

**POLITICAL IDEAS AND POLICY IN THE  
LABOUR PARTY, 1983-1992**

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DEPARTMENT OF POLITICAL SCIENCE AND INTERNATIONAL STUDIES

2000

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## **Abstract**

This thesis examines the political ideas of the Labour Party between 1983 and 1992. It adopts two detailed case studies: Labour's economic policy and Labour's social policy. Part I provides an historical context of Labour's political ideas and Part II analyses the political ideas content of Labour's social and economic policy between 1983 and 1992. This includes the work of 'Labour intellectuals', 'thinker-politicians' and official party documents, notably the Policy Review.

The thesis shows the need for an historical context based on three factors. First, the history of Labour's political ideas, discussed in Part I, illustrates the extent to which former debates re-emerge; to a large extent, Labour continued in the 1980s to be pre-occupied with traditional arguments. Second, Labour's economic and social policy thinking was, at least in part, a reflection on its own 'record' in government. An historical context inevitably includes an analysis of Labour's own post-war economic and social policy thinking. Third, the immediate political context between 1983 and 1992 is also central to an understanding of Labour's ideas over this period. This includes the impact of Thatcherism, its policy and ideas, as well as the effect of fundamental economic and social change. However, it is the first which is most important. The history of Labour's ideas is noticeably neglected in the literature on the period. This thesis constitutes an attempt to redress the balance.

# Contents

Introduction		3 - 8
Chapter 1	Political Ideas and the Labour Party: Theory and Literature	9 - 30
<u>PART I</u>	A History of Labour's Political Ideas	
Chapter 2	Historical Context: Origin and Formulation	32 - 58
Chapter 3	Historical Context: Anthony Crosland, Socialism and the Labour Party after 1945	59 - 84
<u>PART II</u>	Labour's Political Ideas, 1983 - 1992	
Chapter 4	The Political Ideas of Labour's Economic Policy	86-133
Chapter 5	The Political Ideas of Labour's Social Policy	134-177
Conclusion		178-195
Bibliography		196-208

# INTRODUCTION

This doctoral thesis examines the political ideas of the Labour Party between 1983 and 1992. It adopts two detailed case studies: Labour's economic policy and Labour's social policy. Part I provides an historical context of Labour's political ideas and Part II analyses the 'ideational' content of the party's social and economic policy between 1983 and 1992.

The thesis demonstrates the need for an historical context based on three factors. First, the history of Labour's political ideas, discussed in Part I, illustrates the extent to which former debates re-emerge. It is contended here that an assessment of Labour's political ideas demands an examination of the history of those ideas themselves. To a large extent, Labour continued in the 1980s to be pre-occupied with traditional arguments. Second, an historical context inevitably includes an analysis of Labour's own post-war economic and social policy thinking. Labour's economic and social policy thinking between 1983 and 1992 was, at least in part, a reflection on its own 'record' in government. Third, the immediate political context between 1983 and 1992 is also central to an understanding of Labour's ideas over this period. This includes the impact of Thatcherism, its policy and ideas, as well as the effect of fundamental economic and social change. However, it is the first which is most important. The history of Labour's political ideas is noticeably neglected in the literature on the period. This thesis constitutes an attempt to redress the balance.

The study is based on three primary contentions. First, the debates and issues surrounding Labour's political ideas over this period have an historical context which is imperative to their understanding. Second, whereas other research scrutinises Labour's institutional and policy changes, the distinctive examination offered here analyses the highly significant developments in political ideas over this period. Existing interpretations of the Labour Party highlight the lack of an ideational examination. Third, it is both valid and important to structure an analysis of Labour's political ideas, but this requires an historical context. This raises an important question, however, for how do we comprehend the political ideas of a political party? Chapter 1 discusses the theoretical issues raised by an attempt to structure such an analysis. The thesis adopts a conception of 'political ideas' which lies between a 'structuralist' account, that relegates ideas to a subordinate level, and an 'idealist' account, which takes the diametrically opposite view that ideas have explanatory power.

Part I provides an historical context of Labour's political ideas from the early thinking of R. H. Tawney, G. D. H. Cole, Sidney and Beatrice Webb, L. T. Hobhouse and J. A. Hobson, through to the ideas of William Beveridge, Anthony Crosland and John Maynard Keynes. It is demonstrated why it is important to examine the work of liberals as well as socialists. It is shown that it is both feasible and instructive to trace a conceptual history of Labour's political ideas. The most important issues and arguments within socialism, and then within the Labour Party after its birth in 1917, resonate from, and are explained by, various key political ideas. The resolution, and attempted resolution, of conceptual debates which emerge and re-emerge at different times are traced. Part II analyses the ideational content of Labour's social and economic policy. This produces a complicated account which sees the discarding of former conceptions and ideas, the resurrection of old themes and the formulation of new thinking.

The study of Labour's political ideas is a much neglected area in the political science literature. The literature review in Chapter 1 highlights the fact that there has been very little, and certainly no fundamental,

analysis of Labour's political ideas between 1983 and 1992. The literature concentrates on either institutional change within the party or on policy. A key reason for this is the conception of 'Labour' that is taken; what are the fulcrums of the Labour's political ideas? It is taken here to include both formal and informal contributions to the party's political thinking. The formal side covers official party publications, mainly policy statements. There is a direct engagement of ideas with policy in Labour's Policy Review which took place between 1987 and 1989. I examine the political ideas content of Labour's economic and social policy between 1983 and 1992. It is equally important to encompass the individual work of senior party figures and academics, described here as 'thinker-politicians' and 'Labour intellectuals' respectively<sup>1</sup>. The existing literature concentrates on official party documentation, notably the Policy Review. It certainly neglects the work of Labour intellectuals, such as the 'market socialists'.

The changes in the political ideas of the Labour Party were disparate and un-coordinated. There was no 'school of thought' or pioneering university department formulating a new chapter in the history of socialist ideas. Neither was there one hallmark text, describing contexts and setting agendas in the way that Tawney's *Equality* and Crosland's *The Future of Socialism* had so marked previous generations. Despite this, the political ideas of the Labour Party underwent a process of analysis and change as significant, if not more so, than these earlier generations had seen.

Five inter-connecting conceptual comparisons are at the core of the historical context. First, the relationship between the means and the ends of socialism. Second, the argument over which one of the two most fundamental means socialists should pursue: democracy or revolution? Third, the relationship between the ethical and the economic. Fourth, the interplay between the state and the market. Fifth, the relationship between the state and the individual. An historical examination of Labour's political ideas

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<sup>1</sup> The obvious constituency excluded from the thesis is the party's broad membership. For an analysis of recent developments, see P. Seyd and P. Whiteley, *Labour's Grassroots: The Politics of Party Membership*, Oxford University Press, Oxford, 1992.

indicates the re-emergence of older concerns, the resolution, or attempted resolution, of which may inform an understanding of later disputes. It will be demonstrated how this set of relationships dominates the history of the Labour Party's political ideas. For one generation, one relationship may be of overriding concern, while others may not rise to the fore of the contemporary debate. Rodney Barker uses the term "recessive themes" in the second edition of his *Political Ideas in Modern Britain*. Its usage is analogous with biology:

*"...a gene may pass from grandparents to grandchildren via the intermediate generation in whom it has no great consequences, where it is recessive. In the same manner themes in political thinking can be dormant, subordinate, or recessive, yet become powerful components of the thinking of later generations"*<sup>2</sup>.

It is not necessarily the case, therefore, that the debate of the day will be couched directly in terms of *all* of these relationships, though sometimes it will do so explicitly. These relationships are, however, central to the changing formations and evolving patterns of Labour's political ideas.

The academic debate over the 1983-1992 period is often pitched around one central question. For many commentators the question is whether Labour acquiesced in the face of Thatcherism or whether the totality of Labour's thinking on ideas and policy was wholly introspective and a product of revisionist reflection. The former argument takes two forms, arguing either that Labour was motivated purely by electoral considerations, or that the arguments of economic liberalism were accepted on their own terms. The latter argument defines Labour's thinking and policy revision as a fundamental reappraisal of ideas and policies in the light of a changing social, economic and political environment. The Policy Review, from this

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<sup>2</sup> R. Barker, *Political Ideas in Modern Britain*, Routledge, London, 1997 (second edition), p.275.



perspective, was an exercise in political revisionism comparable to the German Social Democratic Party's revisionism at Bad Godesberg in 1959.

The two hypotheses lack breadth and sophistication, a fault which can be blamed on the failure to provide an historical context in which the history of Labour's political ideas is central. This is demonstrated through the examination of the ideational content of Labour's economic and social policy between 1983 and 1992. The thesis illustrates the need for a much broader analysis: an historical context.

This analysis of the Labour Party's political ideas in the 1980s necessitates an understanding of the influence of Thatcherism and the political ideas of the New Right.

But as the historical context will show this is only one part of a broader picture and can be over-stated, as it is in much of the literature. We will see the impact of Thatcherism on Labour's economic policy and social policy. The reform of the welfare state, for example, in part shaped, and in part gave Labour the space for a reappraisal of, its political ideas. For some this took the form of a crusade: reclaiming freedom as a socialist idea away from the polemics of the New Right. Roy Hattersley's *Choose Freedom*<sup>3</sup> aimed to reconstruct the party's political ideas on the basis of a re-statement of values, freedom in particular. At the same time, the reason behind his work was a perceived need to challenge Thatcherism on the level of ideas.

Does the re-examination of Labour's political ideas and the revision of policy form a continuity with Labour tradition or a move in another direction? If the pursuit of either hypothesis provokes the organization of sources directed at proving one, this would be disingenuous. However, within a broad framework of the analysis of ideas within an historical context, encompassing the political, social and economic, the dichotomy may serve the purpose of identification and understanding.

The ideas of the market socialists produce greater complications, but demonstrate the relevance of an ideational context. The thinking is marked by revisionist strictures, especially the re-affirmation of the

means and ends dichotomy. However, the analysis of the values, liberty and equality, appears to break new ground. Liberty is asserted as the foremost socialist idea. The study, however, of the thinking of the ethical socialists and their similarity with new liberalism, indicates that this analysis too is embedded in a wider history of political ideas.

The following chapter examines the theoretical problems surrounding an analysis of a party's political ideas. This is followed by a literature review. Although there is no one text that exclusively examines Labour's political ideas over this period, there are many important discussions and arguments which have a bearing on this work. Existing interpretations of the Labour Party highlight the lack of an ideational examination, while simultaneously contributing to and assisting such a study.

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<sup>3</sup> R. Hattersley, *Choose Freedom: The Future for Democratic Socialism*, Penguin, London, 1987.

## CHAPTER ONE

### **Political Ideas and the Labour Party**

Part I of this thesis provides an historical context of Labour's political ideas and Part II analyses the political ideas behind Labour's social and economic policy between 1983 and 1992. This chapter has two specific objectives. One, to introduce the tradition of the 'history of political ideas' and apply it to the ideas of a political party. Two, to examine the relationship between political ideas and the Labour Party in light of recent texts on the developments in the Labour Party.

The literature review will highlight the fact that there has been very little, and certainly no fundamental, analysis of Labour's political ideas over the period. Existing interpretations of the Labour Party highlight the lack of an ideational examination. Although there have been studies of the Labour Party over this time, these have concentrated on different aspects of the party such as the reform of its institutions or on its policies, particularly over the second half of this period. Those that have tackled ideas have done so from one perspective: the relationship between Labour and Thatcherite ideas.

Over the period between 1983 and 1992 Labour was seriously challenged as one of Britain's main two political parties, and in 1992 Labour suffered its fourth successive general election defeat. A dramatic

political upheaval had occurred. The Thatcher years appeared to represent both an end to traditional, two-party adversarial politics and, apparently also, to the socio-economic structure in which this political entity sat, the so-called post-war consensus<sup>4</sup>. A central question, therefore, concerned the impact of Thatcherism: were the developments in the Labour Party essentially a reaction to the Thatcherite agenda? Do Neil Kinnock's reforms constitute the *Thatcherisation* of the Labour Party? Or, was there a more fundamental reappraisal of ideas and policies in the light of a changing social, economic and political environment? These are the two dominant hypothesis in the literature on the Labour Party over this period. They both revolve around the central question of Thatcherism. This thesis will demonstrate that neither hypothesis is sufficient. Thatcherism was necessarily a vital part of the equation - the context presented here - but alone it provides for an inadequate understanding of Labour's political ideas.

## **The History of Political Ideas**

The majority of the literature on the Labour Party between 1983 and 1992 prioritizes factors that are seen to influence Labour's reforms over this period: Thatcherism, internal policy reform, changing social and economic conditions, electoral analyses. Political ideas, if they are not ignored completely, carry a contingency status, the reason for which requires an understanding of two related points. First, political science has been dominated by alternative, indeed, outwardly hostile approaches; in particular, post-war empiricism, which has its roots in positivism, and the tradition of studying political institutions<sup>5</sup>. Positivism "led naturally" to behaviourism<sup>6</sup>. A doctrine which argues that social science

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<sup>4</sup> The question as to whether the post-war years represented a political consensus is discussed in later Chapters.

<sup>5</sup> For a brief introduction to the fundamentals of these schools of thought see C. Navari, 'Introduction', in C. Navari (ed.), *British Politics and the Spirit of the Age*, Keele University Press, Keele, 1996, pp. 1-4.

should focus on people's objective behaviour patterns is far removed from a focus on political ideas. A preference for a supposed *scientific* approach was coupled, in the Cold War era, with the connection of ideologies with fascism and communism<sup>7</sup>.

Second, and more importantly here, the study of ideas was also challenged from within the socialist tradition by Marxism. Political ideas are seen as superficial - at best, a façade to disguise the structure of capitalism. Karl Marx formed the following argument: "What else does the history of ideas prove, than that intellectual production changes its character in proportion as material production is changed? The ruling ideas of each age have ever been the ideas of its ruling class"<sup>8</sup>. Stefan Collini has challenged this:

*"...it is one mark of the cynic that he sees other people's expressions of their principles as a kind of smokescreen for their putative 'real interests', but even were he always correct it would not follow that the study of such statements was devoid of explanatory power. Even the most disingenuous legitimisation involves an appeal to existing characterisations"*<sup>9</sup>.

Similarly, within the field of the 'history of ideas', one important school of thought insists that political, social and economic factors *determine* the meaning of texts<sup>10</sup>. This approach can be compared with structuralist and Marxist political theory. (The recent accounts in this area focus on the

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<sup>6</sup> P. Dunleavy and B. O'Leary, *Theories of the State: The Politics of Liberal Democracy*, Macmillan, London, 1987, p.18.

<sup>7</sup> R. Leach, *British Political Ideologies*, Prentice Hall / Harvester Wheatsheaf, Hemel Hempstead, 1996, p.5.

<sup>8</sup> K. Marx, quoted in D. McLellan, *The Thought of Karl Marx*, Macmillan, London, 1980, p.136.

<sup>9</sup> S. Collini, 'Liberalism and Sociology: L. T. Hobhouse and Political Argument in England 1880-1914', quoted in R. Barker, *Political Ideas in Modern Britain*, 1997, op.cit., p.5.

<sup>10</sup> This approach is explored, and ultimately rebuked, by Skinner in 'Meaning and Understanding in the History of Ideas', *History and Theory*, vol.8, no.1, pp.3-53.

relationship between structure and agency<sup>11</sup>. There is little or no role in these debates for ideas.)

Arguments based on ideas are presented as rationalizations of class interests. Such accounts place ideas and values within an ‘appearance-reality distinction’<sup>12</sup>. This claims that explanations of social phenomena do not require reference to the intentions of individuals<sup>13</sup>. The familiar retort to such determinism is to ask what part Marx and others hoped to play in this schema<sup>14</sup>.

Preston King argues that it should not be claimed that the social context *determines* the meaning but that it may facilitate our *understanding* of a text<sup>15</sup>. In his classic study, of the ideas at the centre of the relationship between socialism and liberalism, Peter Clarke counters the argument that ideas are essentially a functional means of disguising “the real interests or motives which governed actions”<sup>16</sup>. He argues that there will be a connection between thinking and social circumstance. However, to ignore ideas, “means ignoring men’s own understanding of their position and behaviour”<sup>17</sup>. The ‘history of ideas’ approach partly accepts the Marxist analysis of the subservience of ideas. It may be the case that often ideas are “discursively constructed”<sup>18</sup> for purposes which have little connection to these political ideas, but are viewed as useful for their realisation<sup>19</sup>. Others, however, are not. Ideas “may have a psychological verisimilitude for individuals. But ideas have their own force, rules and congruence. Admittedly, there is the logic of a situation; but there is also logic”<sup>20</sup>. The history of political ideas aims to place ideas into a broader context encapsulating the political, social and economic. For as one

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<sup>11</sup> C. Hay, Structure and Agency’, in D. Marsh and G. Stoker, *Theory and Methods in Political Science*, Macmillan, London, 1995.

<sup>12</sup> P. Dunleavy and B. O’Leary, *Theories of the State: The Politics of Liberal Democracy*, Macmillan, London, 1987, 217.

<sup>13</sup> This interpretation of Marx was asserted by Althusser. *Ibid.*, p.218.

<sup>14</sup> Patrick Dunleavy quotes Marx to show how he deployed intentionalist as much as structuralist arguments: “Men make their own history, but they do not make it just as they please”; *ibid.*

<sup>15</sup> P. King, ‘The Theory of Context and the Case of Hobbes’, in P. King (ed.), *The History of Ideas: An Introduction to Method*, Croom Helm, London, 1983, p.291-2.

<sup>16</sup> P. Clarke, *Liberals and Social Democrats*, Cambridge University Press, Cambridge, 1978, p.3.

<sup>17</sup> *Ibid.*

<sup>18</sup> C. Hay, ‘Narrating Crisis: The Discursive Construction of the Winter of Discontent’, *Sociology*, vol.30, no.2, 1996.

<sup>19</sup> Conceptions, for example, of the ‘national interest’ or the ‘public good’ are periodically assimilated to very different political ideas and policy.

commentator has put it, “it is impossible to explain the distinctive development of British political ideologies without reference to the historical context within which they have been shaped”<sup>21</sup>.

Second, there is the issue of methodology, the problems associated with the analysis of political ideas, or ideology<sup>22</sup>, of political parties. For proponents of the above-mentioned schools, this would be an example of the problematic nature of studying ideas in the first place. This is, however, the very subject of those concerned with what is known as the ‘history of political ideas’ which focuses, in general terms, on a debate concerning the relative merits of either a textual or a contextual method<sup>23</sup>. The former advocates the single and exclusive study of political writing, while the latter argues for the necessity of a broader consideration, from the relevance of alternative texts to the broader social and intellectual climate of the day. The most important advocate of a contextual approach is Quentin Skinner who argues that meaning is contextual to its era, and that the adoption of such an approach might “help us to illuminate some of the connections between political theory and practice”<sup>24</sup>. The tradition whereby “political historians” allot political ideas with a marginal role in trying to explain political behaviour, he believes, undermines such a possibility:

*“...it is evident that as long as historians of political theory continue to think of their main task as that of interpreting a canon of classic texts, it will remain difficult to establish any closer links between political theories and political life”<sup>25</sup>.*

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<sup>20</sup> P. Clarke, *Liberals and Social Democrats*, op.cit., p.3.

<sup>21</sup> R. Leach, *British Political Ideologies*, op.cit., p.37.

<sup>22</sup> The issue of whether or not to refer to ‘ideology’ is contestable. For an introduction into the history of the term, which well illustrates its broad usage, see D. McLellan, *Ideology*, 1988, Open University Press, Milton Keynes, 1989. For reasons explained below a different conception will be used here, although there is a tradition of referring to ‘party ideology’; see, for example, L. Tivey and A. Wright (eds.), *Party Ideology in Britain*, Routledge, London, 1989.

<sup>23</sup> P. King, ‘Historical Contextualism: The New Historicism’, *History of European Ideas*, vol.21, no.2, pp.209-233.

<sup>24</sup> Q. Skinner, *The Foundations of Modern Political Thought, Volume One: The Renaissance*, CUP, Cambridge, 1978, p.xi. The most recent expression of this methodology can be found in his *Liberty before Liberalism*, CUP, Cambridge, 1998, ch.1.

<sup>25</sup> Ibid.

The problem, however, is that this only relates to individual texts or perhaps the entire work of particular thinkers. Skinner's proposition, that to concentrate on texts themselves is to defeat the prospect of "genuine histories" of political ideas<sup>26</sup>, is affirmed here<sup>27</sup>. Yet, this does not directly affect the task in hand, for the subject of this thesis is the political ideas of a 'political party'. I would suggest that, for a variety of reasons, these ideas are even *more* difficult to analyse. There are two main reasons why this may be the case. The first is that it is not immediately clear what or whom is meant by 'party'<sup>28</sup>. The second, which relates to the first, is that political ideas do not only emanate from a political party, they surround it. It is important to arrive at some kind of formulation if we are to proceed.

One of the most central texts in the field of British political ideas is W. H. Greenleaf's *The British Political Tradition*<sup>29</sup>, which perceives an interplay between the libertarian and collectivist strands of modern ideologies as central to British politics. The location of the ideas themselves is all important. In Rodney Barker's study of modern British political ideas, ideas are conceived as the "middle principles of politics, the ideas which lay between philosophy and the hustings"<sup>30</sup>. Similarly, ideas are crucial to Leonard Tivey and Anthony Wright's *Party Ideology in Britain*, in which Tivey focuses on "the politics of ideas"<sup>31</sup>. In a more recent study, Cornelia Navari offers an important introduction to a collection of essays intended to explore: "the political concepts and ethical ideas behind ordinary political language and the way...they entered into contemporary political debate, set the

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<sup>26</sup> Q. Skinner, *The Foundations of Modern Political Thought*, op.cit., p.xiii.

<sup>27</sup> For a review of the debate in this field, see T. Tully (ed.), *Meaning and Content: Quentin Skinner and His Critics*, Polity Press, Cambridge, 1988.

<sup>28</sup> The author would like to thank Rodney Barker for useful private correspondence on this issue.

<sup>29</sup> W. H. Greenleaf, *The British Political Tradition*, Vol.2, *The Ideological Heritage*, London, 1983.

<sup>30</sup> R. Barker, *Political Ideas in Modern Britain*, op.cit., pp.2-3.

<sup>31</sup> L. Tivey, 'Introduction: Left, Right, and Centre', in L. Tivey and A. Wright (eds.), *Party Ideology in Britain*, op.cit., p.1.



frame of policy or inspired a political movement. They are about ideas in action”<sup>32</sup>. This point is also made by Michael Foley who argues that ideas are crucial in shaping political choice and action<sup>33</sup>.

However, when it comes to parties themselves, one arrives at an issue which is relatively unexplored. There is next to nothing on the complex interplay between ideas and the actions of parties: how is one to understand the political ideas of a political party? Geoffrey Foote makes a point of crucial importance which underlines the difficulties involved:

*“An individual philosopher’s thought may evolve by obeying certain rules and canons of logic and internal consistency, but we are not dealing with an individual thinker, or a philosophical school here. Labour is a living political organism, always seeking new ways to adapt and develop older ideas, if only to gain and maintain political power”*<sup>34</sup>.

A similar point was made by Rodney Barker.

*“Precisely because political thinking is a major part of politics, political ideas are not found in isolation, but are associated with institutions and organizations. Ideas may cluster around parties, but they do not follow the same paths as those pursued by party politicians”*<sup>35</sup>.

This research will adopt a reformed version of the ‘history of political ideas’, based on a broadly based historical context, as its analytical approach. It is understood as a conception of political ideas which is designed to understand the ideas of a political party. It strikes a balance between ideas and

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<sup>32</sup> C. Navari, *British Politics and the Spirit of the Age*, op.cit., p.1.

<sup>33</sup> M. Foley, *Ideas that Shape Politics*, Manchester University Press, Manchester, 1994.

<sup>34</sup> G. Foote, *The Labour Party’s Political Thought*, Croom Helm, London, 1985, p.4.

events so that as Leonard Tivey has proposed: “We do not insist that the ideas caused the events. But at least the ideas are part of the events: they happened, as much as the wars and crises. To neglect them is to ignore major relevant factors. And, furthermore, it is *party* ideas that structure the debate”<sup>36</sup>.

However, this work will not be exclusively concerned with ideas that emerge from the Labour Party, whether through policy documents or election manifestos. The definition of ‘Labour’ deployed here is not bound by the usual confines of Labour’s own structure. This is the case because what is under scrutiny here is ‘Labour’s political ideas’ and these ideas do not only emanate from or within the Labour Party. Ideas surround the party but it is possible to identify three fulcrums. First, official Labour Party publications. This includes expressions of values and ideas, which are rare, and the ideas implicit or explicit in policy documents. Second, the works of prominent Labour Party figures, described here as ‘thinker-politicians’, which appear to make an intellectual contribution. Third, the studies and debate among academics, journalists and specialists, termed ‘Labour intellectuals’, within the economic and social policy areas.

An account which includes the individual work of academics, politicians and journalists is, therefore, broader than Henry Drucker’s definition of *doctrine*, defined as “coherent statements of a position” that emanate from within the party<sup>37</sup>. Neither is it the same as Drucker’s conception of *ethos*<sup>38</sup> which is used to describe what is perceived as Labour’s “spirit”, its habits and traditions<sup>39</sup>. In contrast, the notion of Labour’s political ideas employed here represents a synthesis combining an assessment of party publications and what is relevant on the periphery.

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<sup>35</sup> R. Barker, *Political Ideas in Modern Britain*, 1997, op.cit., p.6.

<sup>36</sup> L. Tivey, ‘Introduction: Left, Right, and Centre’, op.cit., p.6.

<sup>37</sup> Ibid.

<sup>38</sup> H. Drucker, *Doctrine and Ethos in the Labour Party*, Allen and Unwin, London, 1979.

<sup>39</sup> H. Drucker, ‘The Influence of the Trade Unions on the Ethos of the Labour Party’, in B. Pimlott and C. Cook, *Trade Unions in British Politics*, Longman, London, 1991, p.244.

As understood here Labour's political ideas are understood within a contextual framework in which the developments in ideas under examination will be appraised within their historical context. There remains a necessary distinction to be made between political ideas and political theory. The historical context of the writing in question is crucial. As Barker has observed, "the various segments and varieties of socialism" exist and relate to each other in the way they do "not because they express some logically prior principle from which they all necessarily flow, but because of a series of historical conjunctures"<sup>40</sup>. Nicholas Ellison has referred to the significance of "exogenous circumstances" on ideas or, what he terms, doctrine:

*"When it is closely aligned to the future of a political party, doctrinal development is unlikely to follow an even, evolutionary course. Political and economic events will impinge on intellectual debate, altering its nature and the significance accorded to certain elements"*<sup>41</sup>.

In Part II of the thesis the context is expanded further. An understanding of the ideational content of Labour's economic and social policy requires a comprehension of previous Labour policy, both in and out of government, and a more immediate political, social and economic contextualization of the 1980s. In particular, this analysis demands an assessment of the dominant rival set of political ideas of the time, Thatcherism. The central contention of the thesis, therefore, is that an examination of Labour's political ideas necessitates a broad context in which the ideas originated, evolved or are re-assessed. Moreover, from such a perspective, an assessment can be made as to the relative novelty of developments in the period in question.

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<sup>40</sup> R. Barker, *Politics, Peoples and Government: Themes in British Political Thought Since the Nineteenth Century*, Macmillan,

## Labour Interpretations

Nicholas Ellison's *Egalitarian Thought and Labour Politics*<sup>42</sup> rests upon the premise that ideas are significant, and that they provide a useful means for understanding the actions and motivations of the Labour Party, in and out of office. The juxtaposition within the term political ideas - *political* and *ideas* - is confronted, but only implicitly, in the title itself. Ellison distinguishes between Labour's 'thought' and Labour's 'politics'. He does not, however, expound upon the nature of this dichotomy. The underlying point in the study here is that no such distinction can be made: ideas inform politics and, in turn, politics impacts on ideas. Further, an understanding of ideas requires a substantially wider analysis than an exclusively 'political' context. An understanding of the ideational content of economic policy and social policy demands an historical examination of these policy areas, and of the developments brought about by Conservative governments in the economy and welfare state over the 1983-1992 period.

Ellison's preference is to define "visions", arguing that party "doctrine and policy" has invariably been dominated by debate over "the nature of equality" and "conceptions of the egalitarian future"<sup>43</sup>. He is making an important assumption about the centrality of political ideas, which form his "visions", because he is interpreting a substantial degree of modern British political history from a

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London, 1994, p.17.

<sup>41</sup> N. Ellison, *The Idea of Equality in the British Labour Party*, PhD thesis, London School of Economics, July 1988, p.8.

<sup>42</sup> N. Ellison, *Egalitarian Thought and Labour Politics: Retreating Visions*, LSE/Routledge, London, 1994.

stand-point which prioritizes ideas. Ellison does not set out to define equality but rather to explore the history of the Labour Party through “the prism of disagreement about its central organizing principle”, the vision of “equality and the egalitarian socialist society”<sup>44</sup>. He justifies this focus on equality by citing Bernard Crick’s view that there are three core socialist values, which formed the rallying cry of the French Revolution: liberty, equality, fraternity. But equality is the cohering idea:

*“Without its gravitational pull the remaining values can be subject to the force of competing interpretations. Some Party factions reinforced their understandings of equality with help from the additional values of liberty or fraternity, some did not. But no group entirely rejected equality, or denied that a more egalitarian society should be Labour’s abiding raison d’etre”*.<sup>45</sup>

The visions that are defined are set firmly around interpretations of equality. All three evoke ends and means, values and policy priorities; but it is the extent to which this balance is struck which is crucial. A “technocratic” vision comprehends equality in terms of economic power, and thus holds public ownership as an imperative. Conversely, a so-called “Keynesian socialist” vision prioritizes social reform over economic ownership. Redistribution is regarded as the prime means to be pursued in a mixed economy. In marked contrast to both of these, a “qualitative socialist” vision emphasizes values, in particular, fellowship and fraternity<sup>46</sup>. These ideas are today understood in terms of the notion of community but Ellison does not mention this. The exact distinction between Keynesian and qualitative socialism, however, is unclear. In which category should we place Anthony Crosland, a key

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<sup>43</sup> Ibid., pp.ix-x.

<sup>44</sup> Ibid., p.ix.

<sup>45</sup> Ibid., p.xi.

<sup>46</sup> Ibid., p.ix-x.

political thinker and acknowledged so by Ellison? Although some divergence in opinion is diagnosed with others who also encapsulated Keynesian socialism - primarily the Gaitskellites<sup>47</sup> - he is placed within the Keynesian tradition and understandably so. Crosland's economic analysis and, indeed, the prime strategies he advocated in *The Future of Socialism* depend firmly on the efficacy of Keynes' economic theory of demand-management and growth? Moreover, the centrality of redistribution and an explicitly non-doctrinaire approach to public ownership were crucial to the thesis set out in his 1956 work. However, at the same time, the prime concern of Ellison's "qualitative socialism", the ideals and values of socialism, was crucial to the Crosland political perspective. Crosland's socialism was set firmly within the tradition of revisionism<sup>48</sup>. It echoed Eduard Bernstein's epoch-making rupture from Marxism at the turn of the century: ethics were viewed as superior to economics<sup>49</sup>.

It is helpful to view the works on the Labour Party between 1983 and 1992 from the point of view of the 'histories' of the party they present, whether directly or indirectly. Were the changes viewed as having constituted a complete break from prior thinking? Or, is an essential continuity perceived which attempts to cast these developments - however they are defined - in the light of an historical context (as progression or regression perhaps)? Moreover, perhaps there are useful comparisons to be made with former debates on Labour political ideas and policy; an approach which may avoid the rigidity of more narrow, non-historical analyses. On the other hand, perhaps the changes can be explained solely, or mainly, in terms of contemporary phenomena, by highlighting for example

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<sup>47</sup> This is an interesting point because although Crosland is commonly placed firmly within the Gaitskellite camp, it is also the case that Crosland could become impatient with the right's cautious approach to the pursuit of greater equality. I have pursued this point further in 'Revisionism in the 1950s: the ideas of Anthony Crosland', in C. Navari (ed.), *British Politics and the Spirit of the Age*, op.cit.

<sup>48</sup> The socialist dispute between the revolutionary and the reformist method, often termed revisionism because it was seen to be *revising* Marxist orthodoxy, was to be endorsed even by Engels at the turn of the century. A. Wright provides an excellent introduction to this episode in *Socialisms*, Oxford University Press, Oxford, 1987, pp.61-66.

<sup>49</sup> For an analysis which examines the political ideas of Anthony Crosland, particularly from the historical context of socialist revisionism, see R. Wicks, 'Revisionism in the 1950s: the ideas of Anthony Crosland', op.cit.

immediate political issues with powerful electoral resonance, such as the economic climate of the day.

The literature that has been produced in this area is largely concerned with either policy changes, the most prominent examples of which took place towards the end of the decade, or with the structural changes that have occurred to the Labour Party's institutions. The debate between Martin Smith and Colin Hay, and Mark Wickham-Jones' response to the dialogue, in the journal *Political Studies*, over what Smith terms Labour's "modernization"<sup>50</sup>, offers important evaluations of Labour's reforms<sup>51</sup>. Colin Hughes and Patrick Wintour have written a very sympathetic account of the developments during the Policy Review process following the 1987 General Election, in *Labour Rebuilt*<sup>52</sup>. This offers an intriguing journalistic insight into the mechanics and internal politics of Labour's policy-making process. A polemical critique from the left of the whole Kinnock period is presented by Richard Heffernan and Mike Marqusee in their *Defeat from the Jaws of Victory*<sup>53</sup>. One of the most important analyses is Martin Smith and Joanna Spear's edited work, *The Changing Labour Party*<sup>54</sup>, which provides a detailed discussion of individual policy developments and some minor discussion of political ideas<sup>55</sup>.

Only Eric Shaw's book, *The Labour Party Since 1979*<sup>56</sup> represents an example of a study of both institutional and policy transformation. However, again this is *not* a study of ideas and - at best - the developments that occurred in political ideas are raised only implicitly. An analytical description of

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<sup>50</sup> C. Hay, 'Labour's Thatcherite Revisionism: Playing the 'Politics of Catch-Up'', *Political Studies*, 1994, vol.42, no.4, pp.700-707; M. J. Smith, 'Understanding the 'Politics of Catch-Up': the Modernization of the Labour Party', *Political Studies*, 1994, vol.42, no.4, pp.708-715; M. Wickham-Jones, 'Recasting Social Democracy: a Comment on Hay and Smith', *Political Studies*, 1995, vol.43, no.4, pp.698-702.

<sup>51</sup> Discussed below.

<sup>52</sup> C. Hughes and P. Wintour, *Labour Rebuilt: The New Model Party*, Fourth Estate, 1990.

<sup>53</sup> R. Heffernan and M. Marqusee, *Defeat from the Jaws of Victory*, Verso, 1992.

<sup>54</sup> M. J. Smith and J. Spear, *The Changing Labour Party*, Routledge, London, 1992.

<sup>55</sup> M. J. Smith, 'A return to revisionism? The Labour Party's Policy Review', *ibid.*

<sup>56</sup> E. Shaw, *The Labour Party Since 1979: Crisis and Transformation*, London, 1994.

the changes in policy, structure and the image of the Labour Party in the 1980s produces an illuminating, but not a comprehensive, picture. Hence, this thesis is not merely a discussion of the Policy Review which took place between 1987 and 1989 (see Part II). For this was merely the political, although highly symbolic, crystallization of a far wider context.

Martin Smith, in *The Changing Labour Party*<sup>57</sup>, views the Policy Review as a progression - a development that began in the 1950s. The then Labour leader, Hugh Gaitskell, began what is here termed “modernization” and tried - if unsuccessfully - to remove Clause Four of the party’s Constitution, the crucial section on public ownership. Harold Wilson continued the process: “he gradually removed nationalization from Labour’s agenda”<sup>58</sup>. For Smith, Kinnock became leader wishing to continue this modernization which, symbolized by the failure of *In Place of Strife*, had clearly failed under Wilson<sup>59</sup>. Barbara Castle’s 1969 White Paper aimed to create a structure for industrial relations based on centralized trade unions. The proposals to require unions to hold a ballot on official strikes deemed contrary to the public interest or the economy, and to give government the power to impose a solution on inter-union disputes over recognition, were opposed by many union leaders and Labour MPs, and subsequently defeated in the House of Commons.

