to viewpoints which belonged to the past, those of statism, centralisation and planning. Any appeal which it had evaporated as the party moved further to the left when Callaghan went in 1980 and was replaced by Michael Foot, a pacifist and ardent supporter of nuclear disarmament. The Labour manifesto for the 1981 election was described as 'the longest suicide note in history'. Soon after, Foot was replaced by Neil Kinnock, elected by a newly created electoral college which was biased towards the left. The party also continued to be riven by dissensions in its ranks but in spite of this, gradually managed to drop one by one its vote-losing policies. By 1990 it had embraced the European Community and adopted multi-lateral disarmament. There was no hint either that it would re-nationalise privatised industries nor repeal Conservative union legislation. If those changes had been taken on board earlier they would have averted the split which happened when a group on the right of the party defected, and founded the Social Democratic Party. For a short time they bid for the middle ground, and for a period worked in tandem with the Liberals under the name of an Alliance. But in the end they were marginalised. Labour's problem was that its voting base was in the old declining industrial areas like the north and north-east, Scotland, Wales and Northern Ireland. Their supporters were workers in the public sector, and council house tenants. Labour had no message for a society which was now firmly based in the new technology and on the idea of wealth creation.

To come to power Labour needed to win the votes of the classes which had prospered in the 1980s. The pattern of that across the country marked another big shift. It was the areas which had seen the first Industrial Revolution which were hardest hit. They belonged to a world that had finally gone. The new prosperity was now firmly entrenched in the east and south-east in proximity to the European mainland. There, during the eighties, an unprecedented boom in the good life occurred, with shopping and leisure centres mushrooming everywhere, signalling the heyday of the consumer society.

The aim of the Thatcher era had been to reverse the main lines of the country's development since 1945. From a mood of resignation to decline there had been a sharp shift towards welcoming the attempt to clear away the debris of the past and start afresh. For most of the century those who took part in government had been men of intellect and independent means who were appalled at the consequences of the industrialisation and urbanisation of Britain. Their reaction was a state of mind which accepted the need for reform even if it was at their own financial expense (as

indeed it was) and culminated in the setting up of the Welfare State. That milieu foundered in the 1970s. The left despised it for being paternalistic and patronising. The right felt no sympathy for what they regarded as the able-bodied poor, and revived and lauded the long-suppressed basic human instinct that individual effort should reap its rewards. There was therefore a visible lack of compassion for those swept onto the heap of failure. All that was vaguely hoped was that the vacuum caused by the era's demolitions would somehow be filled by the free market. This was not always so. On every side there was a move away from what was left of the old community values in favour of the more competitive ones of the enterprise age.

There were, however, ironies. The creed which began with the cry to draw back the state and release the individual eventually became in many areas an agent of greater centralisation. That was because the only means which government found of achieving its aim was by axing the intermediary bureaucracy scattered across country and replacing it with direct ties to the centre. Nonetheless, after Mrs Thatcher nothing would be the same again. Consensus might be assumed to be at an end. The Social Democratic Party's attempt to revive it seemed to have failed, and the only remaining opposition appeared to be a Labour Party in the grip of terminal decline. The truth of the matter was that everyone recognised that many of the changes made were changes which should not be gone back on. No one wanted to return to the era of the unions. No one wanted to return to nationalisation. No one desired to resurrect the manipulation through fiscal machinery of equality of income. Privatisation indeed proved to be such a success that it began to be copied across Western Europe and then, in the aftermath of the dissolution of the Communist empire, in the East, where it was taken up as a remedy to the failed socialist economies.

Was this a new beginning or not? It is still too early to know. A decade dominated by the philosophy of the market place had changed people's perception and their way of working, permeating not only the social services and education but also all of the professions. It is too soon to know what the long-term effects of this will be. Meanwhile, Britain will continue to live with the consequences of what some have described as the Thatcher revolution for the foreseeable future.