However, now there was the potential for dramatic change:

*“...he (Kinnock) held advantages over previous leaders. Coming from the Left he did not alienate the constituency parties in the way Wilson and Callaghan had. His attempt at reform, initially anyway, was not*

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<sup>57</sup> M. J. Smith, ‘The Labour Party in opposition’ and ‘A return to revisionism? The Labour Party’s Policy Review’ in M. J. Smith and J. Spear, *The Changing Labour Party*, op.cit., chs.1-2.

<sup>58</sup> M. J. Smith, ‘A return to revisionism: The Labour Party’s Policy Review’, *ibid.*, p.18.

<sup>59</sup> For a detailed account of these events, see L. Minkin, *The Contentious Alliance: Trade Unions and the Labour Party*, Edinburgh University Press, Edinburgh, 1991, p.114-17.



*seen as a right-wing attack on the Left.”<sup>60</sup>*

Although clearly Wilson too was very much a leader propelled from the ranks of the left, Smith manages to combine an implicit statement of the relevance of political history with the particular political scene in the 1980s. Thus it is said that: “In modernizing the Labour Party he [Kinnock] is not doing anything new. However, the combination of electoral defeat, leadership support and the leader’s skill has enabled Kinnock to be much more successful than any of his predecessors”<sup>61</sup>. In a final assessment of the process, Martin Smith concludes that the changes have transformed Labour into a European party of social democracy, “clearly distinguishing itself from reformist and revolutionary socialist parties”<sup>62</sup>.

The importance of political ideas is briefly discussed<sup>63</sup> and Smith contends that a comparison with Thatcherism is more accurately understood in terms of marked contrast than acquiescence. Three key concepts are stated and placed in terms of Labour’s reforms. These are freedom, the state and the market. All are naturally inter-connected and are firmly embedded within one of the classic debates in the history of political philosophy: the freedom and equality dichotomy. This, and the corresponding relationship between positive and negative freedom, or liberty, is linked directly to disputes over the balance between state intervention and the market. The historical resonance and importance of this schism is not affirmed in the text. Smith illustrates these contrasting ideas in order to pursue the argument that Labour has not “accepted the Thatcherite agenda”<sup>64</sup>. The Conservative interpretation of freedom is presented in its Thatcherite guise: thus it is portrayed as concerned with state encroachment

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<sup>60</sup> Ibid., p.19.

<sup>61</sup> Ibid.

<sup>62</sup> Ibid., p.223.

<sup>63</sup> Ibid., pp.21-28.

<sup>64</sup> M. J. Smith, ‘A return to revisionism? The Labour Party’s Policy Review’, op.cit., p.23.

into areas of individual freedom, which are guaranteed only by the market. Conversely, Labour's coupling of freedom with equality makes for clear divergence, according to Smith: "the role of the state is positive. To enable the individual to gain greater freedom, choice and welfare within society, the state must intervene"<sup>65</sup>. When it comes to the market, however, there is significant movement by Labour. Martin Smith asserts that the traditional left/right divide has narrowed but juxtaposes this point by pointing to a continued distinction. The Policy Review and Thatcherism, he believes, take "divergent views" on the role of the market:

*"In New Right thinking the market is morally right and economically efficient and, to some extent, social and political problems are caused by interventions in the market which distorts its outcomes. In the Policy Review the market is essentially morally neutral. It is an efficient means of distributing certain goods, but there is a danger of it producing distortions and inequalities particularly where there are monopolies or it is necessary to provide public goods"*<sup>66</sup>.

A pragmatic distinction is made, Smith believes, as to when market solutions are applicable, both morally and economically. The overall conclusion of *The Changing Labour Party* on the level of political ideas is that important change and re-positioning has occurred but not an assimilation of New Right ideas. It is therefore "ideologically closer to revisionism than Thatcherism"<sup>67</sup>. What the book does not do, however, is state how it comprehends the relationship between policy and ideas; and how they relate, in turn, to other pressures, such as economic and historical factors.

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<sup>65</sup> Ibid., p.24.

<sup>66</sup> Ibid.

<sup>67</sup> Ibid., p.25.

By “revisionism” Smith is referring to Anthony Crosland’s argument in *The Future of Socialism*, and great comparisons are made with this and the Policy Review:

*“In terms of principles, the review and revisionism have strong similarities. The Policy Review is revisionist in its view of capitalism. Capitalism can be reformed to achieve public goals, the market is a useful means of distribution and nationalization is only desirable where it can provide the means to particular ends”<sup>68</sup>.*

Smith, however, has two crucial amendments to this comparison. First, the economic framework which was so integral to Crosland’s thesis, Keynesianism, is rejected. The strategy of demand-management and the assumption of perpetual economic growth was widely seen as having fallen flat in the 1970s. This was the analysis, he points out, of the Policy Review, which turned instead to an emphasis on measures which the state could take to improve the supply side of the economy:

*“The Policy Review is an attempt to develop post-keynesian revisionism where the emphasis is moved from demand to supply...it is a revisionism for a different era which has learned the lessons of the 1970s”<sup>69</sup>.*

Second, Smith highlights Labour’s fear of being tagged as a party that would consistently be seeking to increase direct taxation and the levels of borrowing. The result was that Labour has only accepted “one half of the revisionist equation - capitalism - but not the second half - radicalism for social justice”<sup>70</sup>.

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<sup>68</sup> Ibid., p.26.

<sup>69</sup> Ibid.

<sup>70</sup> Ibid., p.27.

The comparison between the Policy Review and revisionism is also subject to a discussion, if only briefly, in Eric Shaw's *The Labour Party since 1979*<sup>71</sup>. This entails an argument which points to the contrast between the revisionism of the 1950s and what he calls the "post-revisionism" of the 1980s and beyond<sup>72</sup>: "The post-revisionist answer was to adapt by redefining Labour's purpose as the enlargement of individual freedom". This is a revealing statement, as is the adjoin, that "this had little public resonance"<sup>73</sup>. What is Shaw saying existed *before* this redefinition? This passage illustrates an altogether different interpretation of the thinking on political ideas in the 1980s to the one offered by Martin Smith. There is no understanding of the historically crucial strand of ethical socialist thought which emphasized the supremacy of freedom as a socialist value, and as an idea which is bereft of meaning unless coupled with a conception of equality. R. H. Tawney wrote that a social and economic policy which converted the privileges of the few into the opportunities of the many was "twiced bless", for it "not only subtracts from inequality, but adds to freedom"<sup>74</sup>. This is indicative of a highly significant strand in modern British political ideas which has been central to the work of G. D. H. Cole, Crosland and then the *new* revisionism of the 1980s, represented by Roy Hattersley, Bryan Gould and Raymond Plant among others.

Eric Shaw makes the extremely important point, however, that the Policy Review was not a standard Labour Party response to electoral defeat: "Previously its leadership had supposed that electoral losses had been caused largely by short-term, political - and therefore reversible - factors. Now it had to confront the prospect of relentless attrition set in motion by powerful social and cultural forces - unless it took drastic action"<sup>75</sup>. Now, the predicament for Labour was "how to respond to

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<sup>71</sup> E. Shaw, *The Labour Party Since 1979: Crisis and Transformation*, op.cit.

<sup>72</sup> Ibid., p.103.

<sup>73</sup> Ibid., p.224.

<sup>74</sup> R. H. Tawney, *Equality*, Allen and Unwin, London, 1964, p.235.

<sup>75</sup> E. Shaw, *The Labour Party Since 1979: Crisis and Transformation*, op.cit., p.84.

cultural patterns which fit uneasily with traditional collectivist ideals - whether to adapt or resist”<sup>76</sup>.

There is a problem here, however, as “collectivist ideals” is in many ways a *non sequitur*. Collectivism is a means, not an end or ideal. It is certainly a political idea but one which conceptualizes the means to an end - be it community or greater equality - through the mechanism of the state, public ownership being one particular example.

Such tensions are also visible in Nicholas Ellison’s distinction between qualitative and Keynesian socialism. In comparing the ethical tradition with the more dominant technocratic and Keynesian socialism, Ellison points to the difficulty of turning ideas into practice:

*“Being primarily concerned with the prospect of political power, technocrats and Keynesian socialists naturally had an eye to electoral considerations when fashioning policies to complement their egalitarian doctrines. At one remove from the political process, qualitative socialists were less inhibited by such matters - although the distance did not prove an advantage”.*

Thus, “qualitative socialism in the 1950s failed...to overcome the gap between policy and vision that had plagued Cole and Tawney in the 1930s”<sup>77</sup>. It has certainly been the case that whether due to externally imposed defeats or the predominance of certain socialisms, values and ethics have struggled to find a voice in the Labour Party. The one criticism of Ellison here would be in his discussion of Titmuss and his followers at the London School of Economics. In placing Titmuss as one of the foremost qualitative socialists, Ellison perceives a retreat in the form of a narrowing of the “egalitarian

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<sup>76</sup> Ibid., p.224.

<sup>77</sup> N. Ellison, *Egalitarian Thought and Labour Politics: Retreating Visions*, op.cit., p.109.

vision to more manageable social issues”<sup>78</sup>. The problem here is that Richard Titmuss was *primarily* a thinker in social policy. It is certainly true that his social policy and, indeed, his socialism had an ethical foundation<sup>79</sup>, but his starting point was social policy so it should be unsurprising that this was also where he finished.

In the concluding chapter, entitled ‘Beyond the Three Visions?’, Ellison begins with the brutal assessment that all three visions were in crisis by the 1980s: “the egalitarian visions that had informed Labour Party doctrine over the past fifty years were discredited”<sup>80</sup>. So whereas other commentators point to electoral failure and explain this, for example, in terms of what is seen as Labour’s shrinking class base or the popularity of Thatcherism, Ellison emphasizes an intellectual vacuum. It is an analysis based on the relationship between internal Labour thinking and economic and social phenomena which are judged to have destroyed formerly established principles and assumptions. Thus, Keynesian socialism has not been able to overcome the impasse in which it found itself when low growth in the 1970s appeared to rule out the social equality that Crosland was calling for<sup>81</sup>. Qualitative socialism meanwhile was more marginalised than ever and faced an uphill struggle against a Conservatism which claimed the value liberty as its own<sup>82</sup>. Moreover, Thatcherism appeared to be able to do exactly what advocates of this type of socialism could not. Through policies from the encouragement of owner-occupation in public housing to the decreasing levels of direct taxation, the Conservatives appealed to a

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<sup>78</sup> Ibid., p.134.

<sup>79</sup> In *Commitment to Welfare*, George Allen and Unwin, London, 1968, p.116, Titmuss wrote: “Socialist social policies are, in my view, totally different in their purposes, philosophy and attitudes to people from Conservative social policies. They are (or should be) pre-eminently about equality, freedom and social integration”.

<sup>80</sup> N. Ellison, *Egalitarian Thought and Labour Politics: Retreating Visions*, op.cit., p.201.

<sup>81</sup> Ibid.

<sup>82</sup> Ibid, pp.203-4.

notion of individual liberty against the interventionist welfare state<sup>83</sup>: political ideas were linked to political practice.

A significant factor behind Labour's political ideas in the 1980s concerns the impact of Thatcherism. This is a fundamental aspect of the overall context presented here. For not only did consecutive Conservative administrations enact many important, and deeply contentious, changes in economic and social policy<sup>84</sup>, Thatcherite political ideas implied a fundamental shift in political thinking. The influence of Thatcherism on the electorate was disputed, but Labour's intellectuals explicitly recognised its potency and implications for their own ideational corpus. The core of the debate on the Labour Party over this period focused on this question: the relative affect Thatcherism had on why and how Labour re-cast itself, primarily during the Policy Review period of the late 1980s.

The debate between Colin Hay and Martin Smith<sup>85</sup> was very much representative of the debate. The argument between the two revolves around the question of the relative influence of Thatcherism on Labour's changes. Both accept that important changes occurred. Their point of departure concerns extent and purpose: the extent to which Labour reacted to Thatcherism and its purpose in doing so. Hay responds to Smith's analysis that the period was one of necessary "modernization" by arguing that Labour simply accommodated much of the Thatcherite agenda, leading to what has now become a "post-Thatcher settlement"<sup>86</sup>:

*"In place of the 'modernization thesis' I propose an alternative*

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<sup>83</sup> Ibid., p.204.

<sup>84</sup> Discussed in Part II.

<sup>85</sup> C. Hay, 'Labour's Thatcherite Revisionism: Playing the 'Politics of Catch-Up'', op.cit.; M. J. Smith, 'Understanding the 'Politics of Catch-Up': the Modernization of the Labour Party', op.cit.

<sup>86</sup> C. Hay, 'Labour's Thatcherite Revisionism: Playing the 'Politics of Catch-Up'', op.cit., p.701.

*analysis. This accepts that the Labour Party has indeed undergone a profound transformation of structure and policy. However, it suggests that in so doing it has accepted the terms of a 'post'-Thatcher, yet nonetheless 'Thatcherite' settlement*"<sup>87</sup>.

Mark Wickham-Jones responds to this debate by disputing Hay's basic assertion that Labour's policy changes represent unnecessary concessions to Thatcherism<sup>88</sup>. "Preference accommodation", he argues, "need not be Thatcherite". Thus, the Thatcherite objective of promoting "a liberal economic order", is very different from the "distinctive economic strategy and set of objectives", which Labour offered<sup>89</sup>.

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<sup>87</sup> Ibid.

<sup>88</sup> M. Wickham-Jones, 'Recasting Social Democracy: a Comment on Hay and Smith', op.cit.

<sup>89</sup> Ibid., p.699.



PART ONE

A History of Labour's Political Ideas

## CHAPTER 2

# **Historical Context: Origin and Formulation**

An understanding of the political ideas of the Labour Party between 1983 and 1992 requires an historical examination of Labour's political ideas. An historical context is both justified and informative because latent debates may be re-ignited and even resolved, or seemingly resolved, many years after they first emerge. Above all, five inter-connecting conceptual comparisons are paramount. First, the relationship between the means and the ends of socialism. Second, the dispute itself over which one of the two most fundamental means socialists should pursue, democracy or revolution? Third, the interplay between the ethical and the economic. Fourth, the relationship between the state and the market. Fifth, the relationship between the state and the individual. An examination of Labour's political ideas may indicate the re-emergence of older concerns, the resolution - or attempted resolution - of which may inform an understanding of later disputes. For some generations one may be of overriding concern; others may not rise to the fore of the contemporary debate. It is not necessarily the case that the debate of the day will be couched directly in these terms; though sometimes it will do so explicitly. They are

central, however, to the changing formations and evolving patterns of Labour's political ideas. Are there, however, continuities in political ideas over the years?

A central theme to be discussed here is the debate of the 1920s and 1930s between ethical, or Guild, socialism<sup>90</sup>, and Fabianism<sup>91</sup>. Such a 'history of political ideas' must concern those ideas which have had a significant effect on Labour. This means that the general context of British socialism is pertinent as well as its so-called rival, liberalism, which was of great relevance. Indeed, it is an irony of political history, as well as of political ideas in the twentieth century, that two of the public figures who would head, or certainly come close to heading, a list of those who have had a pivotal influence on Labour ideas and policy have been the liberals, John Maynard Keynes and William Beveridge. The movement which led, in intellectual terms, to the ideas of these thinkers, *new liberalism*<sup>92</sup>, had an important bearing on the Labour Party. What emerges is significant ideational rapprochement between socialism and liberalism through the convergence of central political ideas. While socialists strove to reconcile the development of the state with the more ethical content of its political ideas, the *new liberalism* undergoes a similar reappraisal. The central political values of liberty and equality are located within the rapidly changing relationship between the state and the market.

As a theme in the history of political ideas, the balance between the state and the individual is often seen primarily as a liberal conceptual dilemma. But if this was a debate

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90. Ethical socialism and Guild socialism are terms which are often used interchangeably. The political ideas of the two share more in common than they do apart. However, ethical socialism involves a more conceptual advocacy of moral values, which will be discussed further below, whereas Guild socialism sought to provide a more precise thesis on the desirability of group theory and pluralism (an introduction to Guild socialism can be found in A. Wright, *G. D. H. Cole and Socialist Democracy*, Clarendon Press, London, 1979).

91. For an introduction to the political ideas of socialism over this period see R. Barker, *Political Ideas in Modern Britain*, 1978, op.cit.

based on distinctly liberal conceptual parameters, it was to become a debate of particular concern to socialists. From the 1880s, the context was clear and gave rise to debate and dispute among socialists and liberals alike: the development of the modern collectivist state.

As Rodney Barker has written, the “ways in which people thought about the state, and the development of state activity, cannot easily be separated from each other”<sup>93</sup>. The evolution of political ideas can, in some sense, be seen as a circular process. If some liberals welcomed the growth of the state because it enabled the realisation of liberty - and socialists might make a not dissimilar judgment that the democratic state could deliver many of its own political goals - then traditional liberals, in turn, countered that these developments threatened liberty.

The argument was settled - or so it seemed - with the election of the first ever majority Labour government in 1945<sup>94</sup>. Its programme was imbued and underpinned by distinctively Fabian political ideas, but also liberal ones. The reforms, some would say transformation, of the early post-war years, consolidated by later administrations, saw the state greatly extend its reach into the socio-economic arena. The subsequent so-called political settlement, or *consensus*<sup>95</sup>, notwithstanding the deeply contentious nature of this conception<sup>96</sup>, owed much to the thinking of the Fabians, Sidney and Beatrice Webb.

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92. The political thinkers of New Liberalism are discussed in M. Freedman, *The New Liberalism*, Clarendon, Oxford, 1978.

93. *Ibid.*, p.10.

94. Discussed in Chapter 3, pp.59-70.

95. This is a greatly contested conceptualisation discussed at greater length in Chapter 5. It is widely accepted, for example, in many of the central texts in British politics, such as S. Beer's *Modern British Politics*, Faber and Faber, London, 1965 and R. K. Middlemas' *The Politics of Industrial Society*, André Deutsch, London, 1979. A perceptive account of the critique of a notion of 'consensus' can be found in R. Barker's *Political Ideas in Modern Britain*, Routledge, London, 1978, pp.172-189.

96. For a review of the notion of post-war consensus, see C. Hay, *Re-stating Social and Political Change*, Open University Press, Milton Keynes, 1996, ch.3.

This must be understood, however, within the historical context of political ideas; in particular, two epoch-making events in the history of ideas which preceded it: the schism which led to the creation of new liberalism; and the divide within socialism between the revolutionary and the democratic method. The latter led to *revisionism*. Moreover, these two sets of relationships were inter-connected, for they both involved reactions to the changing nature of the state. They were based on realizations that the changed and changing state, and - perhaps most importantly - the democratic state, had completely altered the political terrain. Some liberals and socialists, responding as they were to the ideas of John Locke and Karl Marx, respectively, argued that fundamental developments had transformed the political, economic and social landscape. Hence, although on one hand the development of revisionism and new liberalism are distinct events, and are normally studied as such, the two were in fact different aspects of the same response to the rise of the modern state. Both reactions were positive, to the extent that the growth of the state is broadly welcomed, at least from a theoretical confidence in its potential<sup>97</sup>.

### **British socialism and revisionism**

The political ideas of both British socialism in general and the Labour Party in particular

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97. Thus, Rodney Barker's phrase, "friends of the modern state", which he used to describe both the new liberals and the Fabians, in *Political Ideas in Modern Britain*, 1978, op.cit., ch.2.

were embedded in the tradition of socialist revisionism. Historically, two types of revisionism may be distinguished. There is a ‘classical’ revisionism which can be understood as the philosophical break instigated by Eduard Bernstein from within Marxism<sup>98</sup> at the turn of the century<sup>99</sup>. Bernstein rejected revolutionary means in favour of the possibilities of democratic change, a position which he based upon a broader tradition of ethical values:

*“In all advanced countries we see the privileges of the capitalist bourgeoisie yielding step by step to democratic organisations... Factory legislation, the democratisation of local government...the freeing of trade unions...all these characterise this phase of evolution”*<sup>100</sup>.

The two principal competing interpretations of socialism in Britain over this period, Fabian and ethical socialism, exist within this paradigm. Revisionists have generally co-opted Bernstein’s analysis and his conclusions (as a perpetual socialist canon): socialists should always be ready to relate their values to the nature of the times, economically, socially and politically; and this will often entail pragmatism and strategic specificity in the light of contemporary developments<sup>101</sup>. As Donald Sassoon has written, when socialists “tried to

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98. Although, as Donald Sassoon has pointed out, the ‘Marxism’ Bernstein and others criticized was in fact that of Kautsky and the Second International, which was based on a “catastrophic view of the destiny of capitalism: its ultimate collapse preceded by the growing pauperization of the working class”; D. Sassoon, *One Hundred Years of Socialism: The West European Left in the Twentieth Century*, Fontana Press, London, 1997, p.242.

99. E. Bernstein, *Evolutionary Socialism*, Schocken Books, New York, 1975.

100. *Ibid.*, pp. xxv-xxvi.

101. For a concise examination of the foundations of revisionism see Donald Sassoon’s monumental, *One Hundred Years of Socialism: The West European Left in the Twentieth Century*, op.cit., ch.10.

redefine what socialism should be, and what its supporters should do, they presented this revision as a necessary adaption to modernity and altered circumstances”<sup>102</sup>.

The means and ends of socialism were understood by revisionists to be distinct. Vic George and Paul Wilding have defined ‘means’ and ‘ends’ as the following: “Ends are matters of judgements about what constitutes the good society. Means are susceptible to research and evaluation and they can often be shown to be right or wrong”<sup>103</sup>. This basic distinction is adopted here, save to note the inter-connection between the two: means are designed or adopted to serve or further ends. Economic strategy was equated with the means while some broader ethical construction of society was held to constitute the end; equally, the ethical was held to predominate over the economic. Later, particularly over the post-1945 period, the prime analysis of Labour revisionists was concerned with public ownership<sup>104</sup>. It was argued that it had come to be understood, incorrectly, as the end or goal of the socialist agenda, whereas it should have been understood, in the words of Samuel Beer, as “merely one of various means to Socialist goals”<sup>105</sup>. More generally, revisionists argue that socialist ends centre traditionally on the values which formed the rallying cry of the French Revolution, “liberty, equality and fraternity”<sup>106</sup>.

While revolutionary socialism, such as the Russian and Chinese interpretations of Marxism, declare the necessity of overthrowing the capitalist state by a violent revolution,

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102. Ibid., p.241.

103. V. George and P. Wilding, *Welfare and Ideology*, Harvester Wheatsheaf, Hemel Hempstead, 1994, p.210.

104. The most important exponent of this argument is Anthony Crosland in *The Future of Socialism*, Cape, London, 1956. His work is discussed in Chapter 3.

105. S. Beer, *Modern British Politics*, op.cit., p. 236.

106. For an analysis of the importance of the French Revolution to the history of socialism see B. Crick, *Socialism*, Open University Press, Milton Keynes, 1987, pp. 14-27.

stating a belief in one, single ‘correct’ socialist path<sup>107</sup>, revisionist socialism, or ‘democratic socialism’, states that it seeks to persuade the electorate of the validity of its values and policies. Democratic socialism is therefore evolutionary, as Bernstein argued: socialist objectives would be realised policy by policy, government by government. Democracy, however, is interpreted as more than pure methodology; it has positive value in itself. Evan Durbin wrote in 1940 that “the democratic method is not only essential for the achievement of socialism, it is part of that achievement”<sup>108</sup>.

In Britain, however, during the inter-war years, this contention was disputed, and many thought that change through the existing system of parliamentary democracy was impossible. In 1938, Harold Laski wrote that the constitution existed for those “who were agreed about the way of life the English State should impose”<sup>109</sup>, and in the 1930s this certainly did not include socialism. As Robert Skidelsky has put it, there existed both “the fear of the possessing classes that democracy would rob them of their privileges, and of radicals that it would rob them of the revolution”<sup>110</sup>. Socialists predicted imminent conflict with conservative forces embedded in the state in the event of electoral support for a radical, reforming Labour Party, particularly after the debacle of 1931<sup>111</sup>. Neither was this analysis the preserve of the Marxist left, as Anthony Wright has pointed out: “the fear, or even expectation, of such subversion was widely expressed and debated on the British Left in the 1930s (so much so that in 1932 the impeccably moderate Clement Attlee, future prime minister, was to be found suggesting that socialists should train people to take over

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107. Ibid., p.79-80.

108. E. Durbin, *The Politics of Democratic Socialism*, Routledge, London, 1940.

109. H. Laski, quoted in R. Barker, *Political Ideas in Modern Britain*, Methuen and Co, London, 1978, p. 166.

110. R. Skidelsky, *Men and Ideas: Keynes and the Reconstruction of Liberalism*, Encounter, April 1979, p. 30.

111. B. Pimlott, *Labour and the Left in the 1930s*, George Allen and Unwin, London, 1977.



command positions in the armed forces in anticipation of such an eventuality)”<sup>112</sup>. The paradox here is that, on the one hand, Britain appeared immune from Marxism<sup>113</sup> but, on the other hand, there was an explicit analysis in the mainstream of British socialism, in its conception of power, which is certainly Marxian<sup>114</sup>. Nonetheless, as John Callaghan has written in his study of Labour’s ideology, despite the pessimism and disillusion following the two minority governments of 1924 and 1929-1931, “the great majority of British socialists retained their faith in the future socialist commonwealth arising out of the parliamentary gradualism to which they had always subscribed”<sup>115</sup>. This helps to explain the party leadership’s reaction to the 1926 General Strike. It was seen as “an unmitigated disaster, threatening Labour’s claim to be a constitutional party”<sup>116</sup>.

The writing of R. H. Tawney was particularly relevant and influential in establishing a ‘democratic’ socialism:

*“The rank and file of the labour movement...regard democracy, not as an obstacle to socialism, but as an instrument for attaining it, and socialism, not as the antithesis of democracy, but as the extension of democratic principles into spheres of life which previously escaped their influence”*<sup>117</sup>.

It is here that one begins to see the emergence of an historical convergence that breaches the

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112. C. Attlee, quoted in A. Wright, *Socialisms*, Oxford University Press, Oxford, 1987, p.73.

113. G. Foote, *The Labour Party’s Political Thought: A History*, op.cit., p.17.

114. This issue is returned to in Chapter 4, pp.2-3.

115. J. Callaghan, *The Left: The Ideology of the Labour Party*, in L. Tivey and A. Wright (eds.), *Party Ideology in Britain*, op.cit., p.28.

116. A. Thorpe, *A History of the British Labour Party*, Macmillan, London, 1997, p.62.

117. R. Tawney, *The Radical Tradition*, Penguin, London, 1966, P. 147-8.

frontier of a traditionally distinct socialism and liberalism<sup>118</sup>. Tawney's socialism was based on a conception of liberty, or freedom, intertwined with equality. L. T. Hobhouse, one of the most important new liberals, claimed that: "Liberty without equality is a name of noble sound and squalid result"<sup>119</sup>. A trajectory can then be traced from the liberal tradition of John Stuart Mill<sup>120</sup>, and the move towards what is described as 'positive liberty'<sup>121</sup>, and the ethical tradition of socialism which Tawney encapsulates:

*"Liberty is composed of liberties...There is no such thing as freedom in the abstract, divorced from the realities of a particular time and place. Whatever else the conception may imply, it involves the power of choice between alternatives, a choice which is real"*<sup>122</sup>.

It can be seen that the liberal conception of positive liberty approaches the socialist notion of equality. Hobhouse wrote that socialism coincided with the liberalism that seeks to "apply the principles of Liberty, Equality and the Common Good to the industrial life of our time"<sup>123</sup>. There are two interrelated points. First, ethical socialists have defined equality in terms of liberty, to an extent that equality becomes more of a means - a means to greater (positive) freedom - than an end. Second, the perspective which socialists would present of

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118. For a discussion of the relationship between socialism and liberalism, which examines many of the political thinkers examined here, see Peter Clarke's classic, *Liberals and Social Democrats*, Cambridge University Press, Cambridge, 1978.

119. L. T. Hobhouse, *Liberalism*, Oxford University Press, Oxford, 1964, p.53.

120. In his autobiography, Mill espoused a conception of "qualified socialism". He argued that the social problem of the future was "how to unite the greatest individual liberty of action with a common ownership in the raw material of the globe"; quoted in R. Berki, *The History of Political Thought: A Short Introduction*, J. M. Deny and Sons, London, 1977, p. 186. This can be seen to encompass both socialist and new liberal ideas.

121. I. Berlin, 'Two concepts of Liberty', *Four Essays on Liberty*, Oxford University Press, Oxford, 1969.

122. R. H. Tawney, *Equality*, op.cit., p.227.

123. L. T. Hobhouse, 'Contemporary Review', 93, 1908, quoted in N. Dennis and A. H. Halsey, *English Ethical Socialism: Thomas More to R. H. Tawney*, Clarendon Press, London, 1988, p.75.

the free market would have at its core a critique of ‘negative liberty’ which would differ very little from that of the new liberals. In *The Case for Socialism*, published in 1911, Fred Henderson wrote: “liberty in its negative aspect means what the state is to refrain from doing; while liberty in its positive aspect means constructive civilisation, and finds its expression in the activities of the state”<sup>124</sup>. Rodney Barker has offered an explanation for this apparent convergence:

*“Both the socialist argument and the social radical argument of the New Liberals were assisted by being part of a wider state collectivist ambience. There had been a change in the terms of the debate which had expanded the range of affairs which were thought of as public issues, extended the expectations of the state as competent and appropriate to deal with these issues, and broadened the scope of what was thought of as a political issue”*<sup>125</sup>.

It is both feasible and genuinely instructive to link together socialism and liberalism through ethical socialism and new liberalism. Both perceive the potential of a positive state to act as a liberating force. There is historical precedence for such an idea in socialism and liberalism. The essence of new liberalism, as Halsey and Dennis have written, is that the state could “enlarge and extend the freedom of the individual - the doctrine of T. H. Green”<sup>126</sup>. Likewise, a non-Marxist post-*utopian*<sup>127</sup> socialism emerged towards the close of the nineteenth century which held that the state could serve socialist ends. Once this

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124. F. Henderson, *The Case for Socialism*, Messrs Jarrolds Ltd, London, 1911, p. 47.

125. R. Barker, *Political Ideas in Modern Britain*, op.cit., pp.48-49.

126. N. Dennis and A. H. Halsey, *English Ethical Socialism*, op.cit., p. 158.

127. This is how Marx had termed the ideas of Charles Fourier and Robert Owen; see D. McLellan, *The Thought of Karl Marx: An Introduction*, Macmillan, London, 1971.

‘revisionism’ had occurred, the new liberalism and the *new* socialism can also be seen to unite on means: the democratic process and the potential of the collectivist state. This is the context of political ideas which later saw the Labour Party replace the Liberal Party as the principal opponent of the Conservatives, in a political system which had room for no more<sup>128</sup>.

### **Socialism and liberalism: the new liberal fusion.**

*“A society is free in so far, and only in so far, as, within the limits set by nature, knowledge and resources, its institutions and policies are such as to enable all its members to grow to their full stature...In so far as the opportunity to lead a life worthy of human beings is needlessly confined to a minority, not a few of the conditions applauded as freedom would more properly be denounced as privilege.”*

- R. H. Tawney<sup>129</sup>

If liberalism has one central principle, then it is individual freedom, or liberty. This is certainly evident in the writing of the classical liberal political thinkers. For John Stuart Mill, the concept is essential if there is to be “individuality”, whereby people are free to fulfill their ambitions and potential<sup>130</sup>. This seemed to necessitate a limited ‘nightwatchman’ state. However, by the turn of the century, it appeared to some liberals that a theoretical

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128. The classic study of this episode remains George Dangerfield’s *The Strange Death of Liberal England*, MacGibbon and Kee, London, 1966, which discusses a variety of possible causes for the Liberal demise.

<sup>129</sup> R. H. Tawney, *Equality*, op.cit., p.235.

130. J. S. Mill, *On Liberty*, Everyman’s Library, London, 1964, ch. 3.

freedom was of no true consequence if the reality was poverty and deprivation. The new liberals argued that the time had come to transform the notions of individual freedom from abstraction to actuality. The gap between negative and positive liberty was bridged: the state would provide the arena in which nominal liberty could be actualized.

In many ways, it is the role of the state which separates the ‘old’ from the ‘new’ liberals, in the form of ‘individualists’ and ‘collectivists’, respectively. It is necessary to reaffirm that the type of state intervention being advocated concerns the social and economic arenas. The need for state action in a legal sense was not being questioned, except by the most ardent of libertarians<sup>131</sup>; indeed, the notion of the rule of law formed a key part of John Locke’s philosophy<sup>132</sup>. The rule of law was regarded as essential by the classical liberals because liberty was linked to the protection and maintenance of private property. The relationship between a legalistic role for the state and the state intervening in the socio-economic arena is a complicated one. On the one hand, the two are distinct and a belief in the rule of law may have no bearing on whether one believes in the free market or the collectivist state.

On the other hand, however, for critics of laissez-faire economics it might be pointed out that a conception of the rule of law based on the sanctity of private property would inevitably find interventionist social and economic policies problematic. The tension is exposed by Hobhouse who mocks the validity of laissez-faire individualism on its own terms:

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131. See, for example, the ‘anarcho-capitalists’, such as R. Nozick, *Anarchy, State and Utopia*, Blackwell, Oxford, 1974.

132. J. Locke, *Two Treatises of Government*, Everyman’s Library, London, 1962.

*“Why should a man who has been soundly beaten in physical fight go to a public authority for redress?...Was it not a kind of pauperization to make men secure in person and property through no efforts of their own, by the agency of a state operating over their heads? Would not a really consistent individualism abolish this machinery?”*<sup>133</sup>.

What appears to have taken place is a transplantation of the notion of liberty into the economic arena, a conception which lies at the heart of ethical socialism in the first place. As Tawney has argued, “the extension of liberty from the political to the economic sphere is evidently among the most urgent tasks of industrial societies”<sup>134</sup>. The comparison between Tawney and Hobhouse has been made by Dennis and Halsey in their work on the history of English ethical socialism. They cite Morris Ginsberg’s term ‘liberal socialists’, in which category he places both Tawney and Hobhouse<sup>135</sup>.

Hobhouse clearly opposes what he sees as the remarkably limited nature of classical liberalism’s definitions. He illustrates both the potential breadth of the notion of crime and the presuppositions behind the idea of the rule of law. It is pointed out that at one time it was left to individuals to seek their own personal recompense for injustice. Then, in the nineteenth century, this itself was seen as unjust:

*“What, we may ask in our turn, is the essence of crime? May we not say that any intentional injury to another may be legitimately punished by a public authority, and may we not say that to impose twelve hours’ daily labour on a child was to inflict a greater injury than the theft*

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133. L. T. Hobhouse, *Liberalism*, op.cit., p, 49.

134. R. H. Tawney, *Equality*, op.cit., p.167.

135. N. Dennis and A. H. Halsey, *English Ethical Socialism*, op.cit., p.179.

*of a purse for which a century ago a man might be hanged?”<sup>136</sup>.*

Hobhouse demonstrates that the classical liberals’ distinction between individual freedom and the collectivist state was merely a polarization based on unclear, partial assumptions. Moreover, in *Democracy and Reaction*, a reconciliation between liberalism and socialism is called for<sup>137</sup>. What emerges, and accounts for the rapprochement between liberalism and socialism, is the argument that the existing conflict between the two ideologies is based on the false polarization of individual freedom and collectivism.

Classical liberals, who deny the compatibility of freedom and collectivism, claim historical legitimacy. Thus, for Herbert Spencer, the new liberals “lost sight of the truth that in past times Liberalism habitually stood for individual freedom ‘versus’ State-coercion”<sup>138</sup>. Hence, the invalidity of new liberalism’s conceptual reconciliation depends on the viability of this *history*. Spencer’s interpretation of liberalism, however, centred around the state rather than liberty. It is true that any understanding of liberty must include a comprehension of the state, both its role and its boundaries of legitimate intervention. Spencer lists what he believes to be the achievements of liberalism, such as the restrictions which have been lifted on religious and political publication. The point or objective of such action, according to Spencer, was “limited parliamentary authority”<sup>139</sup>. However, it is not clear that his examples lead us to this conclusion.

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136. L. T. Hobhouse, *Liberalism*, op.cit., p.49-50.

137. L. T. Hobhouse, *Democracy and Reaction*, quoted in N. Wintrop (ed.), ‘Liberal Democratic Theory and its Critics’, Croom Helm, 1983, p. 109.

138. H. Spencer, *The Man Versus the State*, Liberty Classics, 1982, p. 10.

139. Ibid., p. 26.

The central political value of liberalism is individual freedom, and freedom of speech is an essential prerequisite to freedom. The assertion that the state should not impose a religious orthodoxy or suppress rival opinion is a prime example. But this is still only an example of an idea in action, rather than a synonymous expression. For the new liberals it had become evident that the state could play a strong role in creating a situation where all in society were capable of attaining freedom. Thus Hobhouse's contention that "the state, which had been opposed by Liberals as the foe of liberty, should be recognised as one of the principal means of securing it"<sup>140</sup>. Norman Wintrop has described what he perceives as Hobhouse's conception of "liberalism's history":

*"Liberalism was presented as having begun its work, in the seventeenth century, with a protest against authoritarian government; later, its theorists and its actors evolved more positive forms of freedom, rights, citizenship and government, eventually embracing the democratic principle and the insights of the socialist protest against an exclusively individualist liberalism."*<sup>141</sup>

This debate was no philosophical abstraction; indeed, it was embedded in the political context of the day. In the years immediately preceding the First World War, the nature of the relationship between individual freedom and collectivism was truly in the balance. What we have termed the *politics* of political ideas, or party political ideas, is significant: liberalism's 'actors' were of great relevance. The reform programme of the Liberal Government, particularly Lloyd George's 1909 Budget and the subsequent

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140. N. Dennis and A. H. Halsey, *English Ethical Socialism*, op.cit., p.76.

141. N. Wintrop, op.cit., p. 110.



constitutional crisis, were pivotal<sup>142</sup>. J. A. Hobson, an influential new liberal figure, argued that the significance was that, although quantitatively small, the Budget made wealth a “test of taxable capacity”. Hence, the obstructionist action of the House of Lords was not really about the veto at all: “The reason...why Conservatives have decided to stake the very constitution in the hazard of the present fight, is that they recognize in New Liberalism...the beginnings of an enlarging attack upon the system of private property and private industrial enterprise”<sup>143</sup>. The political situation could not have been more critical for the collectivist liberals:

*“When the essential distinction between earned and unearned income and property [is] once clearly accepted, not merely as a theory but as a first principle of public policy, to be applied progressively, as an instrument for financing ‘social reform’, resistance may be too late”<sup>144</sup>.*

These ideas of state intervention and collectivism were clearly also shared by many British socialists before and after the formation of the Labour Party.

The nature of the state, and interpretations of the nature of the state, is central to this analysis. It is the changing perception of the state among liberals which helps to explain the move away from the classical liberal position. However, it is not just the changing scope of the state which is important but also the political framework within which it sits. The value of individual liberty was juxtaposed with an attack on what was seen as authoritarian and arbitrary government based upon a self-perpetuating ruling elite. However, this situation, by

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142. For a wide-ranging discussion of this period see G. Dangerfield, *The Strange Death of Liberal England*, op.cit., Part 1.

143. J. A. Hobson, *The Crisis of Liberalism: New Issues of Democracy*, Harvester Press, 1974, pp. ix-x.

the 1880s, had been reformed out of existence. Hobhouse believed that greater democracy had altered the situation dramatically: a minority state had become a peoples' state. Hobhouse held collectivism as not just one particular expression of democracy, but an inherent part of it. Like J. S. Mill before him he was aware of the problem of majority rule: "Democracy is not merely the government of a majority. It is rather the government which best expresses the community as a whole, and towards this ideal the power assigned legally to the majority is merely a mechanical means"<sup>145</sup>.

If, however, the similarities between socialism and liberalism in Hobhouse's work are important and informative, so are the distinctions:

*"In the socialistic presentment... [the expert] sometimes looks strangely like the powers that be - in education, for instance, a clergyman under a new title, in business that very captain of industry who at the outset was the Socialist's chief enemy. Be that as it may, as the "expert" comes to the front, and "efficiency" becomes the watchword of administration, all that was human in Socialism vanishes out of it"*<sup>146</sup>.

### **Socialism and ethics: R. H. Tawney**

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144. Ibid., p.x.

145. L. T. Hobhouse, 1972, op.cit., p.108.

146. L. T. Hobhouse, quoted in R. Barker, op. cit., p. 21.

It is striking that this argument is remarkably similar to the criticism of Fabian socialism that came powerfully, at the same time, from within socialism. There was a powerful strand in British socialist thought which was wary of an over-powerful state, the tradition of ethical and libertarian socialism, associated in particular with Robert Owen in the early nineteenth century and, later, William Morris<sup>147</sup>. The concerns of this tradition pointed to the possible ramifications for individual freedom of large scale public ownership, particularly if, in reality, public ownership meant *state* ownership. Public ownership had a socialist elasticity: it could be very important as a means for socialists; but if it were instituted for its own sake, or in order to create an all-powerful state, it could break and only serve other, strictly non-socialist, purposes. Anthony Wright has distinguished between a libertarian and an organizational socialism:

*“The former has depicted the release of individuality consequent upon the eradication of the oppressive structures of class and state, and has often thought in the terms of the self-direction of small communities. It deploys the language of freedom and spontaneity to describe its purpose. By contrast, organizational socialism focuses less upon the unfreedom of capitalism than upon its disorder. It seeks to replace the chaos of capitalist competition, wasteful and undirected as it is, with socialist planning and efficiency”*<sup>148</sup>.

The divide between a statist and a pluralist socialism, or between an organizational and libertarian socialism, as Wright describes it, pre-dates the Labour Party. The arguments of the Fabians and their Guild socialist opponents echo much older concerns. Edward

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147. A. Wright, *Socialisms*, op.cit., ch. 5.

Bellamy's *Looking Backward - 2000*, which was written towards the end of the nineteenth century, pre-empted the Webbs' formulation of a socialism of technocratic, ordered state efficiency. William Morris' *News from Nowhere* countered with a vision of fellowship which did not depend on Bellamy's technocratic innovation<sup>149</sup>.

Within the framework of democratic institutions, the Fabians were adamant that the role of socialism was to advance "the economic side of the democratic ideal"<sup>150</sup>. This closely resembles Tawney's analysis of the relationship between political and economic freedom<sup>151</sup>. The basis of his argument was that it was entirely possible for a society to be "both politically free and economically the opposite", because "political arrangements may be such as to check excess of power, while economic arrangements permit or encourage them"<sup>152</sup>. This strikes at the core of the relationship between the state and the market. Socialists, both Fabians and ethical socialists, applied the democratic test to both; they found that while the state was democratic, economic power was not. What was lacking, for Tawney, was "the economic analogy of political freedom"<sup>153</sup>.

The difference between Fabianism and ethical socialism concerned means and ends rather than this analysis. In Tawney's criticism, the problem of the Fabians' means stems directly from their ends. The lack of an ethical content in the thinking of the Webbs is the reason why they "appear to think that the evils of the existing order can be removed by

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148. Ibid., p.27.

149. Stefan Berger has written of the popularity of 'utopian' socialist literature in the last two decades of the nineteenth century, in *The British Labour Party and the German Social Democrats, 1900-1931*, Clarendon Press, Oxford, 1994, p.182.

150. A. Crosland, *The Future of Socialism*, op.cit., p. 65.

151. See pp.10-11.

152. R. H. Tawney, *Equality*, op.cit., p.167.

153. Ibid.

leaving it as it is and heaping regulation upon regulation to check its abuses”<sup>154</sup>. Analysing this period, Crosland allowed that to compare the Fabianism of Sidney and Beatrice Webb with that of Marx, might seem extreme. Yet, both shared the view that there was an *inevitability* to history. In these ideas, public ownership, or nationalization, also held a prominent position. The role of the state was also central: the Webbs had developed a theory of policy-making based on an all-knowing, bureaucratic elite who, through rigorous research, were capable of solving all the problems of the day<sup>155</sup>. Thus, there was an elitist comparison to be made as well: both Soviet communism and Fabianism displayed oligarchic tendencies. Moreover, in the 1930s the two had explicitly come together with the publication of the Webbs’ *Soviet Communism: A New Civilisation?*, and in later editions the question mark was removed. As Rodney Barker has said, “the book was the major expression of the attraction which the soviet model could have for state collectivists and the adherents of technocratic oligarchy”<sup>156</sup>.

The major proponents of the alternative, ethical tradition were Tawney and G. D. H. Cole. Their work can be distinguished from Fabianism and Marxism, which both prioritize the state and economics over ethics. Again, the comparison can be made with the new liberalism of those like Hobhouse who opposed “bureaucracy, imported from Bismarckian Germany, which he later came to associate with his old friends the Fabians”<sup>157</sup>. The socialism of Tawney and Cole was based on ethics, morality and equality, first and foremost; on government structure and economic organization, second. Peter Clarke has made a

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154. R. H. Tawney, *The Radical Tradition*, op.cit., p.178.

155. For a critical analysis see R. Barker, ‘The Fabian State’, in B. Pimlott (ed.), *Fabian Essays in Socialist Thought*, Heinemann, London, 1984.

156. R. Barker, *Political Ideas in Modern Britain*, op.cit., p. 164.

157. N. Dennis and A. H. Halsey, *English Ethical Socialism*, op.cit., p.61.

similar distinction between “moral” reform and “mechanical” reform<sup>158</sup>. Socialism was not seen as an economic structure only but as a condition for living. The *locus classicus* of the ethical tradition is Tawney’s *Equality*<sup>159</sup>. Tawney attempted to link the two classic concepts of liberty and equality, deploring a “traditional antithesis” between the two, by arguing that the former was meaningless without the latter:

*“To desire equality is not...to cherish the romantic illusion that men are equal in character and intelligence. It is to hold that, while their natural endowments differ profoundly, it is the mark of a civilised society to aim at eliminating such inequalities as have their source, not in individual differences, but in its own organisation”*<sup>160</sup>.

One may reasonably see the history of socialism in terms of a structural divide between ethics and economics. If Marxism was long on economic analysis, it was short on ethics, at least as commonly understood. In an attempt to offer a scientific alternative to the *utopianism* of thinkers such as Robert Owen and Charles Fourier, Marx, as we have seen, relegated values and morals to the role of a contingent feature of the economic system: “The ruling ideas of each age have ever been the ideas of its ruling class”<sup>161</sup>. If Marx rejected the Declaration of the Rights of Man as ‘bourgeois’ rights, many later socialists would claim that Declaration as their heritage. Bernstein wrote that the only possible conclusion of the Marxist position was that “the movement, the series of processes is everything; whilst every

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158. P. Clarke, *Liberals and Social Democrats*, op.cit., pp.1-8.

159. *Equality*, op.cit., is a crucial work in the history of British socialism, and is a hallmark of the ethical socialist tradition.

160. *Ibid.*, p.57.

161. K. Marx, quoted in D. McLellan, *The Thought of Karl Marx*, op.cit.

aim fixed beforehand in its details is immaterial to it”<sup>162</sup>. The later cabinet minister, Herbert Morrison, indicated the influence of this thinking when he said that socialism was “what a Labour government does”<sup>163</sup>. As has been seen, the ethical socialists had altogether very different aspirations.

### **Socialism and the state: G. D. H. Cole**

In the same way as Tawney noted socialism’s “radiant ambiguities”<sup>164</sup>, so has Cole’s version been termed a “parade of paradoxes”<sup>165</sup>. It may appear that Cole’s work in and before the 1920s is radically different to his thinking in and beyond the 1930s. The inconsistency of Cole’s writing has been well documented; it stretches from both the standard categorization of revolutionary socialist, on the one hand, to democratic socialist, on the other<sup>166</sup>. But on another level, it may emerge that underlying principles remain unaltered; and, rather, that society and the role of the state have changed to such an extent that political analysis will necessarily have changed simultaneously. The debate concerning G. D. H. Cole very much concerns this balance: does his re-appraisal lead to relevance or inconsistency? Could a

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162. E. Bernstein, *Evolutionary Socialism*, op.cit., p. 204.

163. A. Wright, *Socialisms*, op.cit., p.19.

164. R. H. Tawney, *Equality*, op.cit., p.201.

165. A. Wright, *G. D. H. Cole and Socialist Democracy*, op.cit., p. 264.

166. R. Barker, *Political Ideas in Modern Britain*, op.cit., pp.100-103.

thinker be taken seriously who in 1917 called for workers' control and then in the 1930s advocated both state 'socialization' and planning? "Having no political ambitions, I rather fancy myself for a place on the National Planning Commission"<sup>167</sup>.

Cole's early work is based around his criticisms of the Webbs' exposition of state planning and state welfare. In *Self Government in Industry*, Cole noted the developing collectivist state, but concluded that it just offered a new kind of subordination to the workers<sup>168</sup>. Power was being redistributed, but only at the top - the boss was being replaced by the bureaucrat. While Cole and the Guild socialists were advocating industrial democracy, the Fabians were judged to be offering industrial *bureaucracy*. Then later, however, when the new dawn of Fabianism seemed to break in the 1940s, when large sections of British industry were nationalized, the welfare state created and full employment established as a prime duty of the state (rather than as a right of decentralized guilds), Cole was in support. For Anthony Wright this can be held together if Cole's more universal ideas are understood. There was unity to the apparent contradictions:

*"There was certainly change and development in Cole's thinking over time...but it has the character of movement within the framework of a single and durable socialist conception, however complex and untidy"*<sup>169</sup>.

This was the idea of fellowship, a conception based on morality rather than political or economic theory, which is more recently understood as *community*. The influence of

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167. G. D. H. Cole, quoted in A. Wright, *G. D. H. Cole and Socialist Democracy*, op.cit.

168. G. D. H. Cole, *Self-Government in Industry*, Bell, London, 1917.

169. A. Wright, *G. D. H. Cole and Socialist Democracy*, op.cit., p.268.



William Morris on both Cole and Tawney is well documented; the central tenet of Morris' socialism is also fellowship. Morris is useful for our purposes here: he shows the historical breadth of these ideas, and he provides a neat definition of socialism, which evidently eluded Cole, which encapsulates the essence of both thinkers' substance and spirit. For central to these writers' understanding of fellowship was the notion of equality:

*“there should be neither rich nor poor, neither master nor master's man, neither idle nor overworked, neither brain-sick brainworkers, nor heart-sick handworkers, in a world, in which all men would be living in equality of condition...”*

It can be seen that both Morris and Cole ground their socialism firmly within the world of work. The ethical underpinning is also clear, as Morris goes on to make the case for fellowship, thus making the conceptual linkage with equality:

*“...and [men] would manage their affairs unwastefully, and with the full consciousness that harm to one would mean harm to all - the realization at last of the meaning of the word 'COMMONWEALTH'”*<sup>170</sup>.

It is not just the case that there are consistencies in Cole's political writing. Rather, there is one, all-encompassing paradigm. There remains a continuous recognition of what is desired in the *good society*. The ends remain the same throughout; and there is, moreover, a

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170. W. Morris, 'Justice', reprinted in A. Briggs (ed.), *William Morris: selected writings and designs*, 1962, pp.33-34.

continuous moral framework. Cole's socialism is based on ethics and the value of fellowship before economic analyses. Furthermore, Cole's shift from the guild to the state can be placed into a wider context: the balance between theory and practice in British socialism. Cole did not just turn towards the state after the 1920s but towards the *party* - that is, the Labour Party - as well. His important work, *The Next Ten Years in British Social and Economic Policy* (1929), contained a rejection of theoretical abstraction in favour of practical policy<sup>171</sup>. A critical influence here was the mass unemployment of the 1930s, the resulting poverty and the link - adamantly maintained by socialists - with the spread of fascism. This was a situation which the socialist could hardly ignore. It appears to have become clear to Cole that parochial guilds were highly inadequate, and that only the central state had the means to deal with such problems<sup>172</sup>.

It was not just Cole whose thinking underwent such a process of re-evaluation. A similar shift has been traced in the writings of Harold Laski<sup>173</sup>. Nicholas Ellison has observed that "from an early pluralist, anti-state position...Laski moved through federalism in his *Grammar of Politics* to the belief that the central state had a leading role to play in the transition to socialism"<sup>174</sup>. Like Cole again the influences behind his change in thinking were the same, the political crisis of 1931 and the emergence of fascism.

For many, this led inevitably to the state and the parliamentary road. It is also possible to understand such a transition in thinking in terms of the wider notions explicit in revisionism. Indeed, a circular process of evolving political ideas can be observed which can

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171. G. D. H. Cole, quoted in Wright, *op.cit.*, p.157.

172. *Ibid.*, p. 158.

173. Anthony Wright places Laski alongside Tawney and Cole as representing the most significant influences on British socialism in the first half of the twentieth century; A. Wright, *R. H. Tawney*, Manchester University Press, Manchester, 1987, p.vii.

be seen to highlight a reconciliation between Guild Socialism and Fabianism. The former begins as an attack on the perceived top-down, non-ethical socialism of Sidney and Beatrice Webb. Its preference for voluntarism over determinism is a critique of both Fabianism and Marxism<sup>175</sup>. Dennis and Halsey state that an opposition to historicism and an assumption of “voluntarism as opposed to necessitarianism” is a key condition of “membership in the ethical-socialist tradition”<sup>176</sup>. However, this also represents a rejection of revolution in favour of gradualism, a core Fabian concept. It is here where the socialism of those like Cole and Tawney leads to parliamentary democracy because it can be seen to represent a combination of both ethical socialism and voluntarism. Moreover, it was a parliamentarianism which was soon to have its day, with the election in 1945 of the first ever majority Labour government.

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174. N. Ellison, *Egalitarian Thought and Labour Politics: Retreating Visions*, op.cit., p.5.

175. A. Wright, *G. D. H. Cole and Socialist Democracy*, op.cit., p. 60.

176. N Dennis and A. H. Halsey, *English Ethical Socialism*, op.cit., p.10.

## CHAPTER 3

# **Historical Context: Anthony Crosland, Socialism and the Labour Party after 1945**

### **Introduction: the 1945 watershed**

This period is clearly marked by the developments in 1945, chiefly the election of the Labour Government. It was central to a period of critical examination and re-thinking about Labour's political ideas. Three central arguments will be developed. First, 1945 constituted a major shift in the way the Labour Party thought about itself and the ideas that were important to it. Second, in so doing, the five conceptual relationships which were raised earlier were fundamental to the developments concerning Labour's political ideas during this period. These were the relationship between democratic and

revolutionary socialism; the distinction between means and ends; the role of the economic and the ethical in socialism; the balance between the state and the market; and the balance between the state and the individual. One of these, the first, was resolved: the argument concerning the viability of a parliamentary political party, whether to pursue revolution or co-opt democratic procedures. Third, we again see the broader context of political ideas, the inter-connection of socialism with liberalism: the influence of the new liberals. We see a degree of convergence between the two, an occurrence explicable by the developments discussed earlier. One political thinker, in particular stood out: Anthony Crosland, whose landmark text, *The Future of Socialism*<sup>177</sup>, is central to the history of the political ideas of the Labour Party.

The significance of the 1945 General Election<sup>178</sup> for Britain can hardly be over-stated, and is of particular pertinence to both the history of political ideas and to the history of the Labour Party. Despite being a great hero of the Second World War, Winston Churchill failed to win the subsequent election<sup>179</sup>. As A. J. P. Taylor put it, “The electors cheered Churchill and voted against him”<sup>180</sup>. The Conservative Party appeared to be saying that now the war had been won the nation could return to how things were before. Such sentiment did not seem to catch the public mood. For many, *before* symbolized very little beyond the mass unemployment and wide-spread poverty of the 1930s. If it is correct to refer to a common feeling then it can be argued that there was a belief that the sacrifices of war merited a better society.

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<sup>177</sup> A. Crosland, *The Future of Socialism*, Cape, London, 1956.

<sup>178</sup> For a general account and analysis of the 1945 General Election see A. J. P. Taylor, *English History: 1914-1945*, Clarendon Press, London, 1988.

<sup>179</sup> For an explanation see C. Hay, *Re-stating Social and Political Change*, Open University Press, Milton Keynes, 1996, ch.2.

This is the background for the election of a Labour government in 1945, the first Labour government, moreover, to possess an overall majority of Members of Parliament in the House of Commons<sup>181</sup>. The importance for both the Labour Party and socialist political ideas was immense<sup>182</sup>. For one political thinker in particular, Anthony Crosland, this represented a huge shift in both the political and ideational landscape, which therefore required a fresh analysis and an acknowledgment of new problems<sup>183</sup>. Both the election result and the subsequent reforms which were instigated amounted to events of epoch-making significance. Crosland argued that in the light of such momentous change, socialism had to re-cast itself. Although this would immediately appear to represent a very different analysis from the ethical socialist tradition, this was not in fact the case, for crucial continuities remained.

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<sup>180</sup> Ibid., p.596.

<sup>181</sup> For an introduction to this election see R. Eatwell, *The 1945-51 Labour Governments*, Batsford Academic, London, 1979, chs.1-2.

<sup>182</sup> The significance of this period has been captured in a recent oral history; A. Mitchell, *Election '45: Reflections on the Revolution in Britain*, Fabian Society and Bellew Publishing, London, 1995.

<sup>183</sup> R. Wicks, 'Revisionism in the 1950s: the ideas of Anthony Crosland', in C Navari (ed.), *British Politics and the Spirit of the Age*, Keele University Press, Keele, 1996, pp.200-204.

## **Socialism, the Labour Party and the political ideas of Anthony Crosland.**

Anthony Crosland's *The Future of Socialism*<sup>184</sup> stands as one of the seminal texts of the British left. It was important to British and European socialism and to the development of political ideas in the Labour Party and in Labour governments; it was central to the nature of Labour's political debate at the time it was published in 1956. However, evaluation of *The Future of Socialism* remains contested. Perhaps it can be seen as the first attempt by the right of the Labour Party to articulate an intellectual theory, an activity normally associated with the left. For groups on the right of the Labour Party, Crosland's work was, and remains, a banner around which they could gather. Partly because of this, he is traditionally regarded with suspicion by the Labour left. However, are his theoretical differences with them also significant? On the one hand, this would appear to be the case: Labour's left have the theory, while the right have the practice; the left is at its most confident in academia, while the right is at its strongest - perhaps where it really matters - in government. This is Nicholas Ellison's observation of ethical - or what he calls "qualitative" - socialism: its failure to bridge the divide between ideas and policy: "Being primarily concerned with the prospect of political power, technocrats and Keynesian socialists naturally had an eye to electoral considerations...At one remove from the political process, qualitative socialists were less inhibited by such matters - although the distance did not prove an advantage"<sup>185</sup>.

However, on the other hand, it is not clear that Crosland's work places him on the right. Again the point must be made: the ideas in *The Future of Socialism* are comparable in many respects to thinkers like Tawney and Cole. Crosland's text can be interpreted as one of the key works in the long-

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<sup>184</sup> A. Crosland, *The Future of Socialism*, op.cit.

<sup>185</sup> N. Ellison, op.cit., p.109.

established and continuing tradition of English socialist revisionism, maintaining and updating its radicalism. On the other hand, it may be presented as a crucial break in this tradition: for the first time voices from within British socialism were arguing that the most important battles had been won, and that the rest was within reach. The reaction to this, in turn, at least to some of his opponents, was that this amounted to the abandonment of a socialism uncompleted.

Crosland's theoretical approach in *The Future of Socialism* was based on three strategies. First, he provided an analysis of the contemporary social, economic and political scene. Second, he concluded that this was marked by crucial developments that had historical implications for British socialism. Then, third, he elaborated his interpretation of socialism in the light of these changes. In discussing the text and its significance, the five conceptual comparisons already raised, which marked earlier socialist political ideas, will be considered: the relationship between democratic and revolutionary socialism; the distinction between means and ends; the balance between the economic and the ethical in socialism; the relationship between the state and the market; and the relationship between the state and the individual.

*The Future of Socialism* is embedded in the tradition of socialist 'revisionism'. Furthermore, it extends to a revisionism which is peculiar to the British Labour Party which centres on the question of public ownership. Towards the end of the 1945-50 Labour Government, after a period of extensive nationalization, the question arose over how much *further* public ownership should continue. The leadership, under Attlee, backed a view of 'consolidation' which held that greater nationalization was undesirable. A more radical group, which was led by Aneurin Bevan, held that the accomplishments of this Government were only the important first steps of a far greater programme<sup>186</sup>. To Crosland, writing in the 1950s, many of the debates and concerns of traditional socialism, were now invalidated. In



particular, he believed that the great historical debate over whether to pursue a revolutionary or a democratic road had now been resolved. According to Crosland, it was now clear that it was possible for parliamentary democracy to deliver socialist policies<sup>187</sup>. The 1945-50 Labour Government, the first ever majority Labour government, illustrated that the existing state could serve socialist purposes. Which reforms, however, gave Crosland cause for such optimism?

In the first place, there was the accumulation of a by now extensive social reform programme, much but not all due to the recent Labour ascendancy. It was linked to the crucial economic requisite of full employment<sup>188</sup>. The results of this programme meant that for the first time in history ordinary people had access to decent housing with hot and cold running water; their children had the right to free education; and they were protected in times of unemployment, sickness, poverty and in old age, by a comprehensive system of state insurance and benefits<sup>189</sup>. But perhaps the greatest prize of all had been the creation of the National Health Service, described by its creator, Aneurin Bevan, as “pure socialism”<sup>190</sup>. The socio-economic picture of British society in the mid-1950s represented for Crosland a socialist victory. In essence, the historical objective, the “welfare objective”, of socialism had been achieved: “Primary poverty has been largely eliminated...and Britain now boasts the widest range of social services in the world”<sup>191</sup>. There was also, and just as importantly, widespread consensus that these benefits should be maintained. As Kenneth Morgan has pointed out, the achievements of the Labour Government were reverentially acclaimed by all shades of Labour Party opinion<sup>192</sup>. Moreover,

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<sup>186</sup> K. O. Morgan, *Labour in Power, 1945-51*, Oxford University Press, Oxford, 1984, ch.5.

<sup>187</sup> A. Crosland, *The Future of Socialism*, op.cit., pp33-35.

<sup>188</sup> The war-time coalition Government had drawn up a White Paper committing future governments to this goal, *Employment Policy*, May 1944, HMSO, Cmd.6527.

<sup>189</sup> For an introduction to the reforms of the first post-war Labour Government see D. Fraser, *The Evolution of the British Welfare State*, Macmillan, Basingstoke, 1984.

<sup>190</sup> A. Bevan, *In Place of Fear*, MacGibbon and Kee, London, 1965, p.106.

<sup>191</sup> A. Crosland, *The Future of Socialism*, op.cit., p.59.

<sup>192</sup> K. O. Morgan, *Labour in Power, 1945-51*, op.cit., ch.2.

a broader endorsement ensued as future Conservative administrations showed a reluctance to overturn most of these changes<sup>193</sup>. Crosland would observe that:

“...the Conservatives now fight elections largely on policies which 20 years ago were associated with the Left, and repudiated by the Right”<sup>194</sup>.

These developments represented a move from social Darwinism to social democracy. Herbert Spencer’s *social Darwinist* dictum, that “a creature not energetic enough to maintain itself must die”<sup>195</sup>, appeared to have been superseded by a *social democracy* which protected citizens from William Beveridge’s five giant evils: “Want, Disease, Ignorance, Squalor and Idleness”<sup>196</sup>. In the same vein, Crosland would argue that an ethical-economic system of self-interest and competition had been replaced by social solidarity and social security<sup>197</sup>. These developments would be repeatedly emphasized in *The Future of Socialism*, to which they served as leitmotif. If they demonstrated that socialism *could* be achieved through existing democratic institutions, a second prevalent argument was that this is how it *should* be achieved. This was a moral imperative as well as a political possibility, a conception which follows on directly from Tawney. To Crosland, Tawney’s argument, that the “rank and file of the labour movement...regard democracy, not as an obstacle to socialism, but as an instrument for attaining it”<sup>198</sup>, had been proven by post-war legislation.

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<sup>193</sup> For an important study of this during the 1940s see J. D. Hoffman, *The Conservative Party in Opposition 1945-51*, MacGibbon and Kee, London, 1964.

<sup>194</sup> A. Crosland, *The Future of Socialism*, op.cit., p.28.

<sup>195</sup> H. Spencer, *The Man Versus the State*, Liberty, Indianapolis, 1982, p.33.

<sup>196</sup> W. Beveridge, *Social Insurance and Allied Services*, HMSO, 1942, Cmnd.6404.

<sup>197</sup> A. Crosland, *The Future of Socialism*, op.cit., pp.54-59.

<sup>198</sup> R. H. Tawney, *The Radical Tradition*, op.cit., p.147-8.

This was challenged by those on the Marxist left who interpreted these changes according to an altogether different analysis. It was contended that far from representing a move towards socialism, the reforms of the 1945-50 Government in fact merely sustain and perpetuate capitalism, a thesis which was strengthened by the perceived failures of future Labour administrations. Ralph Miliband, one of the principal exponents of this critique, held that: the welfare state did not “constitute any threat to the existing system of power and privilege. What it did constitute was a certain humanization of the existing social order”<sup>199</sup>. For Ian Gough, welfare is itself “peripheral” to the realities of a capitalist political economy<sup>200</sup>. The reply by those who would, partly by way of reply, call themselves *democratic* socialists<sup>201</sup> stood firmly within the revisionist tradition. The rise of the Labour Party and evolution of socialist ideas can only be understood *alongside* the advent of universal suffrage. For Aneurin Bevan, part of the argument put forward by Miliband and others could be accepted<sup>202</sup>. Nonetheless, it was contended that the extension of the franchise had radically altered the picture, as socialists from Bernstein to Tawney had maintained. “I am not asserting”, wrote Bevan, “that when social reformers are moved to ease the distress of poor people they are thinking of the minimum concession necessary to preserve the rule of wealth. What I do contend is that the suffering of the poor was ignored while they lacked the power and status to insist on alleviation”<sup>203</sup>.

There is an implicit determinism in such a conceptualization of political history which *almost* comprehends the election and reforms of Attlee’s Government as an inevitability. Indeed, for Crosland,

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<sup>199</sup> R. Miliband, *The State in Capitalist Society*, Quartet Books, London, 1969.

<sup>200</sup> I. Gough, *The Political Economy of Welfare*, Macmillan, London, 1979.

<sup>201</sup> Many Labour Party members and politicians describe themselves as ‘democratic socialists’. It has two meanings: the first, discussed here, aims to distinguish the democratic method from that of revolution; the second emphasizes the *socialism* and is deployed by the left of the party in response to the perceived, less radical, ‘social democracy’ of the right.

This is very much an internal, and wholly exclusive, party dialect, and owes little to clear meaning and consistency. Crosland who, as we have seen, was described in his day as on the right, indeed as the Labour right’s intellectual guru, proffered the most powerful re-assertion of socialism of his generation. The answer lies in the debate over differing *interpretations* of socialism, discussed here, and not in narrow doctrinal discrimination or the search for monolithic singularity.

<sup>202</sup> A. Bevan, *In Place of Fear*, op.cit., p.24.

future success was guaranteed and despite the failure of the Labour Party to win office in the 1950s, there was a reasonable certainty that the successes of this government had been institutionalized, into what some were already calling a ‘political consensus’<sup>204</sup>. There was also, and perhaps most importantly of all, a self-confidence in the party concerning its ability to govern - when it did - successfully, which had not been the case following the political crisis of 1931<sup>205</sup>. The Attlee Government had demonstrated the role Labour could play in the British political system, and this was significant both in terms of political ideas and politically: ideationally, because it proved to the Marxist left that a *democratic* socialism could deliver; and politically, because it demonstrated to the electorate that the Labour Party could govern effectively. However, in an analysis of the 1945 General Election, G. D. H. Cole wrote:

*“The plain truth is that the electors voted in 1945, not for socialism as an economic system based on public ownership of industry, but for more speed in developing the social service state, for less social inequality, and for full employment policies as a means to social security”*<sup>206</sup>.

Similarly, in his contribution to the ‘New Fabian Essays’, *The Transition from Capitalism* written in 1952, Crosland argued that the achievements of the 1940s represented the development of “statism” - the dominance of the political arena over the economic - rather than socialism which, precisely because of Labour’s reforms, now lay firmly within sight.

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<sup>203</sup> Ibid.

<sup>204</sup> It is a matter of great contention, however, as to whether or not there was truly a consensus (usually taken to be between 1951 and either sometime during Labour’s troubled period in office in the 1970s or following its defeat in 1979) between the two major political parties. The term ‘Butskellism’ was invented by *The Economist*, linking the Disraelian Conservative R. A. B. Butler with Attlee’s successor as Labour leader, Hugh Gaitskell. Others, however, have disputed the reality of such homogeneity; see, for example, N. Deakin, *In search of the post-war consensus*, ‘Welfare State Programme’, London School of Economics, London, 1988. We will return to this issue in Chapter 5.

If it were held that great structural and political transformation was no longer required<sup>207</sup>, this was also because the instruments of greater change were already in place. For Crosland and key Labour economists at the time, such as Evan Durbin and Hugh Gaitskell who became party leader in 1955, a year before the publication of *The Future of Socialism*, they were to be found in the newly defined role for an interventionist state in the economic and social arena. As Michael Young has written: “Maynard Keynes in the background seemed just as significant for the revisionist thesis as Clem Attlee in the foreground”<sup>208</sup>. Essentially, Keynesian demand-management would ensure an expanding economy; growth, which Crosland insisted “will continue”, would ensure expanding incomes, on top of the existing minimum of full employment and the welfare state<sup>209</sup>. In many ways, therefore, Crosland’s work can be seen to reflect the optimism of both *democratic* socialism at the time and of the wider political system.

These were developments, therefore, which did not take place in a vacuum of singly socialist political ideas. If the argument over socialist methodology had been settled within the Labour Party, it is an ironic but important point to note the impact of liberalism. For, in many ways, the perceived success of Labour in office owed much to the theoretical tools of the emergent liberalism. The period before 1945 saw not just important developments within socialism and liberalism, but a noticeable and highly significant convergence between the two philosophical traditions. This is the context of political ideas which is central to an understanding of both Labour’s political ideas and actions in government and in opposition after 1945. Indeed, it helps to make sense of a post-war era in which economic policy and

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<sup>205</sup> For an analysis of this period see B. Pimlott, *Labour and the Left in the 1930s*, op.cit.

<sup>206</sup> G. D. H. Cole, ‘The Dream and the Business’, *Political Quarterly*, July-September 1949, p. 203.

<sup>207</sup> For Peter Hennessy, Labour’s failure to enact institutional reform represents its greatest mistake over this period, *Never Again, Britain 1945-51*, Jonathan Cape, London, 1992. The argument presented here - that the perceived success of Labour’s legislation led to a profound optimism *vis-à-vis* the political system - helps to explain this.

<sup>208</sup> M. Young, ‘Anthony Crosland and Socialism’, *Encounter*, August 1977, p.84.

<sup>209</sup> A. Crosland, *The Future of Socialism*, op.cit., p.4.

social policy were shaped largely *by* the liberals' John Maynard Keynes and William Beveridge, and largely *through* Labour governments. This point was recognised by Hugh Gaitskell in an essay on *The Ideological Development of Democratic Socialism in Great Britain* in which Keynes' role was recognised, the Marxian Laski and Stachey relegated<sup>210</sup>. Keynes and Beveridge were very much the inheritors of new liberalism and, more importantly, its implementors in government. Keynesianism, particularly the over-riding importance it attaches to full employment, and the welfare state are both expressions of the new liberal belief in positive freedom and the socialist belief in greater equality. These ideas were, if not expressions of the same beliefs, ideas which inspired a common ethical and political expression.

The growing belief that “traditional capitalism has been reformed and modified almost out of existence”<sup>211</sup> helps to explain this. Socialism in Britain, as elsewhere in Europe, had been based on fundamental assumptions about the immorality of a free market which permitted widespread poverty, destitution and unemployment, on the grounds that it had been naturally ordained. Crosland would write that “Keynes-plus-modified-capitalism-plus-Welfare-State” was not the same as socialism, but neither was it “pure capitalism”<sup>212</sup>. The political climate in which Crosland wrote was one in which there was an increasing disposition to accept that this was true and that the traditional ills associated with the free market were no more. Finally, despite the perceived, positive political outlook, Crosland perceived an intellectual vacuum of sorts; although there was a great intellectual inheritance that was still relevant, there was much that by the 1950s could be deemed irrelevant. A reaffirmation of socialist ends had to be made in order to suit the changed and changing times: ‘tempora mutantur, et nos mutamur in illis’ (times change and we change with them). For Crosland, socialism was no exception.

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<sup>210</sup> P. M. Williams, *Hugh Gaitskell*, Oxford University Press, Oxford, p.245.

<sup>211</sup> A. Crosland, *The Future of Socialism*, op.cit., p.61.

<sup>212</sup> *Ibid.*, p.79.

## Crosland and the values of socialism

Crosland's conception of socialism is founded upon his comprehension of what connects the plethora of "socialisms"<sup>213</sup>. His solution to what Tawney has termed socialism's "radiant ambiguities"<sup>214</sup> was to search for a common theme, which he identified as a fundamental ethical drive: "The one single element common to all schools of thought has been the basic aspirations, the underlying moral values"<sup>215</sup>.

According to Raymond Plant, in "our own day and in our own country it was Anthony Crosland who placed the ideals of democratic socialism at the centre of the political agenda"<sup>216</sup>. If, like Tawney and Cole before him, Crosland rested his belief in democratic socialism upon an ethical foundation, he insisted, moreover, that this foundation united all socialists. Even more ambitiously, but with clear echoes of his predecessors, Crosland argued for a core *universal* content to those ideals, which he identified as equality. Equality, argued Crosland, was the central socialist value because without equality there cannot be freedom. The strength and endurance of the Tawney tradition is clear. The significance of Crosland's analysis is the move he deliberately made from an economic to a social conception of equality. Crosland's intention was to make the idea of equality relevant for the middle of the twentieth century and beyond. He did not have and did not claim a monopoly on the idea of equality in Labour's ideological debate. Many on the left, including Bevan, also put equality centre stage. What differentiates Crosland, and what places him clearly in the revisionist tradition, is his willingness to offer

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<sup>213</sup> This is the term used by A. Wright as the title for his work, *Socialisms*, Oxford University Press, Oxford, 1987.

<sup>214</sup> R. H. Tawney, *Equality*, Unwin Books, London, 1964.

<sup>215</sup> A. Crosland. *The Future of Socialism*, p.67.

<sup>216</sup> R. Plant in D. Lipsey and D. Leonard (eds.), *The Socialist Agenda: Crosland's Legacy*, Jonathan Cape, London, 1981, p.137.

a critique of many traditional socialist arguments for equality, as well as dealing with objections from the right. It was this which gave rise to a unique and controversial project.

An economic redistribution of income and wealth from the rich to the poor can in many ways be taken as the classic socialist argument arising from the idea of equality: “Poverty in the midst of plenty seemed obviously repugnant, and great wealth a disgrace because it appeared the cause of great poverty”<sup>217</sup>. Crosland’s view was that the aim of redistribution was not incorrect, but that it could no longer serve its intended purpose. Economic redistribution was justified for Crosland only so long as it met the “economic welfare argument”; that is, only so long as economic factors were the main source of inequality. This was no longer the case for two reasons. First, as we have seen, Crosland held that “primary poverty” could be regarded as a social phenomenon consigned to social history, due to the achievements of the 1945-50 Labour Government. Second, because not only were the extremes of wealth “so much less marked”, there were now “too few pounds” that could be redistributed in a way which could be of significant benefit<sup>218</sup>. Further redistribution of income was regarded by Crosland as akin to a panacea that may once have been plausible but was no longer. Economic redistribution, in short, was ineffective because economic inequalities were less great. This presented a problem for socialists as it implied that other strategies should be pursued in order to achieve a more equal society, strategies as yet undefined: “if we want more equality, the case for it must rest on statements largely, if not entirely, unrelated to economic welfare”<sup>219</sup>. This demand set the agenda for *The Future of Socialism*. The question is provocatively posed: “what is the justification for continuing to preach greater equality?”<sup>220</sup>. Accordingly, the text may be looked at as a rigorous investigation into the sources

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<sup>217</sup> A. Crosland, *The Future of Socialism*, op.cit., p.123.

<sup>218</sup> Ibid., p. 124.

<sup>219</sup> Ibid., p.124.

<sup>46</sup> Ibid.



of inequality. The question which might usefully be asked here is: what did Crosland take to be the greatest sources of inequality?

Crosland based his conception of social equality on a comprehension of the existing state of affairs, social, economic and political. The most compelling argument for equality stemmed from what he took to be the class-ridden nature of British society. He was astonished that a class structure should still be in place after the Second World War and the reforms which had occurred in its aftermath:

*“Britain now presents an unusual paradox to the world: of a society characterised by an exceptionally mature political democracy, growing economic prosperity, and a social order which apparently metes out social justice in a reasonable degree: yet still with an unreconstructed class system”*<sup>221</sup>.

It was the British class system, and the rigidity and the antagonism it bred, that Crosland felt was the greatest threat to an equality which would enable citizens to be genuinely free. Crosland cited George Orwell as an important influence on his thinking, who only a few years earlier had written that once “civilisation has reached a fairly high technical level, class distinctions are an obvious evil”:

*“They not only lead great numbers of people to waste their lives in the pursuit of social prestige, but they also cause an immense waste of talent...The word ‘They’, the universal feeling that ‘They’ hold all the power and make all the decisions, and that ‘They’ can only be influenced in indirect and uncertain ways, is a great handicap in England. In 1940 ‘They’ showed a marked tendency to give place to ‘We’, and it is time that it did so permanently”*<sup>222</sup>.

Many socialists have treated as their main concern the *result* of inequalities in society and the harm this causes to its unity. The idea of *fraternity*, which in more recent times can be equated with the idea of community, would therefore appear to be the guiding value. There is no explicit recognition of this value in Crosland's work, but it is implicit, because it is the *un-fraternal* nature of what he sees in British society which is of pressing concern.

Crosland then proceeded to an interpretation of class in Britain which centred essentially on a series of *social* divisions caused mainly by differing educations and perpetuated by inheritance. This was objectionable not exclusively on the grounds of merit. Crosland also pointed to the phenomenon of social waste which was entailed by the immobile nature of the class divide. "A nation is using its capacities to the full", wrote Orwell, "when any man can get any job that he is fit for"<sup>223</sup>. The outcome for Crosland, measured against this standard, was that Britain, and particularly its leadership, did not fare well:

*"If social mobility is low, as it must be in a stratified society, and people cannot easily move up from the lower or middle reaches to the top, then the ruling elite becomes hereditary and self-perpetuating; and whatever one may concede to inherited or family advantages, this must involve a waste of talent"*<sup>224</sup>.

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<sup>221</sup> A. Crosland, *The Future of Socialism*, op.cit., p. 103.

<sup>222</sup> G. Orwell, 'The English People', quoted in G. Brown and A. Wright, *Values, Visions and Voices*, Mainstream Publishing, Edinburgh, 1995, pp. 51-52.

<sup>223</sup> Ibid., p.51.

<sup>224</sup> A. Crosland, *The Future of Socialism*, op.cit., p. 147.

Such an analysis entailed attention to an ‘equality of opportunity’, and clearly if a social system is being decried for not allowing its members to develop their potential, then this is the value that is being appealed to. Here we arrive at a broader, historical dispute over the nature of a desirable equality. Crosland asked the question, “is equal opportunity enough?”<sup>225</sup>, and explored the meaning of the idea and its potential for creating greater equality. The answer he gave is an interesting one within the context of socialist political ideas and was undoubtedly revisionist.

In the first place, Crosland neither accepted that an equal opportunity society was enough, nor did he deride it as a capitalist sham to be equated with the classical liberal view of negative liberty. Rather, he tried to offer a balance, weighing up the advantages and disadvantages, and concluded that the demand for equality of opportunity could well diminish inequality, although not “to the extent that socialists desire”<sup>226</sup>. Its progressive potential stemmed from its ability to breach the previously impervious frontiers of social hierarchy. Crosland argued that from “the moment when the Industrial Revolution broke up the stable pattern of eighteenth-century society”, the twin forces of working class politicization and the growth of education had led to a demand for equal opportunity, which in turn entailed a vital change in consciousness: the masses would no longer accept “that there was some divine ordination about the existing social hierarchy”<sup>227</sup>.

The problem with limiting equality policy to the achievement of an equality of opportunity, however, was that it could just lead to a shift from one elite to another. An elite underpinned by inheritance and hierarchy might simply be displaced by an elite based on intelligence and ability. The overwhelming problem Crosland identified were the factors *determining*, what Michael Young shortly

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<sup>225</sup> Ibid., p. 150.

<sup>226</sup> Ibid., 162.

<sup>227</sup> Ibid., p. 123.

after called, “the rise of the meritocracy”<sup>228</sup>. What is often taken to be a simple case of reward based on individual merit Crosland instead attributed, to a relatively large extent in *The Future of Socialism*, to the fortunes of genetic inheritance and helpful family influence. If socialists could do little to influence genetic inheritance, however, there was a much more important force that decisively influenced opportunities which could be affected: this was education. Crosland identified the stratified education system as playing an integral part in structuring class divisions. The distinction between public, grammar and the, then, secondary modern schools, which would lead Crosland to propose fundamental educational reform<sup>229</sup>, had far reaching consequences, linking not only occupation but status:

*“This segregation during the formative years necessarily intensifies inequalities...but because educational background is increasingly the main determinant of occupation, and hence of other status criteria - income, power, and occupational prestige - divergences in adult status are significantly widened by being superimposed on prior divergences in educational status”<sup>230</sup>.*

In many ways Crosland’s analysis of society pursued traditional socialist lines: both inequality and class feature strongly. But both the explanations given for their existence and the choice of remedies that are proposed and - just as importantly - rejected, broke in fundamental ways with what had previously been widely accepted.

If an economic, income-centred notion of equality was being rejected, what of the predominance of the position of public ownership? Here, Crosland put forward what is probably his most important

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<sup>228</sup> M. Young, *The Rise of the Meritocracy*, Penguin, London, 1961.

<sup>229</sup> The most important elements of the proposed reforms were the abolition of the eleven-plus, the creation of non-segregated comprehensive schooling and the opening up of private schools.

<sup>230</sup> A. Crosland, *The Future of Socialism*, p. 166.

contribution to political ideas. First, there was the relationship between the *means* and the *ends* of democratic socialism; secondly there was the relationship between the *economic* and the *ethical*. Crosland regarded the confusion between means and ends as one of the great weaknesses of socialist political ideas. He argued that socialists misrepresent an economic analysis - the call for greater public ownership - as an objective in itself. The link is made with G. D. H. Cole whose work bridges the 1945 divide, inter-connecting the earlier ethical socialists and writers like Crosland. As we have seen, Cole replied to critics of the numerous changes to his economic analysis by differentiating between these methods, or means, and the ends to which they were orientated: “socialisation is a means to an end”, he wrote, “a means towards the realisation of the ideal of human equality which lies at the basis of the socialist movement”<sup>231</sup>.

A similar analysis was being deployed elsewhere in Europe. In 1959, just three years after the publication of Crosland’s work, the German Social Democratic Party (SPD) had formally moved away from its commitment to public ownership in the Bad Godesberg Declaration. Like Crosland its socialism was based on ethics, morality and equality, first and foremost; on government structure and economic organization, second. Socialism was not seen as an economic structure only but also as a condition for living. Crosland distinguished between two types of socialism. One was based on “an ethical view of society, a belief in a certain way of life and certain moral values”<sup>232</sup>; in short, a vision of the *good society*. Another, meanwhile, formulated an economic critique and theories of possible change which had its roots in Marx’s thesis that history is set on a course solely dependent upon an economic determinism of ownership and social class.

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<sup>231</sup> N. Ellison, *Egalitarian Thought and Labour Politics: Retreating Visions*, op.cit., p.232.

<sup>232</sup> A. Crosland, *The Future of Socialism*, op.cit., pp. 65-66.

The tradition in which economic means are subordinated to ethical values appeared to be marginal to the history of socialism. Central to *economic* socialism was the idea of public ownership. Crosland argued that an obsession with public ownership was both theoretically disingenuous and practically unhelpful. Did not the evidence of fascist corporatism and Soviet communism make it clear that public ownership was not intrinsically a good thing? As Cole wrote, “the essence of socialism is to be found not in a particular way of organising the conduct of industry, but in a particular relationship among men”<sup>233</sup>. Indeed, for Crosland, if it were held that the pattern of ownership “determined the character of the whole society”, then it could be taken that collective, or public, ownership would be decisive for the achievement of socialism, rather than “the ultimate social purposes which that transformation was intended to achieve”<sup>234</sup>. Vic George and Paul Wilding have employed the term “Fabian socialists”, which contradicts this analysis, to describe thinkers like Tawney, Crosland and Richard Titmuss, who worked primarily within social policy, but held very similar political ideas<sup>235</sup>. Nevertheless, the term illustrates the existence of a collectivist tradition between Marxism and capitalism and distinguishes, in turn, within this tradition between the “Fabian socialists” and the so-called “reluctant collectivists” (figures like Keynes and Beveridge)<sup>236</sup>. Although both view public ownership as a means rather than as an end, the reasons behind the original analysis differ. While Keynes, Beveridge and others sought to use public ownership pragmatically, for specific objectives, the Tawney tradition perceives its deployment as being often necessary, but always subordinate, to socialist objectives. For Crosland the importance of separating the two was paramount:

*“...if, for example, socialism is defined as the nationalisation of the means*

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<sup>233</sup> N. Ellison, op.cit.

<sup>234</sup> A. Crosland, *The Future of Socialism*, op.cit., pp.66-67.

<sup>235</sup> See Chapter 1, p.27.

*of production, distribution and exchange, we produce conclusions which are impossible to reconcile with what the early socialists had in mind when they used the word: such as, that Soviet Russia is a completely socialist country (much more so, for instance, than Sweden) - even though it denies almost all the values which Western socialists have normally read into the word. Similarly, if socialism is defined as economic collectivism or state control of economic life, then Nazi Germany would correctly have been called a socialist country”<sup>237</sup>.*

A figure who should have been included in George and Wilding’s list is T. H. Marshall<sup>238</sup>. He too was convinced that a role for the market was vital for reasons of liberty as well as efficiency:

*“I am one of those who believe that it is hardly possible to maintain democratic freedoms in a society which does not contain a large area of economic freedom and that the incentives provided by and expressed in competitive markets make a contribution to efficiency and to progress in the production and distribution of wealth which cannot, in a large and complex society, be derived from any other source.”<sup>239</sup>*

There is little doubt that purely from the perspective of the internal battles of the Labour Party, Crosland gave an intellectual expression to the concerns and aspirations of many on the right of the party. He did this in ways which enabled the revisionists to express how they thought the party ought to respond to the experience of the post-war Attlee government, while remaining firmly rooted within the British socialist tradition. His willingness to confront directly the issues of public ownership and

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<sup>236</sup> V. George and P. Wilding, *Ideology and Social Welfare*, Routledge, London, 1980.

<sup>237</sup> A. Crosland, *The Future of Socialism*, p. 66-67.

<sup>238</sup> For a recent analysis of the work of Marshall see M. Bulmer and A. M. Rees (eds.), *Citizenship Today: The contemporary relevance of T. H. Marshall*, UCL Press, London, 1996.

equality was welcomed not least by the [then] leader of the party, Hugh Gaitskell, in whose hands Crosland's writings became an important weapon against the Bevanite left<sup>240</sup>. John Vaizey's memoir of Crosland in *Encounter* argues that "Gaitskell was the political embodiment of what Crosland stood for"<sup>241</sup>. Indeed, Gaitskell's statement at the 1959 Labour Conference, that "Capitalism has changed significantly largely as a result of our own efforts"<sup>242</sup>, accepted the Crosland thesis and demonstrated the influence of his ideas. Samuel Beer would contrast "revisionists" with "fundamentalists" in his account of the great debate<sup>243</sup>.

Crosland did not in fact support wholeheartedly Gaitskell's attempt to replace Clause IV of the Party Constitution in 1959, but this was at least partly because (like others since then) he thought that the serious risk to the unity of the party outweighed the possible benefits of rewriting its objectives. On the other hand, Crosland could not deny that Gaitskell's political revisionism was derived at least in part from his own emphasis on the need to move forward from economic to ethical socialism. Partly because of the way in which his book came to stand for the platform of the right within the party, he was regarded with some distrust by the traditional left. This was so even when his ideas were radical in their policy implications (his approach to education policy, for example) or when they expressed concerns which were shared by the left. Indeed, Crosland could also become impatient with the right at its cautious approach to the pursuit of greater equality, and for this reason it is *not* clear where to place him politically within the Labour Party.

But, as well as providing banners around which politicians can gather or at which they can aim their assaults, political ideas may also give expression to complex reactions to changing social and

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<sup>239</sup> A. H. Halsey, 'T. H. Marshall and Ethical Socialism', *ibid.*, p.82.

<sup>240</sup> S. Haseler, *The Gaitskellites: Revisionism in the British Labour Party*, Macmillan, London, 1969.

<sup>241</sup> J. Vaizey, *Anthony Crosland and Socialism*, 'Encounter', August 1977, p.88.

<sup>242</sup> H. Gaitskell, quoted by J. Callaghan in, L. Tivey and A. Wright (eds.), *Party Ideology in Britain*, Routledge, London, 1989, p.36.

<sup>243</sup> S. Beer, *Modern British Politics*, *op.cit.*, ch.VIII.



economic circumstances which lead to new understandings of central values. This, or something rather like it, was also Crosland's ambition. What was new, or at least what gave his work the appearance of successful originality, was his attempt to reconcile the traditional socialist themes, such as equality, with a modern emphasis on freedom and on the emancipating effects of democracy. Crosland's concern in *The Future of Socialism*, one he was not able to apply in his experience in government, was to assert that a new, more humane practice of socialism was possible which did not rely on "total abstinence and a good filing-system"<sup>244</sup> - a barb aimed not only at the totalitarian Communist regimes but also at some of the drier aspects of Fabian socialism and the austerity of the Attlee Government. In this he undoubtedly gave expression to an important and enduring aspect of the British socialist tradition, that it should lead to practical, tangible improvements in the quality of life, as well as to the changes in the delivery of welfare which were sometimes the overwhelming concern of earlier socialists.

It is, however, the case that Crosland's assumptions about the undeniability and irreversibility of the welfare gains of the 1950s no longer apply. The criticisms of Crosland's work, particularly his predictions, are fundamental, and are well documented<sup>245</sup>. By the mid-1970s, the Keynes-Crosland bubble burst into the confusion of declining growth and a failing welfare state. In fact, the over-optimistic nature of Crosland's social analysis, claiming as it did that "primary poverty" had been "largely eliminated", was discredited relatively soon after it was made<sup>246</sup>. What hope was there for the welfare state, which socialists attached so much importance to, if it were dependent upon an economic prop which might give way? It is ironic to note that Crosland can be criticized in the same way as he castigated Fabian socialism and Soviet communism, for relying too heavily upon an economic strategy.

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<sup>244</sup> A. Crosland, *The Future of Socialism*, p.357.

<sup>245</sup> G. Foote provides a brief account of these criticisms in *The Labour Party's Political Thought: A History*, Croom Helm, London, 1986, pp.235-263.

<sup>246</sup> Perhaps the most important illustration of this 'rediscovery' of the poor was B. Abel-Smith and P. Townsend's *The Poor and the Poorest*, Bell, London, 1965.

Furthermore, his political analysis - the argument that the existing political system could serve socialist ends, as demonstrated by the Attlee Government - produced a complacency about political institutions, and the constitution in general, that was to be increasingly challenged in the years following his death.

Nonetheless, many of Crosland's concerns were to re-emerge in the 1980s. Indeed, much of his analysis and many of his ideas were central to debates surrounding Labour's political ideas. The Labour Party's shift to the left following the 1979 election defeat represented much that Crosland opposed. An advocacy of further nationalization in the 1983 General Election constituted for many, including those who would begin to turn back many of these changes at the end of the decade, an essential confusion between means and ends.

### **Conclusion: Labour and a history of ideas**

I have traced the political ideas of the Labour Party from its birth through to the decades following the Second World War. This included the early debate between the Fabians and the ethical socialists, new liberalism, the significance of the first majority Labour government elected in 1945 and the impact of Anthony Crosland's *The Future of Socialism*. The ideas are bound together within a framework of five inter-connecting relationships: first, the distinction between the means and ends of British socialism; second, the historical divide between the revolutionary and the democratic method; third, the distinction between an economic-centred and an ethical-centred socialism; fourth, the interplay between the market and the state; and fifth, the relationship between the state and the individual. These relationships

remained very much in the balance and subject to re-examination over the period. The ideas which most influenced economic and social policy developed to a large extent from previous arguments and traditions. They were either central to an on-going debate or conceivable as “recessive themes”<sup>247</sup>.

There is one exception: it was already the case that the dispute between the revolutionary and democratic method had been decided. As we have seen, during the inter-war years even figures like Attlee were countenancing the need to respond to possible establishment attempts to obstruct the reform programme of a Labour government<sup>248</sup>. However, certainly after the first post-war administration, there was no question of Labour considering a revolutionary path. The contention that a democratic, or parliamentary, socialism was a contradiction was argued powerfully; but from outside the Labour Party<sup>249</sup>. Labour was keen to demonstrate its democratic credentials and, therefore, although such attacks were countered, they served a useful purpose. According to Anthony Wright: “The socialist credentials of the social democrats might be disputed...but their democratic credentials were sound. They could therefore brush aside the guilt-by-association smears from the Right on this score, while the charge of ‘electoralism’ levelled against them from the Left could be taken as confirmation of their democracy sensibilities”<sup>250</sup>. A key factor is the lack of a Marxist tradition in Britain. As Geoffrey Foote has written: “British socialism had an ethic and political outlook of its own...In other countries, a dogmatic form of Marxism prevailed”<sup>251</sup>. The comparison is contestable<sup>252</sup> but not the fact of the

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<sup>247</sup> R. Barker, *Political Ideas in Modern Britain*, (second edition), op.cit., p.275.

<sup>248</sup> Chapter 2, p.6.

<sup>249</sup> The classic text in this post-war ‘Marxist’ tradition is Ralph Miliband’s *Parliamentary Socialism*, George Allen and Unwin, London, London, 1961.

<sup>250</sup> A. Wright, *Socialisms*, op.cit., p.83.

<sup>251</sup> G. Foote, *The Labour Party’s Political Thought: A History*, op.cit., p.17.

<sup>252</sup> In a comparative study Stefan Berger argued that, ideologically speaking, “the ‘Marxist’ [German] SPD and the ‘Labourist’ Labour Party were more alike than the labels would suggest”; *The British Labour Party and the German Social Democrats, 1900-1931*, op.cit., p.206.

marginality of a Marxist influence on the Labour Party<sup>253</sup>. Norman Dennis and A. H. Halsey have identified a tradition of ‘ethical socialism’ in Britain which, they believe, rejects the “historicist view” that a society’s future is determined by social laws and therefore “ineluctable”<sup>254</sup>.

Part I provided an historical context of Labour’s political ideas. Part II analyses the political ideas behind Labour’s social and economic policy between 1983 and 1992. There is a broad issue concerning the relationship between economic policy and social policy. The distinction is problematic for two reasons. First, in policy terms, it is not infrequent that particular issues and favoured strategy bridge both areas of traditional economic and social concern. A prime example is unemployment which is both a subject of economic and social policy<sup>255</sup>. As Gavyn Davies and David Piachaud have argued, the “economy is indissolubly linked with social policy”<sup>256</sup>. Second, many of the ideas discussed by Labour over this period are not prone to such exclusivity. The growing discussion on the issue of child care, the minimum wage and the conception of ‘pathways out of poverty’ are other key examples<sup>257</sup>. There was recognition of this point in the Policy Review. Its first report, which set out the broad themes and ideas behind the review, was entitled *Social Justice and Economic Efficiency*<sup>258</sup> (discussed below). Nevertheless, economic policy and social policy continue to remain distinct despite any convergence, particularly the area of macro economic policy. The decisions that are taken on ownership,

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<sup>253</sup> This is not a comparative study, but the British Labour Party does appear to have stood apart from its West European sister parties in terms of a discernible Marxist influence.

<sup>254</sup> N. Dennis and A. H. Halsey, *English Ethical Socialism*, op.cit., p.5.

<sup>255</sup> This is demonstrated in G. Davies and D. Piachaud, ‘Social Policy and the Economy’, in H. Glennerster (ed.), *The Future of the Welfare State: Remaking Social Policy*, op.cit., esp., p.42.

<sup>256</sup> Ibid., p.40.

<sup>257</sup> Discussed in Chapter 5.

<sup>258</sup> Labour Party, *Social Justice and Economic Efficiency*, Labour Party, London, 1988.

employment, inflation and interest rates are influenced by many factors, one of which may be social policy<sup>259</sup>.

Each chapter will pursue two objectives: to show how ideas were re-examined and to analyse the ideational content of policy. Chapter 4 and Chapter 5 examine economic policy and social policy respectively. Each chapter follows the same structure and is broadly divided into three sections. The first will deal with historical context: the history of ideas on economic policy and social policy<sup>260</sup>. The second takes the immediate context: the impact of Thatcherism. The third, more substantive, section will analyse the ideas and policy on the economy and the welfare state. This will include work by Labour intellectuals, thinker-politicians and official Labour Party publications. These sections are, however, inseparable. The historical context makes sense of the developments in political ideas, and the political thinking informs Labour's understanding of the context in which it finds itself.

## PART TWO

### Labour's Political Ideas, 1983 - 1992

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<sup>259</sup> W. Grant and S. Nath, *The Politics of Economic Policy*, Blackwell, Oxford, 1984.

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<sup>260</sup> This will be restricted to the post- inter-war era. There is of course an historical context which goes back much further. Indeed, it was the inter-war period which saw the moulding of the ideas on economic policy which would largely shape the post-war world up to the 1970s.

## CHAPTER FOUR

# The Political Ideas of Labour's

## Economic Policy

*“Tawney (in common with most other socialists, including Marx) did not offer a developed account of how a democratic socialist economy would plausibly work...Yet this matter is now central to the contemporary democratic socialism task”.*

- Anthony Wright (1987)<sup>261</sup>

### Introduction

Towards the end of the 1980s, after three successive general election defeats, the Labour Party entered a period of fundamental reform. This occurred in two ways, formally and informally. The formal demonstration was in its Policy Review established following the 1987 election defeat. It heralded the beginning of a process which would see the examination of all the major areas of party policy<sup>262</sup>. More fundamentally, it would include a much broader re-evaluation. At no point in its history had the Labour

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<sup>261</sup> A. Wright, *R. H. Tawney*, Manchester University Press, Manchester, 1987, pp.145-6.

<sup>262</sup> For an introduction to the Review, policy by policy, see M. J. Smith and J. Spear, *The Changing Labour Party*, op.cit.

Party engaged in such an explicit and self-conscious examination of the corpus of its political ideas. For the first time the conceptual relationships I have discussed were raised by Labour in a way that recognises their centrality to the party's political ideas. The documents are central to our purpose here as there were changes of great significance. It will be shown that the policy changes deal explicitly with political ideas and set Labour's priorities within a context which views ideas as central to the party's reconstruction.

Many of the most important issues for Labour, concerning ideas as well as policy, were identical to, or at least modern versions of, debates we have already examined. What was different on this occasion was that the process<sup>263</sup> was pioneered by the leadership. Hugh Gaitskell, as leader of the Labour Party between 1955 and 1963, had raised very similar questions, but was unable to achieve - even attempt to achieve - the intended results<sup>264</sup>. With its powerful hold on the party, consolidated by the support it received (see below), the Kinnock leadership was in a position to deliver the ideas and the policies that emerged<sup>265</sup>. Moreover, for the first time the party had a leadership which appeared to have a clear understanding of the relationship between the sets of conceptual comparisons we have been examining. Two of these were of particular prominence. First, there was a differentiation between the *means* and the *ends* of socialism. The most important example was public ownership (to be discussed here), which had come to represent Labour's prime objective at the beginning of the decade, as it had in the 1930s<sup>266</sup>. Attlee's was the only Labour government ever engaged in significant nationalization<sup>267</sup>, although it also formed a part of Wilson's

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<sup>263</sup> The whole issue of the policy-making process is not a subject for this study. The best examination is Eric Shaw's *The Labour Party since 1979: Crisis and Transformation*, op.cit. More polemical accounts are provided by Hughes and Wintour, *Labour Rebuilt*, op.cit. (largely supportive), and Heffernan and Marqusee, *Defeat from the Jaws of Victory*, op.cit. (a hard left critique). The very important dispute and nuances of the process itself, the extent to which, for example, the Policy Review was or was not autonomous from the will of the leadership and its aparatchiks, are therefore not considered. What is central to this study, and what remains its distinctive hallmark, is the nature of the party's political ideas over this period.

<sup>264</sup> S. Haseler, *The Gaitskellites: Revisionism in the Labour Party, 1951-1964*, op.cit.

<sup>265</sup> See footnote 3 above.

<sup>266</sup> E. Durbin, *New Jerusalems: The Labour Party and the Economics of Democratic Socialism*, Routledge and Kegan Paul, 1985.

<sup>267</sup> A. Cairncross, *Years of Recovery: British Economic Policy, 1945-1951*, Methuen, London, 1985.



economic agenda<sup>268</sup>. Second, and just as fundamentally, there was a growing appreciation of the need to redefine the relationship between the state and the market.

The most important Labour politicians engaged in re-thinking Labour political ideas in relation to economic policy were Roy Hattersley and Bryan Gould. The fact that these thinker-politicians were both senior party figures adds weight to the significance of their thinking. Hattersley was elected to the party's deputy leadership in 1983 in partnership with Neil Kinnock elected leader at the same election<sup>269</sup>. This signified the formation of a new alliance between the party's right-wing, represented by Hattersley, and the newly formed 'soft left' which had only recently broken from the Bennite 'hard left'. After the 1987 General Election, Bryan Gould was regarded as both an intellectual force and a successful campaigner<sup>270</sup>. He co-convened the key economic Policy Review group on a 'Productive and Competitive Economy'.

The informal re-examination of Labour's ideas was just as important. For the Policy Review process was not an isolated affair. It was part of the wider intellectual community, which saw academics, commentators and journalists similarly engaged. The most important example of the work of Labour intellectuals is the market socialists (see below) who made a critical contribution to re-thinking Labour's political ideas. Although academics and journalists were often frustrated by a seeming lack of input, there was collaboration on a personal level<sup>271</sup>. Raymond Plant, perhaps the most prominent academic engaged with Labour's political ideas, and also a market socialist, had many contacts with Roy Hattersley<sup>272</sup>. The Shadow Cabinet minister David Blunkett collaborated with the academic Bernard Crick to produce a pamphlet on Labour's political ideas in the run up to the Policy Review. Kinnock's allusion to Eric

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<sup>268</sup> W. Beckerman (ed.), *The Labour Government's Economic Record*, Duckworth, London, 1972.

<sup>269</sup> D. Kogan and M. Kogan, *The Battle for the Labour Party*, Kogan Page, London, 1983.

<sup>270</sup> He master-minded the 1987 campaign, regarded for its "quality and professionalism" and viewed as successful despite the result (E. Shaw, *The Labour Party Since 1979*, op.cit., p.81). It broke much ground in its adoption of new techniques, largely inspired by the United States. It was also notable for the praise it drew from Tony Benn, quoted in C. Hughes and P. Wintour, *Labour Rebuilt*, op.cit., p.37.

Hobsbawm as his “favourite intellectual” personified a remarkable convergence between the Labour Party and the Communist Party of Great Britain. The work of the CPGB’s organ *Marxism Today* was prominent in analysing the emerging political landscape of Thatcherism, and Labour’s role within it. Likewise, analyses on psephology and the relationship between social class and the electorate appeared to have important implications for Labour. The Policy Review was only one part of more broad developments within British socialism. There were specific attempts to modify policy, but of more importance was the thinking on political ideas which lay behind them. The examination of policy was greatly influenced by ideas.

The changes in the Labour Party from 1987 are not explicable solely in terms of contemporary phenomena. There is a necessary ideational elucidation which intertwines an analysis of recent political history. The fact that Labour had lost three general elections in a row meant much more than simply attempting to redress this political disaster. As Eric Shaw has observed, the Policy Review was not a standard Labour response to electoral defeat:

*“Previously its leadership had supposed that electoral losses had been caused largely by short-term, political - and therefore reversible - factors. Now it had to confront the prospect of relentless attrition set in motion by powerful social and cultural forces - unless it took drastic action”*<sup>273</sup>.

Now the predicament for Labour was “how to respond to cultural patterns which fit uneasily with traditional collectivist ideals - whether to adapt or resist”<sup>274</sup>. The most important perhaps of these “cultural patterns”

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<sup>271</sup> There will be no attempt here to theorize the relationship between ‘outsiders’ (academics, journalists) and ‘insiders’ (politicians and party officials).

<sup>272</sup> N. Ellison, *Egalitarian Thought and Labour Politics: Retreating Visions*, op.cit., p.209.

was a dominant analysis in political science of fundamental socio-economic change, particularly in relation to class. An analysis of *partisan dealignment* argued that a traditional relationship between class and party<sup>275</sup> had been breaking apart from the 1970s<sup>276</sup>.

Various political and social phenomena were cited to illustrate a paradigmatic shift: the decline in numbers of the working class; the growing prosperity of the working class; the increase in owner-occupiers; and the decline in the influence and membership of trade unions<sup>277</sup>. Such analysis was disparate and deeply contentious, but it was united by one major contention which these factors were said to indicate: that a resultant change in cultural values altered political allegiance to the detriment of Labour's electoral support. The argument - very much prevalent in the literature - focused on the assertion that most affected were the foundations of Labour's core support because of the decline in the social and political homogeneity of the working class. John Goldthorpe, David Lockwood *et al* argued in the 1960s that a process of 'embourgeoisement' produced a decline in traditional solidarity among Labour supporters and a more instrumental voter outlook<sup>278</sup>. This analysis was challenged, notably by Heath, Jowell and Curtice in *How Britain Votes*<sup>279</sup>, but the thesis left a powerful imprint on British politics and Labour thinking.

If such deep-seated social and cultural change had occurred, this would be reflected in voters' response to Labour Party policy and economic policy in particular. Labour, unlike the Conservatives, were

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<sup>273</sup> E. Shaw, *The Labour Party since 1979*, op.cit., p.84.

<sup>274</sup> Ibid., p.224. There is a problem here, however, as "collectivist ideals" is in many respects contradictory. Collectivism is a means not an end or ideal. It is certainly a political idea but one which conceptualizes the means to an end - be it community or greater equality - through the mechanism of the state, public ownership being one particular example.

<sup>275</sup> The classic text on the link between party and class is D. Butler and D. Stokes, *Political Change in Britain*, Macmillan, London, 1974.

<sup>276</sup> The basis of the theory of dealignment can be found in B. Sarlvik and I. Crew, *Decade of Dealignment*, Cambridge University Press, Cambridge, 1983.

<sup>277</sup> For a discussion of the relationship between demographic change and Labour's support, see A. Heath *et al*, *Understanding Political Change*, Pergamon, Oxford, 1991. For a more detailed examination of changes in the trade union movement, see D. Marsh, *The New Politics of British Trade Unionism*, Macmillan, London, 1992.

<sup>278</sup> J. H. Goldthorpe, D. Lockwood, F. Bechhofer and J. Platt, 'The Affluent Worker', vol.ii, *Attitudes and behaviour*, Cambridge University Press, Cambridge, 1969.

<sup>279</sup> A. Heath, R. Jowell and J. Curtice, *How Britain Votes*, Pergamon, Oxford, 1985.

not trusted by the electorate on economic management<sup>280</sup>. The voters indicated a clear preference for Labour on education, health and the welfare state broadly<sup>281</sup>. However, on the nebulous issue of ‘trust’ *vis-à-vis* the economy, the perception of the Conservative Government as a ‘safe-pair-of-hands’ could be clearly contrasted with the image many voters had of Labour as representing higher taxes, higher spending and rising inflation<sup>282</sup>. The economic predicament for Labour appeared to indicate the prospect of perpetual electoral failure. It was one which the leadership believed required a response that matched both the quantitative (‘tax-and-spend’) and qualitative (trust) implications of the psephology. To secure both turned out to be problematic, but for two different reasons. The first saw Labour drop particular key policies which were in the 1987 General Election Manifesto<sup>283</sup>, namely commitments to extend public ownership<sup>284</sup> and a reduction of its redistributionist intent<sup>285</sup>. The second was less clear-cut, and while certainly connected to party policy, it entailed deeper notions concerning the *symbolic politics*<sup>286</sup> of the party’s image and perception<sup>287</sup>. The Labour leadership believed that the electorate’s perception of the party on economic policy was central to a decisive electoral deficit<sup>288</sup>.

The opinion poll data is not, however, clear<sup>289</sup>. Throughout the 1980s, to the dismay of Thatcherites and in contradiction to those on the left who talked up what they took to be an all-pervading political ideology<sup>290</sup>, there was continual majority support for higher taxes and public expenditure. The proportion,

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<sup>280</sup> For a broad outline of the opinion poll data in regard to Labour’s search for ‘electability’, see D. Butler and D. Kavanagh, ‘Labour: Seeking Electability’, in *The British General Election of 1992*, Macmillan, London, 1992.

<sup>281</sup> See Chapter 5.

<sup>282</sup> A. Gamble, ‘The Labour Party and economic management’, in M. J. Smith and J. Spear, *op.cit.*, p.62.

<sup>283</sup> Labour Party, *Britain will win*, Labour Party, London, 1987.

<sup>284</sup> *Ibid.*, p.6.

<sup>285</sup> The 1987 Manifesto showed how tax increases on the wealthiest could pay for job creation; p.5.

<sup>286</sup> S. McAnulla developed this concept in ‘Fade to Grey? Symbolic Politics in the Post-Thatcher Era’, *Contemporary Political Studies*, vol.1, Political Studies Association, 1997, pp.315-324.

<sup>287</sup> C. Hughes and P. Wintour, *Labour Rebuilt*, *op.cit.*, ch.2.

<sup>288</sup> The internal party analyses of the 1987 General Election failure shows that this attitude predominated; see Hughes and Wintour *ibid.*, ch.1.

<sup>289</sup> I. Crewe, ‘Values: The Crusade that Failed’, in D. Kavanagh and A. Seldon (eds.), *The Thatcher Effect*, Clarendon Press, Oxford, 1989.

<sup>290</sup> This was the thesis of *Marxism Today*, discussed below.

furthermore, of those who wanted lower taxes and spending fell<sup>291</sup>. There was thus a discrepancy of data, the resolution of which as far as Labour went was certainly one-sided. The overall voter impression of Labour's economic competence was seen as critical and was identified as the root cause of Labour's electoral malaise. A key reason the party appeared to ignore research which appeared to demonstrate public confidence in the socio-economic framework of the post-war state - progressive taxation and the welfare state (the structure for Tawney's *strategy of equality*<sup>292</sup>) - and even its extension, was that this did not translate into electoral success.

## 1. Economic policy and a history of ideas

Adam Przeworski has written that before the party's adoption of Keynesianism Labour did not have an economic policy. Indeed, beyond "some distributional bias toward their own constituency" their thinking was "full of respect for the golden principles of the balanced budget, deflationary anti-crisis policies, gold standard, and so on"<sup>293</sup>. Such a critique was matched at the time by socialist thinkers such as Tawney who damned the "exaggerated discretion" of Labour governments<sup>294</sup>. Although accurate in its description, Przeworski does not explain *why* Labour was predisposed to Keynes' prescriptions. The extent of the impact of Keynesianism on the Labour Party is undeniable. The role of Keynesianism in Anthony Crosland's *The Future of Socialism* was virtually as a panacea. It is comparable to the impact of William

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<sup>291</sup> P. Wilding, 'The Welfare State and the Conservatives', *Political Studies*, September 1997, vol.45, no.4, p.725.

<sup>292</sup> R. H. Tawney, *Equality*, op.cit., ch.4.

<sup>293</sup> A. Przeworski, *Capitalism and Social Democracy*, CUP, Cambridge, 1985, p.35.

Beveridge on Labour's social policy (Chapter 5), and demonstrates the inter-connection of a liberalism and socialism based on similar political ideas (traced in Chapter 2). As the inheritors of the 'new liberal' tradition established by Hobhouse and Hobson, Keynes and Beveridge were able to play a decisive role in fermenting and instigating ideas and policy that were to dominate the post-war political settlement. These ideas were fused together with socialism by Crosland.

While in the Treasury at the time of the Coalition Government<sup>295</sup>, Keynes produced a White Paper, *Employment Policy*, which set full employment as the prime economic goal of government<sup>296</sup>. Full employment was as important for social policy as it was for economic policy<sup>297</sup>. Beveridge's *Full Employment in a Free Society* represents a pivotal resolution of the need to secure mass prosperity while retaining liberal freedoms<sup>298</sup>. The Labour Party did not simply co-opt Keynesianism. Economic *laissez-faire* was the economic expression of negative liberty, and thereby in opposition to equality. The set of ideas that surrounded the Labour Party lent it, quite naturally, to search for an economic policy which was bound - to a greater or lesser extent - to intervene in the market. The political ideas of the Labour Party, in particular equality and positive liberty, made Keynes' thinking conducive to the kind of economic tools Labour could use. Keynesianism had been central to Crosland's future of socialism.

There are two further points of necessary historical context. The first concerns the nature of the economics discipline itself; the second, the predicament of the economic climate. If there was a vacuum in Labour's economic thinking, pre-Keynes, it should be set within the broader context of the nature of economics itself. Until the Second World War, according to Peter Clarke, "no government professed to

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<sup>294</sup> R. H. Tawney, *Equality*, op.cit., p.204.

<sup>295</sup> Simon Clarke has shown the impact of Keynes' thinking within the Treasury, resulting in the "adoption of Keynesian budgetary principles" by 1941; *Keynesianism, Monetarism and the Crisis of the State*, Edward Elgar, Aldershot, 1988, p.246.

<sup>296</sup> *Employment Policy*, HMSO, op.cit.

<sup>297</sup> For a powerful assertion of the importance of full employment for both social policy and economic policy, see G. Davies and D. Piachaud, 'Social Policy and the Economy', in H. Glennerster (ed.), *The Future of the Welfare State: Remaking Social Policy*, op.cit.

have a macro-economic policy”<sup>299</sup>. Although governments did assume a responsibility for the economy in some general sense, the idea of what we now call macro-economic policy “simply did not exist”<sup>300</sup>. However, the perceived *need* for a macro-economic policy arose out of the particular economic situation of the 1930s<sup>301</sup>. The major economic and social problems of the Depression provoked a re-thinking of the role of the state in relation to the economy<sup>302</sup>. There was a recognition that government policies were ill-equipped to deal with the scale of the problems that faced the country, especially mass unemployment and poverty<sup>303</sup>. Keynes’ solution was not that which many others were proposing, that of planning<sup>304</sup>, but, rather, demand management. As Peter Clarke has noted, the pre-eminent feature of British Keynesianism is “a policy aimed at the management of demand, with an increasing emphasis on consumer demand; a policy, moreover, to be implemented not only through fiscal means but also through credit regulation”<sup>305</sup>.

It is not clear, however, that the often cited tale of transposition - that having displaced free market liberalism, Keynesianism was itself replaced by its rival under the Conservatives in the 1980s - is a realistic academic depiction. Milton Friedman has described three great waves which he claims have dominated the last two hundred years, the Age of Adam Smith, the Age of Keynes and, more recently, the Age of

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<sup>298</sup> W. Beveridge, *Full Employment in a Free Society*, Allen and Unwin, London, 1944.

<sup>299</sup> P. Clarke, ‘The Keynesian Consensus and its Enemies: The Arguments over Macroeconomic Policy in Britain since the Second World War’, in D. Marquand and A. Seldon (eds.), *The Ideas that Shaped Post-War Britain*, op.cit., p.67.

<sup>300</sup> Ibid., pp.67-68. Clarke traces the term ‘macro-economic’ to an article by P. De Wolff in 1941 in the *Economic Journal*, of which Keynes was the editor. Keynes never himself used the term.

<sup>301</sup> E. Durbin, *New Jerusalem’s: The Labour Party and the Economics of Democratic Socialism*, op.cit., ch.3.

<sup>302</sup> Discussed in Chapter 2. The classic account is B. Pimlott, *Labour and the Left in the 1930s*, Cambridge University Press, Cambridge, 1977.

<sup>303</sup> D. Winch, *Economics of Policy: A Historical Survey*, Fontana, London, 1972.

<sup>304</sup> The strange coalition that existed in favour of planning on the far right (Mosley) and far left (Strachey) did not meet with Keynes’ approval; see, for example, E. Durbin, *New Jerusalem’s: The Labour Party and the Economics of Democratic Socialism*, op.cit.

<sup>305</sup> However, Clarke offers a corrective to this commonly held definition by adding that “in the *General Theory* the concept of effective demand had been defined as *investment* plus immediately prospective consumption, consistent with Keynes’ long-standing record of wishing to regulate investment so as to make full use of resources. Consumer demand was thus only one side of Keynes’ story - and not the one which he himself chose to emphasize”, ‘Keynes and Keynesianism’, *Political Quarterly*, vol.69, no.3, pp.303-4.

Hayek<sup>306</sup>. This was expressed by W. H. Greenleaf as an alternation between individualistic and collectivist emphases in the evolution of politics<sup>307</sup>. This is similar to Albert Hirschman's conception of swings back and forth between the public and the private sphere<sup>308</sup>. Such conceptualization is contestable here on two counts. First, it is arguable whether the economic policy of the governments that preceded Thatcher was in fact Keynesian<sup>309</sup>. Second, the point has been made that the Thatcher governments, while adopting for a time the economics of monetarism, never totally abandoned the demand-side policies associated with Keynesianism. There is, nonetheless, a valid distinction between the post-war years, when governments co-opted Keynesian economic methods - and objectives, such as the maintenance of full employment set out in the 1944 White Paper - and the reversion to, at the very least, a perspective which did not share these methods and objectives. There was though a very clear alternative agenda being put forward. In his Mais lecture in 1984, Nigel Lawson argued that the correct role of macro-economic policy is "the conquest of inflation, and not the pursuit of growth and employment"<sup>310</sup>. This represents, as Andrew Gamble observes, a return to the political ideas of classical liberalism, specifically negative freedom and laissez-faire. Jim Tomlinson offers an historiography:

*"In the middle decades of the twentieth century the rise of full employment as a central concern of economic policy coincided with a seemingly enhanced capacity of national governments to manage their economies to achieve such a goal. In the 1970s and 1980s the political commitment to full employment eroded at the same time as the constraints on national economic management tightened"*

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<sup>306</sup> See A. Gamble, 'Ideas and Interests in British Economic Policy', *Contemporary British History*, vol.X, no.2.

<sup>307</sup> W. H. Greenleaf, *The British Political Tradition, Volume Two: The Ideological Heritage*, Methuen, London, 1983.

<sup>308</sup> A. O. Hirschman, *Shifting Involvements: Private Interest and Public Action*, Martin Robertson, 1982.

<sup>309</sup> C. Pierson, 'Social Policy', in D. Marquand and A. Seldon (eds.), *The Ideas that Shaped Post-War Britain*, op.cit., p.153.

<sup>310</sup> N. Lawson, *The View from No.11: Memoirs of a Tory Radical*, Bantam, London, 1992, pp.414-15.



*substantially*”<sup>311</sup>.

The difficulties facing the Labour governments of the 1970s<sup>312</sup> which preceded Thatcher were numerous and are subject to dispute over interpretation<sup>313</sup>. The break with Keynesianism came in two phases. The first was the 1975 budget which saw a cut in public expenditure. The second occurred one year later, the events surrounding the Treasury’s application for a loan to the International Monetary Fund (IMF). The key issue for a deeply divided cabinet was, according to Sassoon: “Whether or not the government should cut public expenditure to meet the conditions demanded by foreign leaders in order to placate the foreign exchange markets”<sup>314</sup>. Opposition from within the cabinet was led by Anthony Crosland, as Tony Benn’s diaries make clear<sup>315</sup>, and by others including Roy Hattersley. But it was clear that the economic strategy of public expenditure and full employment, funded through a combination of growth, borrowing and progressive taxation, which Crosland had heralded twenty years earlier, was at an end. The strategy of borrowing - a central tenet of Keynesian policy - was described as “living on borrowed time” by Callaghan at the 1975 Labour Party conference:

*“We used to think that you could spend your way out of recession and increase employment by cutting taxes and boosting government spending. I tell you in all candour that option no longer exists”*<sup>316</sup>.

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<sup>311</sup> J. Tomlinson, ‘Full employment and national economic management in the 1990s, *Renewal*, vol.1, no.2, April 1993, p.20.

<sup>312</sup> Harold Wilson headed the first government from March 1974 to April 1976, whereby James Callaghan resumed the premiership up to the General Election defeat in May 1979.

<sup>313</sup> For a concise account of these developments see D. Sassoon, *One Hundred Years of Socialism: The West European Left in the Twentieth Century*, op.cit., pp.499-509.

<sup>314</sup> *Ibid.*, p.503.

<sup>315</sup> T. Benn, *Against the Tide: Diaries, 1973-76*, Arrow Books, London, 1989, p.674.

<sup>316</sup> J. Callaghan, Labour Party Conference Annual Report, Labour Party, London, 1976, p.188.

So Keynesianism was abandoned first by Labour. But as Donald Sassoon wrote, “when the tocsin of Keynesianism rang throughout Europe, it was to herald the advent of so-called monetarism, not the surge of a new radical economics”<sup>317</sup>. Members of the New Cambridge School, like Nicholas Kaldor, Wynne Godley and Francis Cripps, who continued to argue its efficacy lost influence both in government and in the country to journalists like Peter Jay and Samuel Brittan<sup>318</sup> who advocated monetarist ideas<sup>319</sup>. Both had served as Keynesian economists at the Treasury in the 1960s<sup>320</sup>. Richard Cockett’s *Thinking the Unthinkable: Think-Tanks and the Economic Counter-Revolution, 1931-1983* outlines the evolution of monetarism, stressing the impact of the Institute of Economic Affairs and its key pamphleteers, the economists’ Milton Friedman and Alan Walters<sup>321</sup>. Cockett argues that monetarism’s rise to political supremacy was necessarily preceded by the intellectual revival of the ideas of economic liberalism<sup>322</sup>.

There were essentially two responses by Labour to the erosion of Keynesianism, the apparent failure of the Wilson and Callaghan cabinets and the advent of Thatcherism. The first was the design of the *Alternative Economic Strategy* (AES), based broadly on an analysis of industrial democracy and a central role for public ownership. Associated with the left of the party, it was formulated in the 1970s but rose to the fore of the party in the early 1980s. The second is symbolised by the Policy Review at the end of the decade and can be seen as a rejection of the AES but, more importantly, as a much broader attempt to recast Labour’s economic ideas and policy.

The Labour administrations of the 1970s, and to a lesser degree the 1960s, were attacked on many fronts, and from within and without the party. Its policies on the welfare state, so conditioned by economic

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<sup>317</sup> D. Sassoon, *One Hundred Years of Socialism: The West European Left in the Twentieth Century*, op.cit., p.501.

<sup>318</sup> Ibid., pp.500-1.

<sup>319</sup> Although Peter Jay was “unusual in being one of the very few converts to monetarism who did not embrace Thatcherism or Conservatism, but instead tried to fit monetarism into a specifically Labour political context”; quoted in R. Cockett, *Thinking the Unthinkable: Think-Tanks and the Economic Counter-Revolution, 1931-1983*, Harper Collins, London, 1995, pp.185-6.

<sup>320</sup> Ibid., p.185.

<sup>321</sup> Ibid., ch.4.

requisites, and a failure to reduce inequalities brought much criticism (Chapter 5). Barbara Castle's 1969 White Paper, *In Place of Strife*, aimed to create a structure for industrial relations based on centralized trade unions. The proposals to require unions to hold a ballot on official strikes which were deemed contrary to the public interest or the economy, and to give government the power to impose a solution on inter-union disputes over recognition, were opposed by many union leaders and Labour MPs, and subsequently defeated in the House of Commons<sup>323</sup>. For some on the left, the critique was based on a failure to continue along the road of public ownership<sup>324</sup>. The core of Labour's economic policy at both the February and October general elections<sup>325</sup> was an industrial strategy. In particular, the manifestos proposed the creation of a state holding company, the National Enterprise Board. In government, the NEB was assigned the power to extend public ownership into profit-making sectors of the economy<sup>326</sup>. However, the most radical document was *Labour's Programme* of 1973. Its commitment to nationalize the top twenty-five companies, bringing them under NEB control, was omitted from the manifestos of the following year<sup>327</sup>. Tony Benn's *Arguments for Socialism* is representative of many on the left's verdict on the non-event of a real extension of public ownership<sup>328</sup>. There was real debate over the role of the National Enterprise Board, the extent for instance to which it should seek bi-partisan agreement between government and companies<sup>329</sup>, but with Britain entering a period of severe economic crisis, an agenda of public ownership was viewed by most Cabinet ministers as patently unfeasible<sup>330</sup>.

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<sup>322</sup> Ibid., p.2.

<sup>323</sup> For a detailed account of these events, see L. Minkin, *The Contentious Alliance: Trade Unions and the Labour Party*, Edinburgh University Press, Edinburgh, 1991, p.114-17.

<sup>324</sup> The most influential work pursuing this argument was S. Holland, *The Socialist Challenge*, Quartet Books, London, 1975, esp. pp.211-220.

<sup>325</sup> Labour Party, *Let Us Work Together*, the Labour Party, London, February and October, 1974.

<sup>326</sup> Labour Party, *Let Us Work Together*, the Labour Party, London, February 1974, pp.10-11.

<sup>327</sup> M. Hatfield, *The House the Left Built*, Gollancz, London, 1978, ch.8.

<sup>328</sup> T. Benn, *Arguments for Socialism*, Jonathan Cape, London, 1979, ch.2.

<sup>329</sup> N. Ellison, *Egalitarian Thought and Labour Politics: Retreating Visions*, op.cit., pp.168-9.

<sup>330</sup> Ibid., p.169.

Following the 1979 election defeat the left came to dominate the party, in constituencies and the NEC<sup>331</sup>, although not in the major trade unions<sup>332</sup>. The left, led by Tony Benn, advocated the *Alternative Economic Strategy* devised by Stuart Holland<sup>333</sup>. Extensive central planning and ownership were fundamental. The state should “ensure direct control of the strategic decision making in a range of leading companies” and, wrote Holland, “coordinate the planned expansion of such firms to fulfil new economic and social objectives”<sup>334</sup>. For Nicholas Ellison, in his study of the relationship between ideas and Labour politics, it represented the “re-emergence of the technocratic left”<sup>335</sup>. Yet it was a strategy that could only have been born out of the era in which it was framed. It was a response to the problems facing Labour in power based on an analysis of political economy. It set demands for greater industrial democracy alongside “an early faith in state-directed technology”<sup>336</sup>. Its underpinning, as Ellison correctly writes, is a “class analysis which would have been foreign to Tawney or Titmuss - if rather less to Cole”<sup>337</sup>. There is another reason why the AES should be understood in the context of its age. Its analysis of economic policy in relation to Britain’s place in the world was an early response to a new phenomenon - or, at least, an old phenomenon now described as *globalization*<sup>338</sup>. Tony Benn in 1970 described the multinational firm as an “entirely new type of economic organism” and “a new source of economic power no longer anchored to the geography of the nation state”<sup>339</sup>. The solution, a strategy based on import controls and other restrictions, was raised but defeated in the Labour Cabinet in July 1976<sup>340</sup>. It was, as Leonard Tivey has argued, “highly

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<sup>331</sup> P. Seyd, *The Rise and Fall of the Labour Left*, Macmillan, London, 1987, ch.7.

<sup>332</sup> L. Minkin, *The Contentious Alliance: Trade Unions and the Labour Party*, op.cit., p.407.

<sup>333</sup> S. Holland, *The Socialist Challenge*, op.cit.

<sup>334</sup> Ibid., p.159.

<sup>335</sup> N. Ellison, *Egalitarian Thought and Labour Politics: Retreating Visions*, op.cit., p.152.

<sup>336</sup> Ibid., p.155.

<sup>337</sup> Ibid., p.155.

<sup>338</sup> Discussed below.

<sup>339</sup> T. Benn, *Office Without Power: Diaries 1968-72*, Arrow Books, London, 1989, p.507.

<sup>340</sup> For an objective account of the events following the publication of the AES, see N. Ellison, *Egalitarian Thought and Labour Politics: Retreating Visions*, op.cit., pp.156-187.

nationalist in implication” but more significantly it illustrated “the non-viability of any domestically centered economic policy”<sup>341</sup>.

The Labour left fractured in the early 1980s. Different reasons are cited for the split which saw the formation of ‘soft left’ and ‘hard left’ groupings<sup>342</sup>. These concern the type of response Labour should have offered to defeat Thatcherism<sup>343</sup>, the nature of Tony Benn’s quasi-official leadership of the left<sup>344</sup> and the extent to which the party should have tolerated entryist organizations<sup>345</sup>. More important was the analysis of the soft left - who had forged the divide - over fundamental questions of economic ideas and policy. The formal break in 1981 is indicative of why Labour was to engage in an official examination of its policy, and economic policy in particular. Key figures on the left led by Neil Kinnock publicly declined to vote for Benn, by abstaining in a deputy leadership contest resulting in victory for Dennis Healey, the former Chancellor<sup>346</sup>. The soft left under the leadership of Kinnock formed a compact with the right of the party which saw it wrestle control of the party away from the hard left, and move decisively away from the AES. There were various reasons for this, but not least among them were the impact of Thatcherism and an analysis of fundamental economic, social and cultural change which had critical implications for the Labour Party.

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<sup>341</sup> L. Tivey, ‘Economic and Industrial Policy’, in L. Tivey and A. Wright, *Party Ideology in Britain*, op.cit., p.145.

<sup>342</sup> A concise account of this episode can be found in, D. Kogan and M. Kogan, *The Battle for the Labour Party*, Kogan Page, London, 1983.

<sup>343</sup> Discussed below.

<sup>344</sup> P. Seyd, *The Rise and Fall of the Labour Left*, op.cit.

<sup>345</sup> The Trotskyite organization, Militant, had began a strategy of infiltration, or entryism, into the Labour Party in the early 1970s (although the history of similar attempts begins from the time of the party’s formation). It was a striking ambition of the Kinnock leadership, supported by the soft left, to expel its members from the party (the story is told in M. Crick, *The March of Militant*, Faber and Faber, London, 1986). This was viewed by the hard left as undemocratic, as part of a wider attack on the left and a threat to the vibrancy of local constituency parties. See R. Heffernan and M. Marqusee, *Defeat from the Jaws of Victory: Inside Kinnock’s Labour Party*, op.cit., ch.10.

## 2. Thatcherism and the economy

Much of this debate took place in circles formally outside the Labour Party, notably in the publication *Marxism Today*<sup>347</sup>. It is not a straightforward task to state which publications are linked to the Labour Party or exist within the same broad political parameters. The Fabian Society has an historical relationship with the labour movement, pre-dating the party itself. It is a component part of Labour's federal constitution and a key arena for the expression of the party's political ideas. The *New Statesman*, established by the Webbs, has played an equivalent role in the contribution to debate over Labour's policies and ideas. Its writing is marked by broader social and political concerns and it is not formally connected to the Labour Party. But its editorial allegiance is with Labour, whom it endeavours to influence. In contrast, *Marxism Today* was associated with a number of Marxist intellectuals. Its roots are in the 'Eurocommunist' Communist Party of Great Britain. But it proved to be the most influential.

The magazine's editor, Martin Jacques, and Stuart Hall pioneered the analysis of *Thatcherism*. Hall observed the radicalism of Thatcher's "commitment to break the mould and not simply to rework the elements of the prevailing 'philosophies'"<sup>348</sup>. The success of Thatcherism as a political project, as claimed by *Marxism Today*, was its ability to "outflank Labour and appeal directly to working class support",

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<sup>346</sup> For a detailed account of the manoeuvring behind the 1981 deputy leadership contest see R. Harris, *The Making of Neil Kinnock*, Faber and Faber, London, 1984, ch.15.

<sup>347</sup> *Marxism Today* was published for fourteen years between 1978 and 1992; for an 'autobiography' from the editor's chair see M. Jacques' article in the final issue, 'The Last Word', *Marxism Today*, December 1991-January 1992, pp.28-9.

<sup>348</sup> S. Hall, 'The Great Moving Right Show', in S. Hall and M. Jacques, *The Politics of Thatcherism*, Lawrence and Wishart/Marxism Today, London, 1983, p.25.

undermining the party's traditional electoral base<sup>349</sup>. Thatcherism's appeal was ideological: by combining "the aggressive themes of a revived neo-liberalism - self-interest, competitive individualism, and anti-statism" with conservatism's appeal to "nation, family, duty, authority, standards and traditionalism"<sup>350</sup>. Hall and Andrew Gamble, another key contributor, contend that Thatcherism signified the welding of two ideological strands which, axiomatically, are viewed as distinct. Thus, classical liberalism and conservatism came together in the form of the 'free economy and the strong state'<sup>351</sup>. There are tensions between the two, Gamble argued in 1984, yet "it is precisely what makes Thatcherism an indispensable construct for analysing recent British politics that so far they have been successfully reconciled through the political strategy and practice of the present Conservative leadership"<sup>352</sup>.

The work of many of these intellectuals culminated in the publication of *New Times*<sup>353</sup>, which sought to unite many of the arguments which were first published in *Marxism Today* between 1985 and 1989. The central theme of this work is that both society and political economy had undergone dramatic change. Capitalist societies "are increasingly characterised by diversity, differentiation and fragmentation", wrote Hall and Jacques, "rather than homogeneity, standardisation and the economies and organisations of scale which characterised modern mass society"<sup>354</sup>. This thinking owed much to Andre Gorz's *Farewell to the Working class*, published in 1982, which sought to demonstrate how changes in the labour market have weakened the power of skilled, industrial workers. For Perry Anderson, not only had working class identification declined, work itself had been "feminized"<sup>355</sup>. The degree of social change in the labour market through the 1980s was extensive. This particularly concerned the numbers of women in part-time

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<sup>349</sup> Ibid., p.27.

<sup>350</sup> Ibid., p.29.

<sup>351</sup> A. Gamble, *The Free Economy and the Strong State*, Macmillan, London, 1988.

<sup>352</sup> A. Gamble, 'The lady's not for turning: Thatcherism mark III', *Marxism Today*, June 1984.

<sup>353</sup> S. Hall and M Jacques, *New Times: The Changing Face of Politics in the 1990s*, Lawrence and Wishart, London, 1989.

<sup>354</sup> Ibid., p.11.

<sup>355</sup> P. Anderson, *English Questions*, Verso, London, 1992, p.324.

work and the rise of the dual-worker family. Again, in terms of policy areas, this trend illustrates a cross-over between economic and social policy. The change in composition of the labour market and the role of women had vital implications not only for work patterns, but for child care policy and social security (see Chapter 5).

What these developments represent to Hall and Jacques is no less than a transformation of capitalism itself, from ‘fordism’ to ‘post-fordism’. The implication was plain for left and right. The left, it was argued, had failed to comprehend the significance of the change and was still wedded to the past. This produced a political vacuum filled by a radical free market project which rested easily with such a transformation. The writing of *Marxism Today* accepted the conventional electoral analyses about social class<sup>356</sup> and its implications for the Labour Party. The conception, however, of post-fordism was a generalisation of which Labour was a part. David Marquand put the implication of these changes for Labour most brutally: “Labour’s prison is almost palpable. In ideology and interest it is the child of ‘Fordist’ mass production, shot through and through with the assumptions, myths and values of the industrial order which is breaking up before our eyes”<sup>357</sup>.

For many on the left of course, *Marxism Today* came close to ideological blasphemy<sup>358</sup>. In a cutting critique of the *New Times* project, Gregory Elliott notes: “Lenin had envisaged the possibility of communists without a party. He had not conceived of the CP’s invention: a Party without Communists”<sup>359</sup>. The basis of the critique was that the cited hegemonic power of Thatcherism was not countered but accepted and, thereby, legitimized; *Marxism Today* was “mesmerized” by Thatcherism<sup>360</sup>. Heffernan and Marquand

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<sup>356</sup> Discussed above, pp.94-5.

<sup>357</sup> D. Marquand, ‘Spot the Radical’, *Marxism Today*, July 1988.

<sup>358</sup> A number of articles in *New Left Review* accused the writers of moving towards economic liberalism. It is described by Ralph Miliband, in the title of an article, as ‘The New Revisionism’, *New Left Review*, no.150, March-April 1985. See also B. Jessop, ‘Farewell to Thatcherism? Neo-liberalism and “New Times”’, *New Left Review*, no.179, January-February 1990.

<sup>359</sup> G. Elliott, *Labour and the English Genius*, Verso, London, 1993, p.149.

<sup>360</sup> *Ibid.*, p.149.



argued that despite the opinion poll evidence to the contrary, the magazine agreed that “working people had succumbed to Tory ideology”<sup>361</sup>. This amounts to a realignment between the Communist Party and the soft left:

*“In a display of crude economism, the leadership and its apologists on the ‘soft left’ accepted that the Lawson economic boom was a permanent feature and that the ‘success’ of the Thatcher government had enabled the Prime Minister to implant her values within a significant section of the working class. These values could not therefore be contested by the labour movement”*<sup>362</sup>.

The work of the key protagonists of the *Marxism Today* analysis came from the Communist Party but ended up not too far away from Kinnock’s Labour Party. However, if the inception was different, the perception of Hall, Jacques and others, on social, economic and political change, is broadly comparable. There was a shared critique both of Thatcherism and former Labour governments. In this sense, the publication played its own role in the history of revisionism. In the final ever issue of *Marxism Today*, Bryan Gould played tribute to its insistence that “the Left always need to keep an open mind and be prepared to grapple with changed circumstances”<sup>363</sup>. Towards the end of its 14 year life, the editor of *Marxism Today*, Martin Jacques, announced that the Communist Party of Great Britain made “much of the intellectual running for Labour’s Kinnockite revolution”<sup>364</sup>. In this, it had been the “ideological protagonist against the hard left”

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<sup>361</sup> R. Heffernan and M. Marqusee, *Defeat from the Jaws of Victory*, op.cit., p.63.

<sup>362</sup> Ibid., p.95.

<sup>363</sup> B. Gould, ‘What Marxism Today has Meant to Me’, *Marxism Today*, December 1991-January 1992.

<sup>364</sup> M. Jacques, *The Times*, 13 September 1990.

and “acted like the Labour revisionists of the fifties”<sup>365</sup>. Certainly, critics of both institutions have noted the convergence.

### 3. Political ideas and economic policy

The central issue for Labour in the 1980s, in terms of political ideas and policy, concerned the balance between the state and the market. The period can be viewed, in terms of the development of political ideas, as representing the democratic socialist appropriation of the market. This entailed an attempt to bridge the traditional polarisation between the public and private sectors. However, it is not correct to argue, with Colin Hay, that at some point in the late 1980s Labour accommodated itself to the market<sup>366</sup>. Since the Second World War, discounting the AES challenge, Labour have accepted the framework of the ‘mixed economy’; that is, an economy with both public and private provision. Indeed, the national wealth produced from the market economy would provide the basis of social welfare<sup>367</sup>. The acceptance of the mixed economy is held, for instance by Dennis Kavanagh<sup>368</sup>, as one of the central tenets of the post-war years, even if this cannot be described as consensus<sup>369</sup>. What was new about the party’s thinking in the 1980s was the attempt to define what was meant by the state and the market: what were the parameters of each? This took the form of two imperatives, intellectual and political, although the two are not wholly separable. The

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<sup>365</sup> Ibid.

<sup>366</sup> C. Hay, ‘Labour’s Thatcherite Revisionism: Playing the ‘Politics of Catch-Up’, pp.700-7.

<sup>367</sup> S. Padgett and W. E. Patterson, *Social Democracy in Postwar Europe*, Longman, London, 1991, p.24.

<sup>368</sup> D. Kavanagh and P. Morris, *Consensus Politics from Attlee to Thatcher*, Blackwell, Oxford, 1989.

<sup>369</sup> N. Deakin, *The Politics of Welfare: Continuities and Change*, op.cit., ch.2.

political necessity originates from an intellectual concern that Thatcherism appropriated the idea of freedom, with huge political resonance, and that Labour needed to re-engage with political ideas in order to affirm, or re-affirm, freedom as a socialist idea. Anthony Wright claims that the central question for contemporary socialism is how to have a more equal society in which freedoms are retained<sup>370</sup>. As we have seen this question resonated throughout the century; now it was to be tackled head-on.

In the 1980s the market was central to this equation. Labour politicians, including the more intellectual figures like Bryan Gould, Roy Hattersley and Giles Radice, ventilated what they understood to be the value and utility of certain aspects of the market. In 1989, Gould wrote that the question for Labour was no longer whether or not to embrace the market, but how to use it<sup>371</sup>. It was not seen as convincing to allude to the market as a tolerable, but subordinate, arena. If Labour could be more confident about where the market was efficient and morally justified, then the arguments about where the market's operations should cease, and that the state's hand would be fairer, would be more convincing and coherent. The work of Bryan Gould was particularly important:

*“Any consideration of the market as an instrument of socialist policy must begin with the recognition that it is likely to be in many areas a more efficient and acceptable allocator and distributor of scarce resources, and a more sensitive means of meeting consumer preferences, than any system of planning could conceivably be”<sup>372</sup>.*

It is argued that a polarisation between the market and the state is ill founded: a transpositional agenda is a false one. Gould argued that to present the state and the market as two irreconcilable and distinct entities

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<sup>370</sup> A. Wright, *Socialisms*, op.cit., p.133.

<sup>371</sup> B. Gould, *A Future for Socialism*, Jonathan Cape, London, 1989, p.95.

<sup>372</sup> *Ibid.*, p.95.

was false. In the first place he argued that they could never exist as alternatives in the first place: “The invitation we are sometimes offered, to debate the question of whether socialists in Britain should accept or reject the market concept in its entirety, is...a ludicrous piece of self-delusion. By pretending to ourselves that there is a real option - of doing without the market altogether, we engage in a debate that has no meaning anywhere else in the world”<sup>373</sup>. Rather:

*“We should do much better to acknowledge that the question for us, as for virtually every other society and economy, is not whether or not the market, but where, how, and for what purposes? What tasks can the market perform better than other social and economic mechanisms? Where are markets inappropriate and better replaced - and by what? When and how should they be monitored and regulated? These are the real questions - the questions that matter to socialists and that have to be answered in modern politics”<sup>374</sup>.*

All of this led to a more theoretical attempt to place the market within socialism. A number of political thinkers collaborated, adopting the notion of *market socialism* to describe their project. The ‘market socialists’ were thinkers associated with the Labour Party (as political parties are always surrounded by political thinkers - academics, journalists and intellectuals - of greater and lesser influence). They rose from the ‘Socialist Philosophy Group’ of the Fabian Society which was set up following the 1983 General Election. Their discussions resulted in collaboration in a work which featured chapters by all key participants. Primarily, these were: Raymond Plant, David Miller, Julian Le Grand, Saul Estrin and David Winter. The text was published to controversy and acclaim in 1989, right in the middle of the Labour

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<sup>373</sup> Ibid., pp.94-95.

Party's Policy Review period<sup>375</sup>. It was the nearest social democracy came to a school of thought in the 1980s.

Market socialism was based on two imperatives: the paucity of thinking within socialism on the market and the apparent success of Thatcherism. Further, it was noted that the two were not unrelated. As such, it was conducted as an explicit exercise in political ideas because it involved a critical analysis of the traditional socialist values of liberty and equality, and their relationship to the balance between the state and the market. The two were connected because it was held that the historical displacement of the market from socialist thinking was deeply problematic and posed fundamental problems for Labour in office.

## **Market socialism**

The market socialists sought to transcend the state and the market. The central values of liberty and equality are re-evaluated within this context. They argued that to speak of *either* wholly public - always defined as state - services or the private sector is problematic and unhelpful. Nicholas Ellison has defined the term market socialism as: "a variety of possible forms of political and economic organization where social or cooperative systems of ownership are integrated with the market, suitably reformed and 'democratized', as the most efficient system of allocation"<sup>376</sup>. Hattersley, though he does not use the term

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<sup>374</sup> Ibid., p.95.

<sup>375</sup> J. Le Grand and S. Estrin (eds.), *Market Socialism*, Clarendon Press, Oxford, 1989.

<sup>376</sup> N. Ellison, *Egalitarian Thought and Labour Politics: Retreating Visions*, op.cit., p.277.

market socialism, advocated the expansion of consumer and worker cooperatives, including public investment of private initiatives, as a means of social ownership<sup>377</sup>.

On one level, and most acutely in relation to the history of political ideas, this would appear, at the least, highly contentious and, at the most, highly confused. This is because the market and the socialist values of liberty, equality and community are widely thought to be at different ends of an ideational continuum. Socialism's very conception can be portrayed as a reaction *against* the perceived ethical injustices and economic inadequacies of the market. Both these critiques came from different socialist traditions; one from ethical socialism, the other from Fabianism<sup>378</sup>. Fabianism, the dominant form of socialism in Britain, was very much a product of the Enlightenment, destined to reform or even replace an 'unplanned' and 'disorganized' market economy, representing a victory for rational thought over such irrationalities as the market<sup>379</sup>. The 'ethical' tradition, personified by the writing of William Morris, but originating from the pre-Marx 'utopian' writing in France, argued against a process of industrialization whose own ethic, based on greed and competition, debased human relations<sup>380</sup>. The market socialists did not disagree with either of these traditions, but they sought to demonstrate that the market and capitalism were two different entities.

The "decoupling" of the market and capitalism was central to a work by Julian Le Grand and Saul Estrin, *Market Socialism*<sup>381</sup>. The analysis presented is the familiar one about means and ends, and the importance of rigorously maintaining this contradistinction, examined earlier. But it is taken further in order to enable a socialist understanding of the market. Alec Nove's *The Economics of Feasible Socialism*

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<sup>377</sup> R. Hattersley, *Economic Priorities for a Labour Government*, Macmillan, London, 1987, pp.162-3.

<sup>378</sup> Chapter 2.

<sup>379</sup> A. Wright, *Socialisms*, op.cit., pp.24-5.

<sup>380</sup> B. Crick, *Socialism*, Open University Press, Milton Keynes, 1987, ch.3.

<sup>381</sup> J. Le Grand and S. Estrin (eds.), *Market Socialism*, op.cit.

tried to attach markets with socialism as a means of attaining economic efficiency<sup>382</sup>. Le Grand and Estrin ascribe to Crosland's revisionist argument that public ownership is a means but not a socialist end. It is asserted that markets may or may *not* be a means for capitalist ends, that the mechanism of the market can be co-opted for socialist ends. This argument is novel and deeply contentious:

*“There is nothing intrinsic in planning that implies equality or in nationalization that eliminates exploitation. Nor, by extension, is there anything intrinsic in markets that prevents them from being used to achieve those ends”*<sup>383</sup>.

This is similar to the kind of analysis which was coming from inside the Labour Party. Bryan Gould, for instance, points out that the market may entail a “decentralization of economic power” in contrast to the centrally planned economy<sup>384</sup>. Such decentralization encourages the possibility of innovation. The subtle but crucial difference with this analysis and that of the advocates of the free market is that this is a matter of potential and cannot be presumed<sup>385</sup>; that is to say that the market economy *may* create opportunity, freedom and innovation, but this is not inevitable. Again, a distinction is being made between the market and capitalism.

For Raymond Plant, what is critical about the relationship between the market and socialism is that the market is seen as a procedural mechanism and socialism is defined in terms of particular end states<sup>386</sup>. Chapter 3 examined how socialist thinking is often dominated by the debate about socialist means and

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<sup>382</sup> A. Nove, *The Economics of Feasible Socialism*, Allen and Unwin, London, 1983.

<sup>383</sup> J. Le Grand and S. Estrin (eds.), *Market Socialism*, op.cit., p.2.

<sup>384</sup> B. Gould, *A Future for Socialism*, op.cit., p.96.

<sup>385</sup> Ibid.

<sup>386</sup> R. Plant, ‘Socialism, Markets and End States’, in J. Le Grand and S. Estrin (ed.), *Market Socialism*, op.cit., pp.50-53.

socialist ends, and the contention that the former, mistakenly, has been taken more seriously than the latter, even confused with the latter. Market theorists argue that the market is neutral and therefore its results, unintended and non-arbitrary, are neutral. That this is regarded as fair is precisely because it does not envisage an end state. As Plant reminds us, Hayek deployed the term “fatal conceit” to describe the attempt to coalesce the market with various such end states, be it social justice or equality<sup>387</sup>.

For Jim Tomlinson, market socialism added little more than a “socialist gloss” to the ideas of Hayek<sup>388</sup>. The observation that appears to follow from this point is that market socialism is the contemporary incarnation of the ‘mixed economy’ or ‘welfare capitalism’. At the level of structure it is hard to dispute the comparison. Market socialists do advocate a *mixed* system, although not just a combination of public and private ownership, but a more sophisticated variety of forms of social ownership. Likewise ‘welfare capitalism’, a term employed by post-war Marxists, appears to be comparable in its assessment. The welfare state, wrote Ian Gough, is a “constituent feature of modern *capitalist* societies”<sup>389</sup>. Market socialists would not disagree. To Rodney Barker this may be a source of strength: “by taking seriously some of the arguments of the New Right, Raymond Plant was able to place on new foundations the case for equality which earlier socialists had placed on an ethical base”<sup>390</sup>. Plant deploys the economic liberal argument that there is no criteria by which goods can be distributed to show that “no individual merits more or less in the distribution of those basic resources which are necessary to enter the market on a fair basis and thus those resources should be distributed as equally as possible”<sup>391</sup>.

On one level, this analysis grew out of a disillusionment with a traditional *statist* socialism: “in its most radical form market socialism will go a long way towards accepting the neo-liberal critique of

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<sup>387</sup> Ibid., p.53.

<sup>388</sup> J. Tomlinson, in B. Hindness (ed.), *Reactions to the Right*, Routledge, London, 1990, p.45.

<sup>389</sup> I. Gough, *The Political Economy of the Welfare State*, Macmillan, London, 1979, p.3.

<sup>390</sup> R. Barker, *Political Ideas in Modern Britain: In and After the Twentieth Century*, second edition, op.cit. p.268.

<sup>391</sup> R. Plant, ‘Socialism, Markets and End States’, op.cit., p.67.



traditional socialism, based as it is upon end states and a conception of the good”<sup>392</sup>. On another level, the basis of the market socialist case is a critique of the free market. David Miller disputes the New Right argument that the free market can be compared with a democratic voting system, that “the market is a kind of permanent plebiscite in which the consumer registers a vote each time he or she purchases one item rather than another”<sup>393</sup>. Miller counters that preferences in a voting system have equal weight, whereas in the market they depend upon peoples’ talents and abilities, as well as their resources. In turn, these can be divided and distinguished between factors which are *natural* in that the individual bears no responsibility for their making, such as genetic endowment and fortunate home background: “On the market socialist view these should be compensated for so as to enable people to enter the market on the fairest possible terms”<sup>394</sup>. There is a deep historical echo when Plant argues that “in order to realize what is valuable about liberty, we have to be able to pursue values of our own, and to do this we have to have abilities, resources, and opportunities”<sup>395</sup>.

Thus it may be argued that the market socialists are the inheritors of the new liberal tradition as much as any socialist one. The conception of positive liberty is central to both. The cross-over between the ideas of the new liberals and the ethical socialists was examined in Chapter 2. From such a perspective, it can be seen how it is then possible for the market socialists to argue in favour of the redistribution of resources. This is because Plant, like Miller, tackles the argument that markets are not unfair or coercive because their outcomes are not intended<sup>396</sup>. He equates responsibility with *foreseeability*. Thus, even though a particular outcome may not be intended, if the result of one’s actions can be anticipated then the

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<sup>392</sup> Ibid., p.63.

<sup>393</sup> D. Miller, ‘Why Markets?’, in J. Le Grand and S. Estrin, (eds.), *Market Socialism*, op.cit., p.35

<sup>394</sup> Ibid., p.64.

<sup>395</sup> R. Plant, ‘Socialism, Markets and End States’, op.cit., p.65.

<sup>396</sup> Ibid., p.65-68.

actor is responsible for them. Plant then applies this argument to the market. If it is foreseeable that the operation of a free market will entail poverty, and it is known that some alternative exists (such as redistribution), then it is “difficult to evade responsibility for this outcome even if it was not part of any individual’s intention”<sup>397</sup>. Plant’s faith in the market, however, is retained because his positive conception of liberty is still a starting-gate theory, not an end-gate one. It endeavours to create fair starting points prior to participation in the market. The historical roots of this analysis are in the conception ‘equality of opportunity’. This is a notion which for socialists has always been cast in a less radical light to equality of outcome<sup>398</sup>, but whose radical implications - particularly in education - were elucidated by Crosland<sup>399</sup>. It is quite clear in the work of the market socialists, particularly Plant, that equality of opportunity is *precisely* what is being advocated.

However, a fundamental question must now be asked. Does there remain a contradiction between the advocacy of an improved market economy and a greater starting-gate equality? The dilemma of social democracy, according to Tim Tilton, has always been “how to abolish the negative effects of the capitalist system without, at the same time, injuring the laws and mechanisms of the system itself”<sup>400</sup>. Plant recognises this dilemma explicitly<sup>401</sup>. He states that he is not dismissing end-state principles altogether, because the initial redistribution will involve very traditional assessments of “need, effective liberty, and social justice”. He cites an earlier article by Miller and Estrin in which they make this very point:

*“It is quite feasible to think of a division of social resources between those earmarked to satisfy needs and those serving to reward merit,*

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<sup>397</sup> Ibid., p.66.

<sup>398</sup> B. Crick, *Socialism*, op.cit., pp.88-98.

<sup>399</sup> See Chapter 3.

<sup>400</sup> T. Tilton, *The Political Theory of Swedish Social Democracy: Through Welfare State to Socialism*, Clarendon Press, Oxford, 1990, p.234.

<sup>401</sup> R. Plant, ‘Socialism, Markets and End States’, op.cit., pp.74-75.

*and to provide the incentives necessary to make a market sector function effectively*<sup>402</sup>.

#### **4. The Policy Review: market failure and market socialism?**

There was significant congruity between the thinking of the market socialists and key Labour figures. Although market socialism was the explicit agenda of self-professed advocates, the ideas of many within the Labour Party were very similar. They shared the same analysis of the primacy of asserting the values of socialism and the importance of asserting the significance and role of the market. It has been observed that Hattersley's ideas "owed much to discussions with Raymond Plant and others who were attempting to rethink socialist attitudes to liberty and markets"<sup>403</sup>. The extent to which Labour intellectuals influenced Labour Party *policy* demands an examination of the Policy Review.

The Policy Review was structured as seven Policy Review Groups, three of which in broad terms concerned economic policy: *A Productive and Competitive Economy*, *People at Work* and *Economic Equality*<sup>404</sup>. Their reports were published in the document, *Meet the Challenge, Make the Change*<sup>405</sup>. Their proceedings were marked by internal disputes as much as rigorous policy appraisal<sup>406</sup>. But there is no doubt that their work represents a key development in Labour history. It is clear that, fundamentally, the market

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<sup>402</sup> D. Miller and S. Estrin, 'Market socialism: a policy for socialists', in I. Forbes, *Market Socialism: Whose Choice?*, Fabian Pamphlet no.516, Fabian Society, London, 1987, pp.3-12.

<sup>403</sup> N. Ellison, *Egalitarian Thought and Labour Politics: Retreating Visions*, op.cit., p.209.

<sup>404</sup> Labour Party, *Meet the Challenge, Make the Change*, Labour Party, London, 1989.

<sup>405</sup> Ibid.

socialist case was very much in tune with the thinking behind Labour's policy revision. It is this interaction that demonstrates how, by the end of the Policy Review, Labour could advocate the actual *improvement* of the market in some areas. The Review concluded: "The single most important requirement of economic policy is to make Britain internationally competitive"<sup>407</sup>.

This is revisionism *writ large*. Donald Sassoon's monumental *One Hundred Years of Socialism*<sup>408</sup> demonstrates how it is possible for a party of the left to criticise the right for failing to manage the capitalist economy properly. Such an analysis was indeed central to the Policy Review documents, reaching its fruition in *Looking to the Future* which followed in 1990<sup>409</sup>. The 'market failure' critique was based on an analysis of three successive Conservative governments' economic policy. They are attacked especially on the economy's supply-side; for their record of under-investment in education and training and technology<sup>410</sup>, and on the level of exports and industrial investment<sup>411</sup>. A multitude of league tables involving Britain's major competitors were employed to illustrate gross economic failure<sup>412</sup>.

The Labour Party has often played the role of the party of economic modernization. A similar analysis and response was offered by Harold Wilson in the 1960s<sup>413</sup>. In an era of a comparable political predicament (a period of three consecutive Conservative administrations), Labour produced a similar critique of economic decay and stagnation, and the alternative prescription of economic renewal forged through the "white heat of the technological revolution"<sup>414</sup>. Like the Policy Review, *Signposts for the*

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<sup>406</sup> E. Shaw, *The Labour Party since 1979: Crisis and Transformation*, op.cit., ch.4, and C. Hughes and P. Wintour, *Labour Rebuilt*, op.cit.

<sup>407</sup> Labour Party, *Meet the Challenge, Make the Change*, op.cit., p.9.

<sup>408</sup> D. Sassoon, *One Hundred Years of Socialism: The West European Left in the Twentieth Century*, op.cit.

<sup>409</sup> Labour Party, *Looking to the Future*, Labour Party, London, 1990.

<sup>410</sup> Ibid., pp.11-17.

<sup>411</sup> Ibid., pp.22-30.

<sup>412</sup> Ibid., pp.32-7.

<sup>413</sup> J. Tomlinson, *British Macroeconomic Policy since 1940*, Croom Helm, London, 1985, ch.4.

<sup>414</sup> D. Sassoon, *One Hundred Years of Socialism: The West European Left in the Twentieth Century*, op.cit., p.737.

1960s aimed to narrow the gap between Britain's economic performance and that of its competitors<sup>415</sup>. It also described the importance of collaboration between the state and the private sector<sup>416</sup>. Sassoon explains this within the European context in which his book is pitched. For him the evocation of the term *modernization* delineates the direction of revisionism, referring to the priority of "the modernization of the country itself"<sup>417</sup>, as well as the revision of ideas. This explains why socialists should advocate market socialism at the same time as offering an analysis of market failure.

A discussion of the relationship between the state and the market necessitates a discussion of one of Labour's more significant policy shifts: its commitment to the European Community (EC)<sup>418</sup>. This is directly linked to economic policy because the 1992 Maastricht Treaty, which Labour supported, singled out inflation, and not unemployment, as the main enemy. The party's commitment to withdraw from the EC in the 1983 General Election<sup>419</sup> was not mentioned in the 1987 manifesto<sup>420</sup>. In 1988 Kinnock spoke of the need for a "social Europe" and described the argument for withdrawal as "politically romantic and economically self-defeating"<sup>421</sup>. The EC was now viewed as vital to a modernized economy. It also represented an understanding that Britain should now be correctly termed a medium-sized power<sup>422</sup>. It was argued that in order to compete with the United States and Japan, Europe must combine its industrial strength<sup>423</sup>. In *Meet the Challenge, Make the Change*, Labour contrasted the Government's policy of creating a single market geared towards multinationals but with "no government intervention at either

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<sup>415</sup> Labour Party, *Signposts for the 1960s*, Labour Party, London, 1961.

<sup>416</sup> Ibid.

<sup>417</sup> Ibid., p.736.

<sup>418</sup> S. George and B. Rosamond, 'The European Community', in M. J. Smith and J. Spear, *The Changing Labour Party*, op.cit.

<sup>419</sup> Labour Party, *The New Hope for Britain*, General Election manifesto, London, 1983, p.33.

<sup>420</sup> There remained hostility to the EEC: "We shall, like other member countries, reject EEC interference with our policy for national recovery and renewal". Yet there was clear movement as well, as the following demonstrates: "Labour's aim is to work constructively with our EEC partners to promote economic expansion and combat unemployment"; The Labour Party, *Britain Will Win*, General Election manifesto, London, 1987, p.15.

<sup>421</sup> N. Kinnock, in preface to D. Martin, 'Bringing Common Sense to the Common Market', Fabian Society, London, 1988, no.525.

<sup>422</sup> G. Radice, *Path to Power: The New Revisionism*, Macmillan, London, 1989, pp.188-9.

national or European level to ensure that the market works fairly and efficiently. We, on the other hand, recognise that intervention is necessary. Without European co-operation between both governments and trade unions, we shall be at the mercy of multinationals intent on social dumping and playing one country off against another”<sup>424</sup>. Finally, by 1989, Labour fully supported membership of the EU at the European elections; and not just the social dimension, but more significantly monetary union<sup>425</sup>. In *Looking to the Future*, published one year later, Labour pledged itself to join the Social Charter and the exchange rate mechanism<sup>426</sup>. Martin Smith summarised these changes and concluded that they have transformed Labour into a European party of social democracy<sup>427</sup>.

This is another reason why an analysis of the state and the market must include Europe, because the social democratic conception of Europe<sup>428</sup> perceives Europe as a counter-weight to globalization<sup>429</sup>. In trying to understand globalization, one analysis suggests: “Although the privatisation of state institutions, the ‘internationalisation’ of capital and the creation of the EU pose a problem for state ‘intervention’ formulated on the basis of Keynesian economic policy, these developments do not alter the indispensability of a state apparatus in the management of labour power and money”<sup>430</sup>. However, most of the debate solidifies around one of either political-economic construct: nation-state autonomy or globalization. For

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<sup>423</sup> Labour Party, *Meet the Challenge, Make the Change*, op.cit., p.14.

<sup>424</sup> Ibid., p.14.

<sup>425</sup> S. George and B. Rosamond, ‘The European Community’, op.cit., p.181.

<sup>426</sup> Labour Party, *Looking to the Future*, op.cit., p.45.

<sup>427</sup> M. J. Smith, ‘Continuity and Change in the Labour Party’, in M. J. Smith and J. Spear (eds.), *The Changing Labour Party*, op.cit., p.223.

<sup>428</sup> D. Sassoon, *One Hundred Years of Socialism: The West European Left in the Twentieth Century*, op.cit., pp.769-70.

<sup>429</sup> The dominant ‘international political economy’ and the ‘interdependence’ school are discussed in W. Bonefield, A. Brown and P. Burnham, *A Major Crisis?: The Politics of Economic Policy in Britain in the 1990s*, Dartmouth, Aldershot, 1995, p.7.

<sup>430</sup> Ibid., p.13.

Bob Jessop, the reality of the future will be a more complicated combination of different sets of relationships, involving local, regional, pan-regional, national and international bodies<sup>431</sup>.

An integral part of Labour's thinking on economic policy concerned an analysis of the nation-state. It was argued that previous economic policy was wholly *national* - an implicit critique of Keynesianism. For Sassoon, a "national road to social democracy - or even modernization - was no longer possible"<sup>432</sup>. This, he believed, represented the "authentic neo-revisionism" of the period<sup>433</sup>. Likewise, globalization is a phenomenon with profound implications for the left, as Eric Shaw has summarised: "the globalization of capitalism had created an environment far less conducive to social democratic policies: capital and currency movements had been freed throughout most of the Western world as governments pursued policies of liberalisation and deregulation"<sup>434</sup>. Exchange controls were abolished in 1980 and five years later the City was deregulated<sup>435</sup>. Similar so-called post-industrial developments occurred throughout the developed world, effectively ending the existing link between the financial market and the nation state. It is not clear, however, if the issue received the attention it perhaps should have done in the Policy Review<sup>436</sup>.

Yet it does represent one part of the analysis of market failure: "The case for a socialist economic policy has always been that the free market, although possessing great strengths which must be utilised, is ultimately incapable of building unaided a strong and modern economy"<sup>437</sup>. The solution was one of partnership in which the market required the state as much as the state required the market. The Policy Review argued that "in very many areas of the economy the market and competition are essential in meeting

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<sup>431</sup> B. Jessop, *Towards the Schumpeterian Workfare State*, Lancaster Regionalism Group Working Paper, University of Lancaster, Lancaster, 1992.

<sup>432</sup> D. Sassoon, *One Hundred Years of Socialism: The West European Left in the Twentieth Century*, op.cit., p.739.

<sup>433</sup> Ibid.

<sup>434</sup> E. Shaw, *The Labour Party since 1979: Crisis and Transformation*, op.cit., p.104-5.

<sup>435</sup> J. Coakley and L. Harris, 'Financial Globalization and Deregulation', in J. Michie (ed.), *The Economic Legacy, 1979-1992*, Academic Press, London, 1992.

<sup>436</sup> This point was made by Eric Hobsbawm; 'Rethinking Labour: no sense of mission', *Marxism Today*, London, April 1988, pp.14-19.

<sup>437</sup> Labour Party, *Meet the Challenge, Make the Change*, op.cit., p.10.

the demands of consumers, promoting efficiency and stimulating innovation”. This, however, is only possible if the market is “directed and managed within an industrial strategy developed in consultation with government”<sup>438</sup>. This version of the *developmental state*<sup>439</sup> entailed a different approach from the traditional choices along the spectrum of public ownership and private ownership. The Policy Review confirmed regulation as the party’s preferred strategy for dealing with the utilities which were privatized in the 1980s<sup>440</sup>. After the nationalization programme of the late 1940s, and despite the stipulation in Clause IV of the party’s constitution, Labour had long preferred the half-way house of regulation to either wholesale public or private ownership. This was not a matter of sheer pragmatism or decided compromise, although these were important. Leonard Tivey has shown how the relationship between nationalization and privatization should only be partly understood as ideological conflict, but also as pragmatism and fluctuations in the political culture<sup>441</sup>. However, the tradition of socialist revisionism in Labour Party thinking, most strikingly Crosland’s *The Future of Socialism*<sup>442</sup>, argued that ownership was not of overriding concern, but should be taken as one possible economic tool.

The Policy Review cannot, however, be taken as one further promulgation of regulation and the ‘mixed economy’, its stable-mate. The *developmental state* is a particular interpretation of regulation and the relationship between the state and economic policy more generally.

*“It is not possible to lay down any strict and simple rule which governs the way in which the output of the mixed economy should be distributed. There are some areas of economic activity which are wholly inappropriate for the application of market forces. In*

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<sup>438</sup> Ibid.

<sup>439</sup> E. Shaw, *The Labour Party since 1979*, op.cit., pp.89-92.

<sup>440</sup> For an assessment of the privatization of the 1980s see B. Fine and C. Poletti, ‘Industrial Prospects in the Light of Privatization’, in J. Michie (ed.), *The Economic Legacy, 1979-1992*, op.cit.

<sup>441</sup> L. Tivey, ‘Nationalization, Privatization and the *Zeitgeist*’, op.cit.



*the case of the allocation of most other goods and services the operation of the market, where properly regulated, is a generally satisfactory means of determining provision and consumption, and where competition is appropriate, socialists must ensure that it is fair and that consumers, workers and investors are protected from commercial and financial exploitation”<sup>443</sup>.*

Neil Kinnock spoke of the need to recognise the best product, or result, rather than deciding dogmatically upon one single way of achieving it. The most important point, it was argued, was the quality of the produced good or service, rather than whether it came from the public sector or the private sector. This was, of course, a double critique, both of the then Conservative Government’s free market stance, and the perceived reverence of state control and nationalization found in the *Alternative Economic Strategy*. In the party’s 1988 conference, Kinnock attempted to form a position between the two, warning of polarisation:

*“The Government simply say ‘private good, public bad’. Others in mirror image say ‘public good, private bad’. Neither of them are dealing with the realities. Neither are applying the real test, the shape and the performance of industry, asking the real question: ‘Does it work?’ ”<sup>444</sup>.*

This is the test he saw being applied in countries like Japan, France, Germany and Sweden: “they appreciated long ago that public and private sectors, government and market, had to work in combination if the strength of the economy was to be developed and potential maximised”<sup>445</sup>.

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<sup>442</sup> A. Crosland, *The Future of Socialism*, op.cit. Discussed above in Chapter 3.

<sup>443</sup> C. Hughes in Hughes and Wintour, *Labour Rebuilt*, op.cit., pp.72-73.

<sup>444</sup> N. Kinnock, 1988 Labour Party Conference, quoted in *The Guardian*, 5 October 1988.

<sup>445</sup> Ibid.

In his analysis of these changes in Labour's economic policy, Andrew Gamble made the comparison with Anthony Crosland:

*“Seeing the private sector and the public sector as equally capable of serving the public has been a major change. Again, it was foreshadowed by Crosland. Its practical consequence, as the Policy Review makes plain, is that the delivery of a particular service can be discussed pragmatically in terms of whether public or private provision is best in a particular case, rather than in terms of ideological principle”*<sup>446</sup>.

In *Choose Freedom*, Hattersley put this in even stronger terms in an attempt to relate these changes to Labour values: “In large parts of the economy, the obligations to freedom from state control and to efficiency oblige democratic socialists to support the operation of the market”<sup>447</sup>. Further, even when state control was the order of the day, there was a new interpretation. In an internal paper drawn up for his economic review group, Gould wrote:

*“When we talk of social ownership, we are not necessarily referring to who owns the equity, but the extent to which control over the enterprise is socially regulated”*<sup>448</sup>.

Neil Kinnock argued at the 1989 party conference that the review accepts what is taken to be the reality of the market<sup>449</sup>. This is quite different from the criticism that came from both the left of the Labour Party and

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<sup>446</sup> A. Gamble, ‘The Labour Party and economic management’, in M. J. Smith and J. Spear, op.cit., p.66.

<sup>447</sup> R. Hattersley, *Choose Freedom*, op.cit., p.131.

<sup>448</sup> B. Gould, quoted in Hughes and Wintour, *Labour Rebuilt*, op.cit., p.131.

<sup>449</sup> N. Kinnock, 1988 Labour Party Conference, op.cit.

the Conservatives that Labour had found a new faith in the market economy. If Labour was arguing against what it saw as the fallacy of aiming to abolish the market, and pointing to its positive advantages in some areas, they also made clear what they considered its weaknesses to be. In *Looking to the Future*, it is argued that the difference between Labour “and the Conservatives is not that they accept the market and we do not, but that we recognise the limits of the market and they do not”<sup>450</sup>. The final report of the Policy Review drew a clear line beyond which the market should not be stepping:

*“The market will not - left to itself - produce adequate investment in education and training, in science and technology, in new products and new capacity. The market will not reverse the short-term bias to favour productive strength in the long-term. It will not secure equal rights for disadvantaged groups, regional balance or a safe and healthy environment”*<sup>451</sup>.

From *Meet the Challenge, Make the Change*<sup>452</sup>, to the ‘mid-term manifesto’, *Looking to the Future*<sup>453</sup>, to the final manifesto for the 1992 General Election, *It’s Time to Get Britain Working Again*<sup>454</sup>, the most repeated positive - that is, not anti-government - theme was that Labour would only spend what the country could afford. Britain’s political culture no longer seemed to accept a strategy of higher taxes to achieve wider collective social objectives<sup>455</sup>, despite what the opinion polls said<sup>456</sup>. An analysis of general economic post-war decline and then the recession of the early 1990s for many called for prudence, and a

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<sup>450</sup> Labour Party, *Looking to the Future*, London, 1990, p.6.

<sup>451</sup> Labour Party, *Meet the Challenge, Make the Change*, op.cit., p.9.

<sup>452</sup> Ibid.

<sup>453</sup> Labour Party, *Looking to the Future*, London, 1990, op.cit.

<sup>454</sup> Labour Party, *It’s Time to Get Britain Working Again*, London, 1992.

<sup>455</sup> At the end of the period we are examining here, J. K. Galbraith described this as a ‘culture of contentment’. It was a culture whereby an economically satisfied majority exist alongside a massive minority of 30 per cent of the population who had become so marginalized that they cease to participate in the democratic process; *The Culture of Contentment*, Penguin, Harmondsworth, 1992.

message of “making comes before taking” was aimed at the electorate<sup>457</sup>. The approach was one of balance: social targets could only be reached when economic growth allowed. That is, society would only grow socially, when the country grew economically. Thus the emphasis turned to growth; and this was certainly the headline - at least in the broad-sheet press - that followed the publication of the *Looking to the Future* policy document. ‘Labour puts emphasis on growth’ was the title of *The Independent*’s main story following its publication<sup>458</sup>. Economic growth, which could only be achieved by long-term planning, and investment in training and industry, was the only means to guarantee increased expenditure on the welfare state. This inter-connection of the economic and social spheres is implied in the title of the first report of the Policy Review, reflecting this new understanding, *Social Justice and Economic Efficiency*<sup>459</sup>. Kinnock, moving from ideas to party politics, put it in terms of a paradox:

*“There are those of course - like the present Government - who consider social justice to be an impediment to economic efficiency. And there are some - including a few within our movement - who consider economic efficiency to be a threat to social justice. Both are wrong. The simple fact is that sustained social justice depends upon a foundation of economic prosperity and economic success cannot be achieved without social justice”*<sup>460</sup>.

This essentially meant that acquired economic growth would be directed into public expenditure, although there was to be no ‘dash for growth’. “Sustained and balanced economic growth” was the objective:

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<sup>456</sup> I. Crewe, ‘Values: The Crusade that Failed’, op.cit.

<sup>457</sup> N. Kinnock, in *The Independent*, 25 May 1990, op.cit.

<sup>458</sup> Ibid.

<sup>459</sup> Labour Party, *Social Justice and Economic Efficiency*, op.cit.

<sup>460</sup> N. Kinnock, 1988 Labour Party Conference, op.cit.

*“Government’s spending and taxation policies should play a major role in creating the stable framework needed for investment and growth. A buoyant economy will automatically increase public revenues. Where there is extra growth, we believe that investment must have a greater priority than tax cuts. The first priority is the restoration of public investment and services”*<sup>461</sup>.

There are echoes here with Crosland’s *The Future of Socialism*, but there is also much that is distinct and breaks with this tradition. The core of Labour’s new economic thinking distinguished between the supply side of the economy and the demand side. Each signal an interventionist intent, but each aim to intervene in a different way, from a different angle. Whereas measures to influence demand involve expenditure programmes, and more short-term ejections of expenditure into the economy, the economy’s supply side is the nature and strength of its labour, skills and equipment. What is novel here is that Labour made the distinction for the purpose of shifting to the supply side for its focus. The Labour Party’s economic strategy was described as *supply side socialism* and should be understood, at least in part, as a reaction to the economic problems Labour faced in office from 1975. In short, if there was no or little growth, a future Labour government would not be immobilised. What is problematic, however, with such a strategy is that supply side measures are essentially long-term remedies. Their benefits would not be immediately clear; neither therefore would any electoral dividend.

The Policy Review’s work on the issue of ownership, however, was firmly in the Crosland mould and also highlights the influence of the market socialists. In a section headed ‘Economic Democracy’, the Report of the Policy Review Group on *A Productive and Competitive Economy* stated the intention to increase the degree to which employees owned and controlled their company:

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<sup>461</sup> Labour Party, *Looking to the Future*, op.cit., p.8.

*“Socialism is about diffusing power and giving people more control over their lives. Extending democracy to the workplace will, we believe, both serve those purposes and also strengthen the supply-side policies which are crucial to our economic future. There is now a great deal of research to show that enterprises owned by their employees are more efficient than traditional firms”*.<sup>462</sup>

This did not represent a re-affirmation of public ownership but “the extension of new and more flexible forms of common ownership rights across the economy”<sup>463</sup>. This passage bears a direct resemblance to the thinking of the market socialists, who advocate a variety of forms of ownership in response in part to the New Right attack on state-based collectivism. David Miller affirms the New Right critique of public ownership though not the solution<sup>464</sup>. However, market socialism is more precise than an advocacy of a mixed economy. The market socialists propose an integrated system whereby firms exist as co-operatives within a market economy. This is the economic extension of political democracy and social democracy.

The most typical riposte to such thinking, from the left as well as the right, challenged the commercial viability of co-operatives. Alan Ryan put it like this: “How socialist self-government can work without succumbing either to inefficiency on the one hand or erosion in the face of expertise on the other is a difficult empirical question”<sup>465</sup>. The market socialists tackle this question head-on. Saul Estrin offers a

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<sup>462</sup> Labour Party, *Meet the Challenge, Make the Change*, op.cit., p.13.

<sup>463</sup> Ibid.

<sup>464</sup> D. Miller, *Market, State and Community: Theoretical Foundations of Market Socialism*, Clarendon Press, London, 1990, chs.1-4.

<sup>465</sup> For Ryan this “is precisely the sort of question which socialist economists and sociologists ought to think about in a grimly realistic frame of mind”; see his ‘Liberty and Socialism’, in B. Pimlott, *Fabian Essays in Socialist Thought*, op.cit.

blue-print for an economy based on the contention that democracy in the workplace eradicates discontent and alienation, strengthens commitment and loyalty and, in turn, increases efficiency and productivity<sup>466</sup>:

*“The shift of emphasis on the Left from plan to market has brought to the fore the issue of how best to organize enterprises in a socialist society”*<sup>467</sup>.

This thinking is a direct resurrection of an earlier tradition, discussed in Chapter 2, of ethical socialism<sup>468</sup>. It illustrates the broader point that the 1980s marked a return to the political thinking of this earlier age. It was set in a different political, social and economic context and couched in a different language. But it stood upon similar intellectual ground: a critique from within socialism of a Fabian-inspired socialism which stood sharply on the former side of the economic-ethical and centralised-pluralist axis. Alan Ryan emphasizes the significance of this argument:

*“Capitalist management has been chronically non-democratic and non-participatory. The view that workers can sign away their industrial citizenship while they cannot sign away their political citizenship has needlessly gone unchallenged. Yet any defence of socialism’s greater potential for freedom ought to make much of it”*<sup>469</sup>.

The extension of political democracy to the economic sphere, as Saul Estrin is fully aware, is embedded in a “long-standing socialist tradition” which argues that “fundamental changes in society must be intimately

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<sup>466</sup> S. Estrin, ‘Workers’ Co-operatives: Their Merits and their Limitations’, in J. Le Grand and S. Estrin (eds.), *Market Socialism*, op.cit.

<sup>467</sup> Ibid, p.165.

<sup>468</sup> Chapter 2, pp.53-60.

<sup>469</sup> A. Ryan, ‘Liberty and Socialism’, in B. Pimlott, *Fabian Essays in Socialist Thought*, op.cit.

bound up with changes in the way that work itself is organized”<sup>470</sup>. The new thinking, however, combined Crosland’s *The Future of Socialism*<sup>471</sup> with Cole’s *Self-Government in Industry*<sup>472</sup>. Estrin argues that market socialism is consistent with “the Croslandite view” that capitalist firms can exist within a socialist economy provided “that taxes and subsidies exist to eliminate inequalities”<sup>473</sup>.

“By the early twentieth century, socialists such as Beatrice Webb were highly dismissive of producer co-operatives. The exception, of course, was G. D. H. Cole, with his endorsement of a British system of workers self-management - Guild Socialism.”<sup>474</sup>

The ideas of the market socialists went further than anything that the party deemed politically desirable and practicable - in terms of the party itself and the wider electorate. But there were hints of some of these ideas being aired. During the 1987 Labour Party Conference, Bryan Gould advocated the adoption by Labour of the *share ownership democracy*, a notion more familiarly viewed as a Thatcherite invention<sup>475</sup>. Gould argued that this could also be a tool for the achievement of socialist ends: the dispersal of power and decentralization. This was argued to be completely different from the Thatcherite initiative, which was perceived as being based on a very different set of political ideas: a notion of individual freedom based on the market and economic accumulation<sup>476</sup>. Two years later another senior party figure, Giles Radice, argued that “Labour should champion the concept of citizen rights - in politics, in welfare, at work

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<sup>470</sup> S. Estrin, ‘Workers’ Co-operatives: Their Merits and their Limitations’, op.cit.

<sup>471</sup> A. Crosland, *The Future of Socialism*, op.cit.

<sup>472</sup> G. D. H. Cole, *Self-Government in Industry*, op.cit.

<sup>473</sup> S. Estrin, ‘Workers’ Co-operatives: Their Merits and their Limitations’, op.cit.

<sup>474</sup> Ibid., p.169.

<sup>475</sup> For a political analysis of the impact of Gould’s speech, see C. Hughes and P. Wintour, op.cit., pp.44-45.

<sup>476</sup> Gould expounded upon this analysis in *A Future for Socialism*, Jonathan Cape, London, 1989, pp.139-143.



and in the market”<sup>477</sup>. This is similar to - although does not go as far as - the arguments of the market socialists for greater democracy in the work-place<sup>478</sup>.

Neither was such thinking confined to particular Labour individuals<sup>479</sup>. In the Policy Review, there was no grand project to create a market socialist economy but there was the intent to co-opt some of its ideas. It was made clear that, under a future Labour government, co-operatives would be encouraged and companies actively encouraged to convert: “We shall make advice widely available to those firms and workforces which wish to convert to democratic ESOP (Employee Share Ownership Plans) - that is, employee ownership schemes which transfer real powers of control to the workforce. We shall change the law to make the mechanics much simpler and will offer tax incentives if appropriate”<sup>480</sup>. This commitment was repeated in the 1992 election manifesto<sup>481</sup>. The Labour Party made a clear preference, ethical and economic, for greater democracy in the workplace.

## Conclusion

So do these developments in Labour’s economic ideas and policy constitute a novel and radical break from previous thinking? In Eric Shaw’s study of this period they certainly do. They represent “a repudiation of the proposition often found in Party statements that the market was inherently flawed”<sup>482</sup>. However, conversely, he finds such reflection consistent with the history of revisionism, highlighting what is often the

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<sup>477</sup> G. Radice, *Labour’s Path to Power: The New Revisionism*, Macmillan, London, 1989, p.14.

<sup>478</sup> J. Le Grand and S. Estrin (eds.), *Market Socialism*, op.cit., ch.1.

<sup>479</sup> Gould, however, was a key figure in Labour’s economic policy-making over the Policy Review period. As well as the co-convenor of the ‘Productive and Competitive Economy’ review group, he was, until October 1989, the Shadow Industry Secretary.

<sup>480</sup> Labour Party, *Meet the Challenge, Make the Change*, op.cit., p.13.

<sup>481</sup> Labour Party, *It’s Time to Get Britain Working Again*, general election manifesto, Labour Party, London, 1992, p.14.

distinction between rhetoric and the reality of government. Other writers have perceived a social democratic tradition which rests alongside the development of capitalism. Thus David Sassoon sees capitalism not as a “particular transitory phase in the historical development of humanity, but a mode of production which was subject to political (i.e. non-market) regulation”<sup>483</sup>. The task of socialists was “to devise a regulatory framework which would enable the advancement of certain values, such as justice and equality, while ensuring that the viability of capitalism was not seriously impaired”<sup>484</sup>.

This is the context within which the question of Labour’s response to Thatcherism should be considered. The debate between Colin Hay and Martin Smith is representative of the debate on the left<sup>485</sup>. For both it is Thatcherism to which Labour primarily responded. Their point of departure concerns extent and purpose: the extent to which Labour reacts to Thatcherism and the purpose Labour has in doing so. Hay responds to Smith’s analysis that the period was one of necessary “modernization” by arguing that Labour simply accommodated much of the Thatcherite agenda leading to what has now become a “post-Thatcher settlement”<sup>486</sup>. This ‘accommodationist’ thesis states that Labour capitulated to free market liberalism and had a tendency to follow, rather than lead, public opinion. Hay observes a “psephologically-inspired ‘politics of catch-up’”<sup>487</sup>. This chapter, however, has demonstrated the more sophisticated reasoning behind Labour’s thinking on economic ideas and policy. This owed much to the need to transcend what Geoff Hodgson has called the “planning/markets dichotomy”<sup>488</sup>.

Richard Heffernan and Mike Marqusee note the influence, as does Hay<sup>489</sup>, of the *Marxism Today* analysis of working class decline: “There was no more mileage to be gained by talking about poverty and

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<sup>482</sup> E. Shaw, *The Labour Party since 1979*, op.cit., p.86.

<sup>483</sup> D. Sassoon, *One Hundred Years of Socialism: The West European Left in the Twentieth Century*, op.cit., p.734.

<sup>484</sup> Ibid.

<sup>485</sup> C. Hay, *Labour’s Thatcherite Revisionism: Playing the ‘Politics of Catch-Up’*, pp.700-707; M. J. Smith, *Understanding the ‘Politics of Catch-Up’: the Modernization of the Labour Party*, pp.708-715.

<sup>486</sup> C. Hay, *ibid.*, p.701.

<sup>487</sup> Ibid., p.704.

public services or the welfare state. The arithmetic of electoral success demanded that Labour repudiate anything in its programme, practice or presentation that might not appeal to the newly discovered stratum of ‘affluent’ voters”<sup>490</sup>. Mark Wickham-Jones responds to this debate by disputing Hay’s argument that Labour’s policy changes represent unnecessary concessions to Thatcherism<sup>491</sup>. “Preference accommodation”, he argues, “need not be Thatcherite”<sup>492</sup>. Thus, the Thatcherite objective of promoting “a liberal economic order” is very different from the “distinctive economic strategy and set of objectives” which Labour offered<sup>493</sup>. Similarly, Smith’s contention that Labour has not “accepted the Thatcherite agenda”<sup>494</sup> is based on a separation between distinct sets of political ideas. The Conservative interpretation of freedom is, he believes, preoccupied with state encroachment into areas of individual freedom which is guaranteed only by the market. Conversely, Labour’s coupling of freedom with equality makes for clear divergence: “the role of the state is positive. To enable the individual to gain greater freedom, choice and welfare within society, the state must intervene”<sup>495</sup>. This is rather different from, and more accurate than, Gregory Elliott’s thesis that Labour abandoned equality for liberty<sup>496</sup>.

When it comes to the market, however, there was significant movement by Labour and Martin Smith points out that the traditional left/right divide has narrowed. In the Policy Review, the market is now taken by Labour as “essentially morally neutral”<sup>497</sup>. This is not completely dissimilar to Hay’s analysis of accommodation to Thatcherism<sup>498</sup>. Smith, however, is right to illustrate Labour’s distinction made between market outcomes which are efficient and morally justifiable and those that are inefficient, unfair or produce

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<sup>488</sup> G. Hodgson, ‘Overstating the State’, *Marxism Today*, Communist Party, London, June 1984, pp.21-2.

<sup>489</sup> Ibid., p.702.

<sup>490</sup> R. Heffernan and M. Marqusee, *Defeat from the Jaws of Victory*, op.cit., p.95.

<sup>491</sup> M. Wickham-Jones, ‘Recasting Social Democracy: a Comment on Hay and Smith’, op.cit., pp.698-702.

<sup>492</sup> Ibid., p.699.

<sup>493</sup> Ibid.

<sup>494</sup> M. J. Smith, ‘A return to revisionism: The Labour Party’s Policy Review’, op.cit., p.23.

<sup>495</sup> Ibid., p.24.

<sup>496</sup> G. Elliott, *Labour and the English Genius*, op.cit., p.134.

<sup>497</sup> M. J. Smith, ‘A return to revisionism: The Labour Party’s Policy Review’, op.cit., p.24.

unjustifiable inequality. Whereas Thatcherism, he continues, separates the state and the market (and views the former as an impediment to the latter), it is Labour's view that the market necessitates the assistance of the state. The remedy for market failure, therefore, is market socialism.

The party's new analysis of ownership follows from this: public ownership has a role, as foreseen by Anthony Crosland, not as an end in itself but as an often justifiable means' for example, regarding the basic utilities<sup>499</sup>. Smith concludes that following the Policy Review, Labour is "ideologically closer to revisionism than Thatcherism"<sup>500</sup>:

*"In terms of principles, the review and revisionism have strong similarities. The Policy Review is revisionist in its view of capitalism. Capitalism can be reformed to achieve public goals, the market is a useful means of distribution and nationalization is only desirable where it can provide the means to particular ends"*<sup>501</sup>.

Smith is correct to point out that much of the Keynesian economic framework, which was so integral to Crosland's thesis, is rejected. The strategy of demand-management and the assumption of perpetual economic growth was widely seen as having fallen flat in the 1970s. In response the Policy Review turned to an emphasis on measures which the state could take to improve the supply side of the economy:

*"The Policy Review is an attempt to develop post-keynesian revisionism where the emphasis is moved from demand to supply...it is a revisionism for a different era which has learned the lessons of the 1970s"*<sup>502</sup>.

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<sup>498</sup> C. Hay, *Labour's Thatcherite Revisionism: Playing the 'Politics of Catch-Up'* op.cit.

<sup>499</sup> Labour Party, *Meet the Challenge, Make the Change*, op.cit., p.15.

<sup>500</sup> M. J. Smith, 'A return to revisionism: The Labour Party's Policy Review', op.cit., p.25

For Colin Hay, this indicates something completely different - the success of the New Right. It has been demonstrated here that there *was* indeed a New Right influence on market socialism, which simultaneously developed within the Labour Party; this was acknowledged by the market socialists themselves. It has also been shown, however, that Labour's economic thinking is distinct from that of the New Right, and that the policies produced in the Policy Review were based on political ideas altogether at odds with free market thinking.

Part I examined the historical context of Labour's political ideas. I began this chapter by presenting the political and economic context within which Labour existed as the 1980s began. The context is broader than that presented by Hay, Smith and others. Political ideas are not properly discussed and economic policy cannot be understood solely in relation to the relative effect of Thatcherism. This context included the *Marxism Today* analysis of fundamental economic and cultural change, involving the labour market and the homogeneity of social class. It shared some of its analysis with the psephology of the class/party equation. The criticisms of both 'schools' were noted as was the indelible impression each appeared to have made on the Labour Party. The shared agenda of the market socialists and senior party representatives was scrutinized. Labour's thinking on economic ideas and policy, and the work of thinker-politicians and Labour intellectuals, represents both an integral part of the context itself and a concerted attempt to comprehend Labour's position within it and how it should react. The revision, therefore, of Labour's economic policy was greatly influenced by this set of circumstances and a self-conscious attempt to grapple

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<sup>501</sup> Ibid., p.26.

<sup>502</sup> Ibid.

with the dilemmas of change, as well as a crucial development in the history of Labour's political ideas.

## CHAPTER FIVE

# The Political Ideas of Labour's

## Social Policy

Social policy is the area where Labour thinking has perhaps been weakest following the decline in influence of the ideas of Beveridge, Crosland and Keynes. This has been the opinion of commentators such as Peter Alcock who observes the “immunity of welfare policy from the swings in Labour politics in the 1980s”<sup>503</sup>. Similarly, Nicholas Timmins, in his *biography* of the welfare state, found that on “the Labour benches in the 1980s it remained far easier, and much safer, to oppose than to think”<sup>504</sup>. There is some truth to these claims. Yet the thinking on social policy that emerged from around 1983, when placed in its historical context, presents the possibility of dramatically re-casting the welfare state's mould. The situation is greatly paradoxical, and one which shows a discrepancy between policy and ideas.

On the one hand, Labour *policy* was conservative, setting out to reverse the perceived Conservative onslaught on much of the welfare state. There were obvious political reasons for this:

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<sup>503</sup> P. Alcock, ‘The Labour Party and the welfare state’, in M. Smith and J. Spear (eds.), *op.cit.*, p.139.

<sup>504</sup> N. Timmins, *The Five Giants: A Biography of the Welfare State*, Harper Collins, London, 1995, p.488.

public opinion consistently showed overwhelming support for the welfare state<sup>505</sup> (see below); and the welfare state is seen by many inside the Labour Party as a cherished part of its record<sup>506</sup>. The Labour Party is therefore locked into the post-war welfare state. This produced certain political requisites in respect of Labour's relationship with the welfare state. On the other hand, however, many within the party ('thinker-politicians'), as well as others, mainly academics but also journalists, closely connected to the party ('Labour intellectuals'), began to question the very structure of the party's inheritance. These arguments, examined here, led to an "important challenge to many of the existing institutional structures and practices of state welfare"<sup>507</sup>. Even more fundamentally, a critique emerged which challenged the values and assumptions that lay *behind* the welfare state. The Policy Review saw many of these ideas inserted into official party documentation for the first time.

Labour intellectuals and thinker-politicians aimed to defend Labour values against those of Thatcherism. In so doing, there was a parallel exercise in their own analysis of the welfare state. The latter was a difficult task because it entailed a large degree of self-criticism and a certain 'dis-connection'. These two ambitions are not separable: the political ideas of Labour's social policy are not synonymous with one particular pattern of welfare (again, a difference between means and ends). In an early assessment of the post-war welfare state's progress, Crosland wrote that "welfare-state-plus Keynes" was not the same as socialism<sup>508</sup>. Welfare was, as Cole had viewed, a crucial stepping stone to socialism<sup>509</sup>. Thirty five years later in 1983, Howard Glennerster's comment that "all is not well in the welfare state as we know it - and not just because of Mrs Thatcher's cuts"<sup>510</sup>, alludes to the realisation that

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<sup>505</sup> Although a more sophisticated inspection denotes a discrimination in favour of some services above others.

<sup>506</sup> Discussed in Chapter 3, p.7.

<sup>507</sup> P. Alcock, 'The Labour Party and the welfare state', op.cit., p.143.

<sup>508</sup> A. Crosland, *The Future of Socialism*, op.cit., p.79.

<sup>509</sup> G. D. H. Cole, 'The Dream and the Business', *Political Quarterly*, July-September 1949, p.203.

<sup>510</sup> H. Glennerster, 'The Need for a Reappraisal', in H. Glennerster (ed.), *The Future of the Welfare State*, Heinemann, London, 1983, p.1.



the welfare state fell below even Crosland's transitory benchmark.

These debates are embedded in the conceptual relationships we have been analysing. The relationship between socialist means and ends, the state and the market, and the comparison between an ethical and economic centred socialism, are both central to, but also affected by, political thinking on the welfare state. Again, they are debates which are explicable within a context of historical development; they are cast in the light of earlier thinking. But they are also reactions to new developments, in particular the kind of social and economic change which so affects social policy, but also as a *response* to competing political ideas. There entailed both marked continuity and change in social policy thinking. It was thinking which does not constitute a break from that which has preceded it. Much of the analysis took root at a relatively early stage in the post-war welfare state's development, as will be shown. At the same time, however, ideas that appear to strike right at the welfare state's foundations, highlight a radical departure indeed. It is by no means a commonly held view that such thinking took place. The major accounts of the Labour Party over this period that were discussed in the introduction do not record a fundamental rethink in the area of social policy.

The reason for this is not that the thinking did not occur, but that it was not articulated as a systematic review. There was certainly no modern equivalent of William Beveridge's momentous war-time report, *Social Insurance and Allied Services*<sup>511</sup>, (known as the *Beveridge Report*), which framed both the institutions and ideas behind post-war social policy. There were therefore two co-existing, but contradictory, factors. The first was the Labour Party's attachment to the welfare state based on a belief that it represents important steps towards socialism. The second was a reflection based on both qualitative and quantitative study of the workings of the welfare state, and analyses of social and

demographic change, which challenges such optimism and proposes change. In respect of both, it is necessary to do three things: first, to locate these debates historically by providing a context of welfare development; second, to identify the dominant aspects of the Conservative governments' approach to social policy in the 1980s; and third, to examine the new thinking itself. Contextualization is vital to understanding Labour's social policy in the 1980s because Labour played the leading role in the establishment of the welfare state after 1945.

## 1. Social policy and a history of ideas

In the history of post-war social policy, there is much debate over the significance of Thatcherism in relation to the administrations it succeeded. Does Thatcherism constitute a authentic break from previous social policy? Can we group the period from 1945 to 1979 as somehow constituting an era of *consensus* - a post-war period of broad two-party agreement, replaced by a political project that set out to overturn much, if not all, of what had come before?

Arguably, there was indeed such a project, following an ideological supercession in the Conservative Party, following Margaret Thatcher's succession to the leadership in 1976, by the New Right over traditional, Disraelian one-nation *conservatism*<sup>512</sup>. Such conservatism<sup>513</sup>, epitomised in the

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<sup>511</sup> W. Beveridge, *Social Insurance and Allied Services*, op.cit.

<sup>512</sup> There is much debate as to whether conservatism constitutes an ideology or contains its own distinct political ideas. Despite the best efforts of conservatives to expound upon the non-ideological nature of their beliefs, they achieve the opposite effect. Nowhere is this clearer than in Michael Oakshott's *Rationalism in Politics and Other Essays*, Methuen,

twentieth century by the premierships of Harold Macmillan and Edward Heath, saw much of the welfare state as part of its own inheritance. The development of the British welfare state - which we can trace back at least as far as the reforming administrations of Disraeli in the 1860s and 1870s<sup>514</sup> - is the practical realisation of paternalism, one of conservatism's central concepts, since they argue that in times of need and during childhood and old age, the duty of the state is to provide protection and support. So, although the first post-war Labour Government instigated the huge system of social services and social security, this fitted relatively comfortably within this dominant Conservative tradition. The party could claim that these epoch-making reforms were the product of wartime *coalition* thinking and preparation in the first place (indeed, the crucial 1944 Education Act was pioneered by the Conservative R. A Butler).

The debate can be simplified by flagging up what can be described as the *original interpretation*, and then describing the reaction it inspired. It draws a distinction between the years of formation and consolidation between 1945 and 1975 . However, the years 1975, 1976 and 1979 are all feasible dates for the proclaimed social policy departure. In 1975 Margaret Thatcher assumed the leadership of the Conservative Party and signalled a very different [social policy] intent based on the political ideas of the New Right (see below). Equally, it can be claimed that the crucial year was 1976, the year the Labour Government allegedly abandoned Keynesianism, as discussed in the previous chapter, and the rest of that particular 'party'<sup>515</sup>. The third year, perhaps the most stated in this historiography, 1979, witnessed the crucial Conservative General Election victory which saw a reversal - at least, in intention - of earlier

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London, 1962. For an analysis of the 'ideology' of conservatism see, F. O'Gorman, *British Conservatism*, Longman, London, 1986.

<sup>513</sup> For an introduction to the ideas underpinning Thatcherism see A. Gamble, *The Free Economy and the Strong State*, Macmillan, London, 1988.

<sup>514</sup> D. Roberts, *Victorian Origins of the British Welfare State*, Yale University Press, New Haven, 1960.

trends<sup>516</sup>.

The essence of the first phase is the evocation of the ideas of a political consensus that unites both Labour and Conservative around a set of commonly held goals, from support of the welfare state to the maintenance of full employment. The second phase charts the breakdown of this structure and the rise of an opposing critique. It normally starts with the Conservative election victory of 1979, although a more sophisticated analysis begins four years earlier with the succession of a party leader who appeared to offer a rigorous critique of both the direction of the welfare state and her party's role in developing it<sup>517</sup>. This was coupled with uncertainties over Labour's role. In a time of economic crisis and no, or little, economic growth, it was unclear how Labour could deliver its social policy prospectus<sup>518</sup>. As Timmins has recalled, the "magic prescription" of growth, public expenditure and full employment, paid for by higher taxation and perhaps slightly higher inflation, had ceased to hold together<sup>519</sup>. There was much discussion in the mid-1970s of a 'crisis of welfare' and right-wing critics spoke of a 'burden' of welfare<sup>520</sup>. Cuts were imposed on public expenditure by the Labour Government; and a record of failure was recorded by many in the party itself<sup>521</sup>.

The central criticism of this historiography is that there was no such homogeneity in the political

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<sup>515</sup> Crosland's reaction, to a predicament which had grave implications for his earlier thesis in *The Future of Socialism* (discussed in Chapter 3), was that "the party's over". The remark was made to local government officers at Manchester Town Hall on 9 May 1975.

<sup>516</sup> The first early analyses of the significance of the 1979 election appeared in *Marxism Today*. See M. Jacques, 'Thatcherism - Breaking Out of the Impasse', October 1979. For a more specific study of the implications for social policy, see I. Gough, 'Thatcherism and the Welfare State', July 1980.

<sup>517</sup> In 1975, Margaret Thatcher signalled that "a vital new debate is beginning, or perhaps an old debate is being renewed, about the proper role of government, and the welfare state and the attitudes on which it rests". The extension of welfare in order to further redistribution and equality amounted to a "progressive consensus" which she wanted no part of; in *Let Our Children Grow Tall: Selected Speeches, 1975-1977*, Centre for Policy Studies, London, 1977.

<sup>518</sup> This was powerfully described as the "fiscal crisis of the state"; J. O'Connor, *The Fiscal Crisis of the State*, St. James' Press, New York, 1973.

<sup>519</sup> N. Timmins, *The Five Giants*, p.317.

<sup>520</sup> H. Glennerster, 'Public Spending and the Social Services: The End of an Era?', in M. Brown and S. Baldwin, *The Year Book of Social Policy in Britain*, Routledge and Keegan Paul, London, 1980, p.15.

<sup>521</sup> N. Bosanquet and P. Townsend (eds.), *Labour and Equality*, Heinemann Educational Books, London, 1980.

system prior to Thatcher's defeat of Edward Heath in 1975<sup>522</sup>. As discussed in Chapter 3, many commentators have observed fundamental disagreement between the two major parties<sup>523</sup>. There was no shared political currency - no concurrence, either in ideas or policy, during the so-called 'consensus'<sup>524</sup>. This interpretation is also challenged at the point of its conception. If the British welfare state is hard to define it could be because there was no 'Day 1', no Year Zero<sup>525</sup>. In many ways, the historic report of William Beveridge in 1942 represents a social policy blue-print and the author is often referred to as the architect of the welfare state. But it is also the case that there is a much longer *evolution* which goes back at least several centuries<sup>526</sup>. The Poor Law Act of 1601 was the first attempt by the state to assume a social role<sup>527</sup>. The nineteenth century saw much in terms of social reform, particularly following the widening of the franchise, and any history of welfare would have to highlight the broad programmes of public policy in health, sanitation and working conditions which this period witnessed. These were mainly the products of Disraeli's Conservative administrations rather than their opponents, the Liberals and their Whig predecessors. Likewise, we could trace a history of social policy which places a central focus on the reforming new liberal Government which introduced the *insurance* principle to social security and the old-age pension.

However, it is from the 1940s that we see the fundamental building blocks of the welfare state put down. Whether we start at 1942, the year of the Beveridge Report, or 1945, the year of the election of the first post-war Labour government, is contestable. What is clear is that the immediate post-war years ushered in a 'never again' mentality which had as much to do with the social and economic

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<sup>522</sup> N. Deakin, *In Search of Post-War Consensus*, LSE Quarterly, vol.3, no.3, pp.65-83.

<sup>523</sup> Chapter 3, p.9.

<sup>524</sup> R. Lowe, *The Welfare State in Britain*, Macmillan, London, 1993, p.85.

<sup>525</sup> Although libertarian opponents of the welfare state, who see it as a violation of individual liberty, may well see the Labour Government elected in 1945 as having inaugurated a totalitarian Year Zero!

<sup>526</sup> D. Fraser's *The Evolution of the British Welfare State*, is a comprehensive analysis of the development of the welfare state. He concludes that the welfare state "was not born - it had evolved"; Macmillan, London, 1984, p.239.

problems of the 1930s as it had with a determination to avoid the mass destruction that war-time Europe had just witnessed. The mass unemployment and poverty of the preceding decade was condemned by Labour politicians as the inevitable consequence of the free market. But likewise, there was a similar response from within Conservative ranks. Harold Macmillan's *The Middle Way*<sup>528</sup>, published in 1938, embodied the Disraeli tradition<sup>529</sup>, which in the middle of the twentieth century could be interpreted to advocate "a mixed economy and far greater state intervention than was believed in by the Tory party of the 1930s"<sup>530</sup>.

T. H. Marshall argues that the foundations of the welfare state were put down by the war-time *coalition* government<sup>531</sup>. It is therefore possible to see how, within such an immediate political context, coalition could give way to *consensus*<sup>532</sup>. It could be countered that an administration led by Churchill, who during the 1945 election campaign warned that Labour's social policies violated Britain's traditional sense of freedom and would depend upon a Gestapo for their implementation<sup>533</sup>, would have produced quite different legislation. The Conservative Opposition voted against the National Health Service Bill in 1946. Election campaigns though are rarely informed guides to government outcomes, and future Conservative governments did not reverse Labour's most significant reforms<sup>534</sup> (whether or not this was for reasons of ideological compatibility or electoral acquiescence is a matter of dispute).

The welfare state was not a programmatic transformation of British social policy. It was the self-declared *first* welfare state<sup>535</sup>, albeit after the event, yet its roots are unclear, its ideological

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<sup>527</sup> M. Hill, *Understanding Social policy*, Blackwell, Oxford, 1988, p.13.

<sup>528</sup> H. Macmillan, *The Middle Way*, Macmillan, London, 1966.

<sup>529</sup> For an analysis of the significance of this text and the impact of Macmillan's thinking on British politics in general, see A. Horne, *Harold Macmillan: 1894-1956*, Viking, London, 1989.

<sup>530</sup> N. Timmins, *The Five Giants*, op.cit., p.163.

<sup>531</sup> T. H. Marshall. *Social Policy*, Hutchinson, London, 1965, p.87-8.

<sup>532</sup> See footnote 33, Chapter 3.

<sup>533</sup> I. Kramnick and B. Sheerman, *Harold Laski: A Life on the Left*, Hamish Hamilton, London, 1993, p.481.

<sup>534</sup> J. D. Hoffman, *The Conservative Party in Opposition*, MacGibbon and Kee, London, 1964.

<sup>535</sup> D. Fraser, *The Evolution of the British Welfare State*, op.cit., pp.xxi-xxii.

composition ambiguous. There has never been any agreed, coherent set of principles behind it and, by the same token, never any declared boundary generally recognised as encompassing its essentials. It is possible to trace key strategies and continuities that dominated the period from 1945 to 1979, even though it may also be true that they were pursued for different reasons.

At least part of the explanation for this can be found in an understanding of the developments in political ideas over this period. It was possible for Labour and the Conservatives, when in government and opposition, to support certain policies, indeed institutions of the welfare state, though for different reasons. This is most notably the case with the National Health Service which is commonly seen to embody socialist principles, notably equality. When we observe a system of health care based on need rather than the ability to pay, funded from a system of progressive taxation, it is possible to see how the minister who took the legislation through Parliament, Aneurin Bevan, could describe it as “pure socialism”<sup>536</sup>. It was perhaps for this very reason that Conservatives *could* support Labour’s reforms, because social policy would forestall socialism. The fear of socialism was the “catalyst of social politics” wrote Bentley B. Gilbert<sup>537</sup>. However, a Conservative conception of a paternalistic state founded upon a strong sense of the responsibility of rulers to the ruled could also encompass a free universal system of health care. This was not of course the thinking of the time and the Conservative Opposition voted against much of Labour’s post-war legislation. However, with the publication of *The Industrial Charter* in 1947, the Conservatives adjusted to much of Labour’s legislation, heralding an era

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<sup>536</sup> A. Bevan, *In Place of Fear*, MacGibbon and Kee, London, 1966, p.62

<sup>537</sup> B. Gilbert, *British Social Policy: 1914-1939*, Batsford, London, 1970, p.305.

Prominent Conservatives repeated as much. A. J. Balfour, later to be Prime Minister, put it that socialism would never take hold of the working class if the state were to address every “legitimate grievance”. In this respect, social legislation is not “merely to be distinguished from socialist legislation but is its most direct opposite and its most effective antidote”; quoted in D. Fraser, *The Evolution of the British Welfare State*, op.cit., p.139.

of much agreement in social and economic policy<sup>538</sup>. The policy document was overseen by R. A. Butler and greatly influenced by the political ideas of Macmillan. It rests firmly within the tradition of *conservatism* within the Conservative Party<sup>539</sup>.

If it not possible to refer to a party political consensus, it is possible to perceive a coalition of social policy inheritance. Historically, its roots may lay in socialist and radical agitation for improved living conditions and greater equality; or according to a conservative perception of a cautious, evolutionary paternalist state. Alternatively, the evolving liberal definition of liberty may be seen to be crucial, a conception which moved from a negative to a positive interpretation, resulting in the acceptance of state intervention at the turn of the century. The post-war welfare state can be seen to have emerged from all three: the socialist Bevan (the NHS), the Conservative Butler (his 1944 Education Act created free, universal secondary education) and the Liberal Beveridge (whose famous 1942 Report set out the over-arching framework designed to slay the ‘Giant Evils’ of idleness, or unemployment, want, disease, squalor and ignorance)<sup>540</sup>. T. H. Marshall has accordingly referred to the welfare state’s “mixed parentage”<sup>541</sup>.

Despite, however, an apparent ideological flexibility, there were parameters. One important ideology could not fit in: classical, free market liberalism and its post-war incarnation inside the Conservative Party, the New Right. It is possible to juxtapose the end of the “expansionary state in the mid 1970s” and “the dynamic of the new more market orientated discourse on welfare that characterized

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<sup>538</sup> For example, “We want co-operation [with industry] in making...the national budget of our economy...and competitive enterprise in carrying them out. There is no other way in which both freedom and efficiency can be secured”; ‘The Industrial Charter’, 1947, quoted in *Conservatism: 1945-1950*, Conservative Political Centre, Thanet Press, London, 1950, p.53.

<sup>539</sup> *The Industrial Charter* attacks the idea that laissez-faire economics is a principle of the Conservative Party. The document argues that the “retreat from laissez-faire began when the Conservative Party introduced legislation to raise the standards of conditions of work in mines and factories”; *ibid.*, p.47-48.

<sup>540</sup> D. Fraser, *The Evolution of the British Welfare State*, *op.cit.*, ch.9.

<sup>541</sup> T. H. Marshall. *Social Policy*, *op.cit.*, p.87-8.



the 1980s”<sup>542</sup>.

## 2. Thatcherism and the welfare state

Until the end of the 1980s however, Conservative social policy was mainly a continuation of general post-war trends - though not perhaps by design. There was no demolition of the welfare state as promised by an ideology which held that the majority of people should seek their general welfare provision, be it their health care or education, from the private market, while only a minority, the most needy, would require protection from the state. What Richard Titmuss referred to as a “residual welfare state”<sup>543</sup> had patently not been realised. For if this was the scenario, the National Health Service should have been privatised and universal social security benefits, such as Child Benefit, abolished. There had been explicit recognition of these targets as New Right think-tanks like the Institute of Economic

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<sup>542</sup> D. Gladstone, ‘Preface’, in D. Gladstone (ed.), *British Social Welfare: Past, present and future*, op.cit., p.vii.

<sup>543</sup> Titmuss described a “residual welfare state” as one which is “based on the premise that there are two “natural” (or socially given) channels through which an individual’s needs are properly met; the private market and the family. Only when these break down should social welfare institutions come into play and then only temporarily”; *Social Policy: An Introduction*, George Allen and Unwin, London, 1974, pp.30-31.

Affairs, proponents in the media and universities called for such action<sup>544</sup>. Changes that did occur were marginal but significant. The great exception to this rule was the dramatic overhaul of housing policy. House building and expenditure fell, both due to the wider flag-ship policy of council house sales. But also in pension policy the decision to break the link with earnings was of critical importance<sup>545</sup>.

However, it remained the case after two terms of Thatcherism that the welfare state was largely intact. It is necessary to explain why this was the case if the nature and significance of what was to follow is to be properly understood. A possible explanation may lie in the comment, by Ivor Crewe after the 1983 election, that Keynes may now be dead but not Beveridge<sup>546</sup>. This is certainly true institutionally because the main institutions which co-ordinate and implement social policy, such as the comprehensive education system and the National Health Service, remained unreconstructed. It was also, moreover, the case economically because the welfare state continued to be funded through general taxation (if not as progressive a form as it had been) and public expenditure rose each year - in marked contrast to explicit aims<sup>547</sup>. This point is spelt out by John Clarke and Mary Langan:

*“From the political agenda which the new right established and from the hostility expressed towards the inefficiencies, inequities and social and economic consequences of state welfare by senior government figures during the 1980s, it would be reasonable to expect evidence of a shrinking welfare state or declining public spending on welfare. In fact, this is not what we find when*

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<sup>544</sup> For a persuasive account of the influence of think-tanks in the Conservative Party see R. Cockett, *Thinking the Unthinkable: Think-Tanks and the Counter-Revolution, 1931-1983*, op.cit.

<sup>545</sup> A. Deacon, ‘Spending more to achieve less? Social security since 1945’, in D. Gladstone (ed.), *British Social Welfare: Past, Present and Future*, UCL Press, London, 1995, p.91.

<sup>546</sup> I. Crewe, *The Guardian*, 14 June 1983.

<sup>547</sup> The 1980 White Paper on Public Expenditure stated: “The Government intend to reduce public expenditure progressively in volume terms over the next four years”; *The Government’s Expenditure Plans 1980-81 to 1983-84*, Cmnd 7841, HMSO, 1980, para.2.

*considering the patterns of public spending during the 1980s*”<sup>548</sup>.

There is a marked discrepancy between expectation and evidence. Julian Le Grand describes the “robustness” of a welfare system which, between 1974 and 1987, “successfully weathered an economic hurricane in the mid 1970s and an ideological blizzard in the 1980s”<sup>549</sup>. A comprehensive study at the London School of Economics concluded that, “reports of the death of the welfare state have, like Mark Twain’s, been greatly exaggerated”<sup>550</sup>. But why was British social policy not radically re-cast along the lines of a New Right agenda? Why was the whole plethora of state provision not swept aside by the seemingly impervious incoming tide of thinking which focused on the market as opposed to the state, a thinking which after all, with thunderous parliamentary majorities, faced no real legislative check?

One feasible explanation concerns the historical role of the Conservative Party as an inherently pragmatic organization which sees itself as the natural party of government<sup>551</sup>, and is quite happy to let political realities of the day predominate over political ideas. A scepticism of ideas constitutes a significant conservative tradition and was central to the works of key conservative writers through the ages, from Edmund Burke to Michael Oakshott<sup>552</sup>. This is born out in a recent work by Nicholas Timmins, *The Five Giants*<sup>553</sup>. His interview with David Willetts, who was Thatcher’s health and social security adviser, now a Conservative M.P. and renowned proponent of New Right thinking, is important. Willetts makes two points. First, social policy was just simply not one of Thatcher’s priorities. She was much more concerned with the economy in general, and privatization and the trade

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<sup>548</sup> J. Clarke and M. Langan, ‘Restructuring Welfare: The British Welfare Regime in the 1980s’, in A. Cochrane and J. Clarke (eds.), *Comparing Welfare States: Britain in International Context*, Open University and Sage Publications, London, 1993, p.54.

<sup>549</sup> J. Le Grand, ‘The State of Welfare’, in J. Hills (ed.), *The State of Welfare*, op.cit., p.350.

<sup>550</sup> J. Hills, op.cit., p.1.

<sup>551</sup> Andrew Gamble argues that conservatism is better understood as a set of beliefs about governing (*The Conservative Nation*, Routledge and Keegan Paul, London, 1974).

<sup>552</sup> N. O’Sullivan, *Conservatism*, Dent, London, 1976, ch.5.

unions in particular. Second, he believes that she was fully aware of the possible political costs of changing the welfare state:

*“She was keen on radical thinking and didn't mind people debating all sorts of radical ideas in front of her; but she was reluctant to go and implement, because she was aware of the political appeal of institutions like the NHS. People don't realise it. But she was very cautious.”*<sup>554</sup>

All of this may be true. Alternatively, it could be an apologia for either the failure to translate ideological thinking into practical legislation, or a failure of political will which was supposedly the very hallmark of Thatcher's legislative style. Nevertheless, it certainly appears a plausible explanation that an election-centred machine may not want to risk the electoral wrath of an electorate which attached *some* of the welfare state's institutions<sup>555</sup> to its own sense of identity. Sullivan believes that public opinion saved the welfare state from its potential destruction<sup>556</sup>. Such a wholly political perspective may also have taken a more measured approach to the inevitable bureaucratic resistance it would have faced. Practical problems of implementation are not to be under-estimated<sup>557</sup>.

However, following Margaret Thatcher's record-breaking third successive general election victory in 1987, the picture began to change. Anthony Seldon has written that of the entire post-war settlement “only the Welfare State remained largely intact into Mrs Thatcher's third term of office. But

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<sup>553</sup> N. Timmins, *The Five Giants*, op.cit.

<sup>554</sup> D. Willetts, in N. Timmins, *The Five Giants*, op.cit., p.372.

<sup>555</sup> There was less public affinity, than say there was with the NHS, towards the social security system, and this was indeed one of the few areas which saw significant change with a move towards greater means-testing (A. Deacon, ‘Spending more to achieve less? Social security since 1945’, in D. Gladstone (ed.), *British Social Welfare: Past, Present and Future*, UCL Press, London, 1995, pp.87-91).

<sup>556</sup> M. Sullivan, *The Politics of Social Policy*, Harvester Wheatsheaf, London, 1992.

after 1987 even the last bastion of consensus came under attack”<sup>558</sup>. In the years between 1988 and 1990, education, health and community care were extensively re-organised. These were clearly not the periphery of the welfare state, but core services, central ‘merit goods’, institutions which pundits and politicians had taken to be sacrosanct for decades - to such a degree that they even appeared impenetrable to two whole terms of Thatcherism. As one of Thatcherism’s prime thinkers, David Willetts, has said, from the mid-1980s the question became: “is there a Thatcherite way we can improve the quality of the welfare state services without the public having to pay for them?”<sup>559</sup>. What then appears to have taken place is a significant re-think on the right. Whatever the explanation, there was a change of strategy that seemed capable of bearing fruit for the Thatcherites.

If the market could not replace the state as the main provider of welfare, then the market could be infused into the state. Such reforms were to have as much a cultural impact as they fell within the normal borders of social policy. These *quasi-markets*<sup>560</sup> challenged the whole ethos of the welfare state from within, aiming to implant market values into perceived ailing state bodies. Why though were education, health and community care the focus of these reforms? In many ways, they are central to the ethos of the welfare state so, by the same token, they had become open to question by those who had come to doubt the validity of both the means and end of social policy. Notions of individuality, flexibility, openness, choice and accessibility were seen as alien to the delivery side of welfare which appeared marked far more for its paternalistic, uniform, centralised and bureaucratic nature. Moreover, neither the end nor the objectives of the welfare state were seen as providing anything approaching an effectiveness of response, especially as this was now being measured against completely new criteria:

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<sup>557</sup> D. Marsh and R. A. W. Rhodes, *Implementing Thatcherite Policies: Audit of an Era*, Open University Press, Milton Keynes, 1992.

<sup>558</sup> A. Seldon, *The Conservative Party since 1945*, in T. Gourvish and A. O. Day (eds.), ‘Britain since 1945’, Macmillan, London, 1991, p.233.

<sup>559</sup> D. Willetts, in N. Timmins, *The Five Giants*, op.cit., p.433.

the mantras of consumerism, rationality, markets and competition<sup>561</sup>. Moreover, growing perceptions of anti-professionalism and ‘anti-expertism’, meant that there was room for such market manoeuvres<sup>562</sup>. Public choice theorists argued that bureaucrats had an inherent tendency to self-interest and expansion that would only lead to waste and inefficiency, assertions which did not necessarily stand closer scrutiny<sup>563</sup>.

This is an important new phase in the development of the welfare state. What was Labour’s response to these developments? The Fabianism of Sidney and Beatrice Webb examined in Chapter 2 and 3 was in many ways the welfare state’s ideological architecture. Their work was crucial to the Labour Party’s faith in the potential of state institutions to alleviate social problems and achieve greater economic efficiency than could be delivered by the free market. It was held that social research would lead to social reform. As George Bernard Shaw wrote in 1896, one of the aims of the Fabian Society was “the collection and publication of authentic and impartial statistical tracts” in order to make “the public conscious of the evil conditions of society under the present system”. By shaping the state itself around this idea, and creating bureaucracies, it was believed that age-old social problems could be eradicated. A socialist paternalism therefore stood alongside conservative paternalism. However, by the 1980s, the Fabian diggers of British social policy, the state bureaucrat and the expert, were reaching their graves quicker than they were reaching Jerusalem.

### **3. Labour’s ‘social politics’<sup>564</sup>**

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<sup>560</sup> J. Le Grand and W. Bartlett, *Quasi Markets in Social Policy*, Macmillan, Basingstoke, 1993.

<sup>561</sup> The result of the reforms on these - their own - terms is uneven, as discussed in J. Le Grand and W. Bartlett, *ibid.*

<sup>562</sup> See J. M. Buchanan, *The Economics of Politics*, Institute of Economic Affairs, London, 1989.

<sup>563</sup> P. Dunleavy, *Democracy, Bureaucracy and Public Choice*, Harvester Wheatsheaf, Hemel Hempstead, 1991.

There are three factors which explain Labour's thinking on social policy in the 1980s. They mirror precisely the factors behind economic policy discussed in the previous chapter. The first concerns a reflection on the recent history of the welfare state and its own [leading] role in this history. The second involves adjustment to the political context of the day, namely the relative successes and failures of the Thatcher governments. The third, is the history of political ideas within which this study is based. They led to one central claim: the structure of the welfare state and the assumptions behind it were incompatible with a whole plethora of issues and themes articulated in the 1980s. The diagnosis of the 'poverty trap', demographic trends such as the ageing population, the changing nature of the family, the critique of the relationship between women and welfare, the related issue of child care, and the position of the disabled, all appeared at odds with the Beveridge framework.

It is not, unfortunately, as clear-cut as this. The structure laid down in the Beveridge Report, although representing the broad framework of British social policy up to, as we have seen, the mid- to late-1970s, did not constitute a monolith. This was most evidently the case with the system of social security, which had evolved and, in some respects, escaped from the requisites underpinning the corpus of post-war social policy. The most important example is the rise of means-tested benefits. By the late 1970s, 5 million people were dependent on means-tested supplementary benefits<sup>565</sup>. This had nothing to do with either the Beveridge Report or the intentions of Attlee's reform programme. Means-tested benefits, referred to, by their proponents at least, by the 1980s as 'targeted' benefits, both preceded and succeeded Beveridge. The difference in the 1980s was that government was now committed to moving

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<sup>564</sup> The term *social politics* is used by Bentley Gilbert to describe a situation when the social policy of a state is under-going marked change; see *British Social Policy: 1914-1939*, Batsford, London, 1970.

<sup>565</sup> Supplementary Benefits Commission, *Evidence to the Royal Commission on the Distribution of Income and Wealth*, Report No.6, *Lower Incomes*, HMSO, London, Cmnd. 7175, 1978, p.28.

further toward means-tested benefits<sup>566</sup>, supplementing this strategy with a refusal to up-rate universal benefits in line with inflation<sup>567</sup>.

Through its response to developments in the welfare state, Labour in many ways took on the role of the *conservative* party in British politics<sup>568</sup>. The party became the defender of the welfare state against the perceived Thatcherite onslaught. It is an irony of both political ideas and political history: for the first time in its history the Labour Party found itself in the position of actually defending the welfare state's status quo. It had campaigned all through the 1920s and 1930s for the radical social reform which was seemingly delivered by its first majority government elected in 1945. Future governments could not match it for the nature and extent of its social policy, but there were still some important developments<sup>569</sup>.

Politically it was an understandable posture. Opinion polls consistently showed both majority support for the welfare state<sup>570</sup> (which also highlighted a contradictory willingness for higher taxation for the purpose of additional expenditure which was not born out at election time) and a far greater trust of Labour over the Conservatives on social policy issues generally. Empirical data is unclear: continual public support throughout the 1980s for a political agenda of progressive taxation and greater public expenditure was not matched by the willingness of the electorate to support Labour's more redistributive socio-economic agenda, however moderate, in three consecutive general elections<sup>571</sup>. So it was an instinctive political reaction for Labour to play such a defensive role, interpreting Conservative actions and proposals, particularly on health, as threats to the welfare state. Such a

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<sup>566</sup> N. Barr and F. Coulter, 'Social Security: Solution or problem?', in J. Hills (ed.), *The State of Welfare: The Welfare State in Britain since 1974*, op.cit., pp.277-283.

<sup>567</sup> Ibid.

<sup>568</sup> Anthony Giddens has made the same point, see Chapter 4, p.6.

<sup>569</sup> In particular, the creation of Child Benefit and the State Earnings Related Pensions Scheme (SERPS), both in 1975.

<sup>570</sup> Peter Taylor-Gooby, in *British Social Attitudes, 8th Report*, Dartmouth Publishing, Aldershot, 1991, pp.23-41.

<sup>571</sup> C. Pierson, 'Social Policy', in D. Marquand and A. Seldon, *The Ideas that Shaped Post-War Britain*, op.cit., pp.154-5.



situation was not one which left much room for fresh thinking within the Labour Party. Social policy was one of the very few policy areas in which the party consistently scored higher than the Conservatives in opinion polls. So it is perhaps not difficult to understand why, as Timmins has said, “a profound conservatism reigned”<sup>572</sup>.

Alongside such electoral considerations, however, there was a growing feeling that the welfare state was not something that should simply be defended in its totality. Indeed there was a growing analysis, which had always existed on the left but grew more prominent in the 1980s, that there were fundamental problems. A number of social policy’s leading thinkers voiced grave concerns, perfectly represented by Glennerster’s explication<sup>573</sup>. Such texts, notably Walker’s *Social Planning: A Strategy for Socialist Welfare*<sup>574</sup>, were important not just because they directly triggered a re-think. What they did was to form a movement of analysis and recognition which showed that: first, many of the developments of Thatcherism could and should be condemned; and second that, nonetheless, the solution was *not* to adopt the mantle of protectionism, and to form a blanket defence of the old institutions of the post-war settlement. It was one thing to attack a perceived onslaught on the National Health Service, but quite another to present the party as the guardians of a welfare state which in reality was in urgent need of reform and re-invigoration. The New Right managed to create great antagonism to much of the state system of services and benefits.

Julian Le Grand’s *The Strategy of Equality*<sup>575</sup> was of great importance in provoking this re-think. Through a thorough demonstration that welfare was of the greatest value to the middle class, it concluded that “the strategy of equality through public provision has failed”<sup>576</sup>. The text brought to a

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<sup>572</sup> N. Timmins, *The Five Giants*, op.cit., p.487.

<sup>573</sup> H. Glennerster (ed.), *The Future of the Welfare State*, Heinemann, London, 1983, p. ??.

<sup>574</sup> A. Walker, *Social Planning: A Strategy for Socialist Welfare*, Blackwell, Oxford, 1984.

<sup>575</sup> J. Le Grand, *The Strategy of Equality*, Allen and Unwin, London, 1982.

<sup>576</sup> *Ibid.*, p.151.

head many of the uncertainties that laid beneath the view that the Labour Party was the welfare state's best protector and guarantor. It drew out the ambiguous nature of the relationship between the Labour Party and a future approach to the welfare state. For it showed that simply increasing spending did not in itself necessarily benefit the poor and/or narrow inequalities:

*“Public expenditure on the social services has not achieved equality in any of its interpretations. Public expenditure on health care, education, housing and transport systematically favours the better off, and thereby contributes to inequality in final outcome”<sup>577</sup>.*

Much of the new thinking on the social policy can be explained in terms of the relationship between those involved in the process and the political context. This is particularly true when it comes to thinking on the welfare state. Donald Sassoon is one who has observed the significance of such generational intellectual re-ordering. He counters the view that the new thinking of the late 1980s can simply be referred to as “a right-wing, social-democratic takeover of ‘genuine’ socialist parties, as traditionalists have all too often lamented”. Rather, he believes there to be a crucial difference between “Right-wing social democrats”, who are “pragmatic, trade-union orientated, statist and gradualist socialists”, with “little time for feminism or ecology, which they regarded as middle-class fads”; and those, who he terms “neo-revisionists”, who “often originated from the first ‘new left’, and had been deeply influenced by the new individualist politics of the 1960s and 1970s”<sup>578</sup>. It is therefore necessary to re-connect this analysis with its historical context, in order to illustrate how Labour social policy thinking in the 1980s emerged. The change in thinking - from establishing the welfare state to being

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<sup>577</sup> Ibid., p.137.

<sup>578</sup> D. Sassoon, *One Hundred Years of Socialism: The West European Left in the Twentieth Century*, op.cit., p.736.

deeply critical of it - demonstrates perfectly the need for an historical context of political ideas. We then see that the basis of the dispute is actually a dispute over means not ends.

It is feasible to denote both a dominant tradition (the post-war welfare state) and a response to it. The response is based on less homogeneity: there was no 'new Beveridge'. At least part of the reason for this is the sheer breadth of the welfare state itself, a conception which covers the varied areas of health, education, social security, housing and the personal social services<sup>579</sup>. However, if we examine the ideas behind this social policy thinking it is possible to present a shared analysis. The critique of social policy by Labour intellectuals and politicians is not based on competing political ideas but, rather, is embedded in the ideational relationships traced here. It is based on shared political values conceived in different contexts. A new political, social and economic context produces a fresh attempt to orientate ideas. To those who hold such ideas, it is necessary to instigate new policies to bring them about. The means represent a nexus; irrespective of the generation in which they are designed, they are responses to the same ideas.

Those who laid the foundations of the post-war welfare state and those who inherited it and (often) worked within it were the first generation of Labour politicians and thinkers who grew up in the heyday of the 1945-1950 Labour Government and the dramatic expansion of the institutions of the welfare state. This was the socialism of the Fabians rather than the Guild Socialists<sup>580</sup>, the socialism of *The New Statesman* rather than *New Age*; the socialism of Herbert Morrison and the London County Council. As Kenneth Morgan has written, the legacy of the first ever majority Labour Government was reverentially acclaimed by both the Gaitskellites and the Bevanites<sup>581</sup>. Attlee's was viewed as an epoch-making government. Extensive social reform produced a much broader system of social security;

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<sup>579</sup> For a detailed examination of the major developments in each of these policy areas, see the various contributions in J. Hills (ed.), *The State of Welfare: The Welfare State in Britain since 1974*, op.cit., chs.3-7.

<sup>580</sup> Discussed in Chapter 2.

a fundamental council house-building programme and slum clearance; and the establishment of a free, universal health service. This, together with the war-time coalition's extension of free education to the age of 15 and its pledge to the future maintenance of full employment, clearly constitutes the largest single development of welfare in history<sup>582</sup>.

What is perhaps the most remarkable point is how *soon* Labour intellectuals and politicians began to question this framework. By the early 1960s the central criticism was that the welfare state had failed to lead to the greater equality which many in the Labour Party had hoped for. This coincided with what can be described as the 'rediscovery of the poor'. During the 1950s there was a general belief that poverty had been largely abolished. There was a complacency that was epitomized by the assertion in Crosland's *The Future of Socialism* that rising living standards, the welfare state and the progressive taxation system had virtually destroyed poverty<sup>583</sup>; and Labour's 1964 manifesto spoke of "pockets of poverty"<sup>584</sup>. A key player in this reappraisal of the welfare state was the 'Child Poverty Action Group', who were extremely hostile to the records of the Wilson and Callaghan Governments on poverty. Indeed, in 1970 it was sensationally claimed that "the poor had got poorer under Labour"<sup>585</sup>.

Most important of all, however, was the growing realisation that neither the economic system (based on full employment)<sup>586</sup> nor the social system (based on social security) were capable of eliminating poverty<sup>587</sup>. Towards the end of the 1974-79 Labour Administration, the Government's 'Supplementary Benefits Commission' concluded that the benefit offered recipients "incomes that are barely adequate to meet their needs at a level that is consistent with normal participation in the life of

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<sup>581</sup> K. Morgan, *Labour in Power, 1945-51*, op.cit.

<sup>582</sup> P. Hennessy, *Never Again, Britain 1945-51*, Jonathan Cape, London, 1992.

<sup>583</sup> A. Crosland, *The Future of Socialism*, op.cit.

<sup>584</sup> Labour Party, *Let's Go with Labour for the New Britain*, 1964 General Election manifesto.

<sup>585</sup> Child Poverty Action Group, *An Incomes Policy for Families*, 1970, reprinted in F. Field, 'Poverty and politics', Heinemann Educational Books, London, 1982, ch.7.

<sup>586</sup> Examined in Chapter 4.

the relatively wealthy society in which they live”<sup>588</sup>. There was a decisive role played here by social policy academics from the London School of Economics. Brian Abel-Smith and Peter Townsend’s *The Poor and the Poorest* showed not only the continuation of widespread poverty but also that of all the people in low expenditure households, a large minority (35%) were in households headed by a full-time worker<sup>589</sup>. This was of critical importance because it had been widely assumed on the left that full employment was all that was required to abolish poverty. If there was a crisis over means, however, there was also a crisis of confidence - public confidence. In a review of the period up to 1979, David Donnison has demonstrated the great difficulty which arises when there is both general criticism of the welfare state and a continuation of ‘old’ problems:

*“‘Middle England’ is not ready to be convinced by research and Blue Books  
that benign public services will - or should - create a more humane and a more equal society.  
Yet the old evils of capitalism (unemployment, low wages and exploitation) for which Crosland  
pronounced a requiem are still very much alive”<sup>590</sup>.*

A fundamental issue was the state itself. The ‘welfare state’ is just that, the ‘welfare *state*’. The distinction between a Fabian, economic socialism and an ethical socialism centres on different conceptions of the state. Anthony Crosland was in no doubt that the framework institutionalized by the Attlee government, based on Beveridge’s social policy and Keynes economic policy, was the right

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<sup>587</sup> D. Piachaud, *Poverty in Britain*, Journal of Social Policy, vol.17, no.3, pp.335-49.

<sup>588</sup> Supplementary Benefits Commission, *Evidence to the Royal Commission on the Distribution of Income and Wealth*, Report No.6, ‘Lower Incomes’, Cmnd 7175, HMSO, 1978, p.28.

<sup>589</sup> B. Abel-Smith and P. Townsend, *The Poor and the Poorest*, Bell, London, 1965, p.30.

<sup>590</sup> D. Donnison, *Social Policy since Titmuss*, Journal of Social Policy, April 1979, p.152.

one<sup>591</sup>. The former had predominated in Labour Party thinking but as the welfare state faced criticism, the debate returned to these traditional arguments. The critique that the welfare state had become paternalistic and over-bearing, harsh and bureaucratic was difficult for Labour intellectuals to frame because the welfare state had also brought around significant gains<sup>592</sup>. As this was becoming evident in 1949, Tawney wrote: “The increase in the freedom of ordinary men and women during the last two generations has taken place, not in spite of the action of governments, but because of it...The mother of liberty has, in fact, been law”<sup>593</sup>.

In *The Socialist Case*, published two years earlier, Douglas Jay wrote: “in the case of nutrition and health, just as in the case of education, the Gentleman in Whitehall really does know better what is good for people than the people know themselves”<sup>594</sup>. This quote exemplifies the emergent conflict between the state and the individual, a relationship which challenged the ‘supporters’ of the welfare state to question whether social policy was a threat to freedom. By the early 1980s, these arguments were being articulated. There were calls for the democratization of social policy, an agenda which included greater participation by the users of services<sup>595</sup>. In an article written for *The Times* in 1983 entitled ‘Take the heavy hand out of the welfare state’, David Donnison observed that “when the education authorities decided to provide nursery schooling they laboured for years to create an inadequate and very expensive all-professional system, operating at times of the day and for periods of the year which were devised to suit teachers, not children or their parents”<sup>596</sup>.

Criticism denotes state services run for the benefit of those working in them, rather than those they were designed to serve and who often paid for them. The critique of the phenomenon of

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<sup>591</sup> As discussed in Chapter 3.

<sup>592</sup> Described in Chapter 3.

<sup>593</sup> R. H. Tawney, *The Radical Tradition*, Pelican, London, 1964, p.169.

<sup>594</sup> D. Jay, *The Socialist Case*, Penguin, London, 1947, p.258.

<sup>595</sup> M. Wicks, *A Future for All: Do We Need a Welfare State?*, Penguin, London, 1987, ch.11.

“producer capture” has been traced to both socialist thinking in the 1970s and the New Right critique of welfare, as well as the latter’s analytical stable-mate, public choice theory<sup>597</sup>. Described in 1990 as one of the “central disciplines in the critique of state welfare”, public choice theory undermined the “naive assumption of ‘public service’, arguing that there is no reason to assume public bureaucrats will comply with their organizations’ explicit ends of public welfare”<sup>598</sup>. The relationship here between the New Right and Labour thinkers on social policy needs to be carefully disentangled. A New Right attack on a spiralling bureaucracy elicits a straightforward engagement of political ideas with state welfare. But the Labour Party created the welfare state and the bureaucracies and providers which go with it. There is no reason, however, why increasing levels of bureaucracy should be defended *per se*; unless, that is, such an increase produced a corresponding increase in welfare or provision of the benefit or service in question<sup>599</sup>. The same is true with the issue of value for money and efficiency. Greater accountability and transparency in social policy would automatically lead to calls for greater cost-effectiveness, but how is this to be distinguished from a Conservative agenda of plain cost-cutting. This leads to difficult question of producer interests - a problematic issue indeed for a party of *labour*. Jack Straw put it like this: “those of us who believe in the sustained use of public money should have a far greater interest in the efficiency of the public sector: far more to gain from efficiency, than ever the welfare state’s detractors”<sup>600</sup>.

The party’s thinking on government and administration is historically based on the parliamentary road to socialism, the potential of central government and the local authority to

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<sup>596</sup> D. Donnison, ‘Take the heavy hand out of the welfare state’, *The Times*, 4 March 1983.

<sup>597</sup> D. Anderson, ‘The state of the social policy debate’, in N. Manning and C. Ungerson (eds.), *Social Policy Review 1989-90*, Longman/Social Policy Association, Essex, 1990, pp.33-34.

<sup>598</sup> *Ibid.*, p.34.

<sup>599</sup> M. Wicks, *A Future for All: Do We Need a Welfare State?*, op.cit., pp.225-6.

<sup>600</sup> J. Straw, speech to Chartered Institute of Public Finance and Accountancy Annual Conference, 5 June 1984, p.6.

implement radical reform<sup>601</sup>. As we have seen, in terms of ideas, this is based on the Fabian influence on the Labour movement, and its top-down, expert-led approach to solving social problems<sup>602</sup>. The position of the ‘benevolent bureaucrat’, however, was increasingly undermined by an analysis of the welfare state’s growing complexity<sup>603</sup>.

Within such a context it is difficult to see how values of empowerment and accountability could be promoted by socialists. It is feasible to see how the New Right could attack the welfare state for failing on these counts. Its agenda, or at least the rhetoric behind the agenda (we have explored the reasons why these stated objectives were not realised), was clear: state welfare threatened individual freedom and should be radically reduced. But for the Labour Party, embedded in its traditions, a double-sided appraisal of this history and an opposition to Thatcherism, social policy thinking is deeply problematic.

Labour’s Policy Review indicates the impact many of these arguments had. There was an attempt to reverse, or at least redress the imbalance of a ‘top-down’ elitist welfare system. There was a shift away from the state and the expert, towards accountability and participation, with numerous proposals on service delivery and local input<sup>604</sup>. There was, as Peter Alcock has commented, a growing “focus on individual enforcement of rights to welfare and user participation in local planning of the delivery of welfare services”<sup>605</sup>. There was certainly some cross-over with New Right ideas, as well as sharp opposition. There was growing talk - from the right - of *dependency*, that many social security claimants and their families were completely dependent upon their provision. The result was said to be

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<sup>601</sup> M. Wicks, *A Future for All: Do We Need a Welfare State?*, op.cit., p.131.

<sup>602</sup> See Chapter 2, p.16.

<sup>603</sup> Barbara Wooton has argued that ‘complexity’ was a giant that should be added to Beveidge’s ‘five giant evils’; B. Wooton, in P. Bean and S. MacPherson (eds.), *Approaches to Welfare*, Routledge and Keegan Paul, London, 1983, p.286.

<sup>604</sup> Labour Party, *Meet the Challenge, Make the Change*, The Labour Party, London, 1989, sect.4, ‘A Fairer Community: Report of the Policy Review Group on Economic Equality’, pp.29-39.

<sup>605</sup> P. Alcock, ‘The Labour Party and the welfare state’, p.143.



fundamental damage to individual character and responsibility<sup>606</sup>. An arguable irony here is that it was successive Conservative governments in the 1980s that created dependency. The tripling of unemployment by the beginning of the following decade, from one million to three million, was the most significant statistic<sup>607</sup>. The huge growth of *long-term* unemployment - particularly of the young - was widely seen as the most dramatic example of the phenomenon. Likewise, the rise in the numbers of lone-parent families, and the high proportion of these on benefit<sup>608</sup>, was seen as indicative of a social security system which seemed better at keeping claimant on benefits than in propelling them back into work.

The existence and extent of poverty is explicitly recorded, and its implications for future policy. The argument is forged both as an attack on Conservative governments *and* a more broad critique of post-war social policy:

*“Nearly half a century after the publication of the Beveridge Report which promised an end to want in Britain, there are still millions of people living in poverty. Over the past ten years their numbers have grown from 11 million people in 1979 to over 15 million today”*<sup>609</sup>.

What is remarkable about poverty in Britain, the *Report of the Policy Review Group on Economic Equality* (1989) argues, “is not just that it is so widespread, but that so many families are poor at a time when many on top incomes have enjoyed unprecedented new wealth, financed in part by government tax cuts. But growing inequalities are not recognised by this government as a sign of failure in their

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<sup>606</sup> V. George and P. Wilding, *Welfare and Ideology*, op.cit., p.31-4.

<sup>607</sup> HMSO, *The Government's Expenditure Plans 1991-92 to 1992-93*.

<sup>608</sup> J. Hills, *The Future of Welfare: A guide to the debate*, revised edition, Joseph Rowntree Foundation, York, 1997, pp.30-38.

<sup>609</sup> Labour Party, *Meet the Challenge, Make the Change: A New Agenda for Britain*, op.cit., p.29.

social and economic policies”<sup>610</sup>. It follows explicitly from this that the ‘success’ of a future Labour administration’s social policy depends on a reduction in inequality.

The result of such thinking was the development of the notion of ‘pathways out of poverty’ to independence<sup>611</sup>:

*“We must enable people to be independent, by opening doors to those denied an opportunity to work. Creating better childcare services will help thousands of single mothers to get jobs. Investment in the regions and our new training programme will help the long-term unemployed to work again”*<sup>612</sup>.

The emphasis is on increasing individual freedom and not equality, indicating the influence of the thinking of the market socialists<sup>613</sup>. This involved a quite brutal analysis of past Labour policy, in and out of government office, which was seen to have emphasised increasing the levels of individual benefits more than actually thinking about ways in which claimants could successfully re-enter the job market, receive training or education. Such thinking was conceived from an earlier, critical analysis of means-testing<sup>614</sup> and the idea of the ‘poverty trap’<sup>615</sup>. The poverty trap was defined as a situation whereby the benefit claimant’s transition from recipient to worker and tax-payer could have the effect of only a marginal net increase or even a reduction in total income<sup>616</sup>. This term was as much a criticism of the welfare state in general as it was of the then Conservative government’s social security policy. It had become increasingly apparent that the conventional arrows of social policy were now

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<sup>610</sup> Ibid., p.29.

<sup>611</sup> Ibid., pp.29-31.

<sup>612</sup> Ibid., p.29.

<sup>613</sup> The most significant assertion of market socialism was that freedom was more important than equality; Chapter 4, pp.23-28.

<sup>614</sup> A. Deacon and J. Bradshaw, *Reserved for the Poor: The means-test in British Social Policy*, Basil Blackwell/Martin Robertson, London, 1983.

<sup>615</sup> The term originates from an article in the *New Statesman* by Frank Field and David Piachaud; 3 December 1971, p.772-3.

falling wide of the mark.

Labour's opposition (in the Policy Review) to means-testing as a central strategy of social security policy is fundamentally different to the Conservatives, certainly bearing no resemblance to a 'Thatcherite revisionism'. There is a classic divide in the social policy literature between advocates of means-testing universalism. Labour and the Conservatives fall across the same lines. The Review states: "A central objective of our Social Insurance strategy is to reduce the need for means-tested benefits by providing insurance benefits as of right, both to those who have contributed in the past and to those who, given the opportunity, will contribute in the future"<sup>617</sup>.

However, it was not just the welfare system that was causing concern but the mechanism of provision as well. A further complaint was that services appeared to be run for the benefit of professionals rather than welfare recipients. This is also problematic because the main practical reason for the creation of the party was to represent *labour*, and so the Labour Party is strongest at representing workers such as the providers of the post-war welfare state and less so at considering the interests of users. This is particularly true in a social security system where means-testing predominates because staff are compelled to challenge claimants to prove their poverty<sup>618</sup>. The pressure on staff is "not to ensure that applicants secure their rights, but to see that nobody gets a penny to which they are not entitled"<sup>619</sup>. Labour view the staff to be just as much the victims of the system as benefit claimants and propose the recruitment of substantial numbers of extra staff, more hospitable reception areas and a commitment to secure a higher proportion of benefit take-up through extra publicity<sup>620</sup>.

Certain priorities were highlighted, however, where the resultant proposals were more familiar:

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<sup>616</sup> A good brief account of the mechanics of the poverty trap is given in J. Roll, *Understanding Poverty*, Family Policy Studies Centre, London, 1992.

<sup>617</sup> Labour Party, *Meet the Challenge, Make the Change: A New Agenda for Britain*, op.cit., p.34.

<sup>618</sup> Labour Party, *Social Justice and Economic Efficiency*, op.cit., p.20.

<sup>619</sup> Ibid.

an increase in social security benefits. The *Economic Equality* document identified three groups who “have first claim on improvements in benefits - pensioners, children and people with disabilities”<sup>621</sup>. On pensions, a commitment of no less than the 1987 manifesto pledge of an immediate £8 a week for married couples and £5 for single pensioners was one of the cornerstones of the document. After this first year increase, the promise was made to restore the formula, broken by the Conservatives, which linked the uprating of pensions with prices or earnings, whichever was higher. The Policy Review signalled a return to the principle of the State Earnings Related Pension Scheme (SERPS). Every future pensioner will receive an earnings-related supplement on top of the basic pension, based on the contributor’s twenty best years of earnings.

With regard to children, two points predominate: the party’s attitude to Child Benefit and its explication on the issue of child care. A strategy to radically improve the availability of child care was devised as a prime ‘pathway out of poverty’. The “lack of appropriate childcare makes it almost impossible for many families - particularly lone parents - to continue in paid work”<sup>622</sup>. Furthermore, the promise was made to increase Child Benefit and a rigorous defence was made of the benefit as a universal entitlement<sup>623</sup>.

The issue of disability is a classic example of a social phenomenon<sup>624</sup> which the ‘Beveridge welfare state’ does not address. The *Economic Equality* paper asserts that fundamental reform of the system of benefits for the disabled is essential<sup>625</sup>. Labour sees this as a key example of an area requiring ‘pathways to independence’; and again this entails reducing or removing means-tested benefits. Labour will “introduce a new Disability Benefit which will provide assistance with the extra

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<sup>620</sup> Ibid.

<sup>621</sup> Ibid., p.35.

<sup>622</sup> Ibid., p.30.

<sup>623</sup> Ibid., p.36.

<sup>624</sup> As such, it is similar to the rise in the numbers of single parents, discussed below.

costs of disability matched to the degree of disability. It will also supply a guaranteed income without means-test for people with disabilities of working-age who cannot obtain employment by reason of long-term illness or disability”<sup>626</sup>.

The post-war settlement, both its institutions and policies, were inappropriate to welfare demands. This is the case for two reasons: first, through economic conditions, primarily claimant numbers and expenditure on benefit levels; second, due to the impact of demographic and social change, in particular the rising elderly population and changing nature of the family.

### **The fusion of social and economic policy**

At the beginning of the previous chapter the point was made that the separation between social policy

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<sup>625</sup> Labour Party, *Social Justice and Economic Efficiency*, op.cit., p.36.

<sup>626</sup> *Ibid.*, p.37.

and economic policy is problematic. There is no clear dividing line and there are central issues, such as unemployment, which are both social and economic problems. It was agreed, however, that it was pertinent to proceed with the traditional divide (traditional, both in government and academically). Both ‘thinker-politicians’ and Labour intellectuals largely adopt the dichotomy. It is an unequal relationship, however, for the welfare state is conventionally taken to be subordinate to economic policy. “In some ways”, Vic George and Paul Wilding have written in their *Welfare and Ideology*, “the key issue which divides perspectives on the proper role of the state in welfare is the judgement about whether or not government can successfully manage the economy to achieve certain economic and social purposes. The post-Second World War welfare state in Britain was based very explicitly on this assumption - that the economy could be managed to secure full employment and such an economy could afford a developing welfare state”<sup>627</sup>. As we have seen, from the mid-1970s very different political ideas came to challenge this. The break-up of the agenda set by Beveridge, Crosland and Keynes, centring on a reliance on continuing economic growth, had vital implications for public expenditure and therefore the welfare state, as we saw above. But the nature of the imbalance between social and economic policy did not change. A very different set of economic objectives, based on reducing taxation and public expenditure, automatically implied an end, even reversal, of any ‘developing welfare state’. The relationship of social policy with economic policy was marked by subservience not symbiosis. Esping-Anderson has illustrated the connection between the welfare state and the labour market<sup>628</sup>, noting for example the “organization of social services, particularly for women, is decisive for a nation’s employment structure”<sup>629</sup>.

Although this study has separated economic policy with social policy in traditional fashion - and there remain clear reasons for doing so - an emergent analysis, of great relevance to the welfare state,

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<sup>627</sup> V. George and P. Wilding, *Welfare and Ideology*, op.cit., 1994, p.195.

<sup>628</sup> G. Esping-Andersen, *The Three Worlds of Welfare Capitalism*, Polity Press, Cambridge, 1990, ch.6.

<sup>629</sup> Ibid., p.58.

criticised this division. There are two component parts to this critique. First, it takes the form of a critique of the Beveridge/Keynes/Crosland analysis which is argued to prioritise the economy over welfare. A successful economy will produce growth which can be channelled into welfare. It follows from this that an economy in recession will not be able to improve expenditure on welfare, and may in fact have to decrease the volume of such expenditure (if economic policy is so prioritised this clearly follows). Second, this division may mean that the very goals of social policy (redistribution, greater equality, citizenship) are unattainable. Inequalities of wealth and income widened between 1983 and 1992<sup>630</sup>. Julian Le Grand argued that this is to the great detriment of the welfare state because the better off are able to make more effective use of welfare services<sup>631</sup>. The analysis was not new; many on the left had flagged up the welfare state's relative impotence in a wider context of economic inequalities, as we have seen, since the early 1960s<sup>632</sup>. Hence David Donnison's conclusion - that social policy "is not something to turn to only when economic problems have been solved. It is itself one of the problems, and at the same time an essential foundation of their solution"<sup>633</sup> - drew out this critique as well as pointing to a way forward. It follows, as Alcock has argued, that social policy and economic policy should be planned together<sup>634</sup>.

An important explanation for these problems lies in the relationship between social policy and economic policy. The prime presupposition behind the so-called post-war consensus was that the former was dependent upon the latter. That is to say that a growing economy would lead to extra social expenditure. The possibility of no or little growth was not discussed. There was thus an implicit admittance that social policy was of secondary importance. A key ideological development of the

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<sup>630</sup> Joseph Rowntree Foundation, *Inquiry into Income and Wealth*, Joseph Rowntree Foundation, York, 1995, vol.1.

<sup>631</sup> J. Le Grand, *The Strategy of Equality*, op.cit., p.3.

<sup>632</sup> Discussed pp.19-20.

<sup>633</sup> D. Donnison, *A Radical Agenda*, Rivers Oram Press, London, 1991, p.146.

<sup>634</sup> P. Alcock, 'The Labour Party and the welfare state', op.cit., p.144.

1980s was the analysis of this polarisation and the call for its eradication. This occurred on the right of British politics as well as the left. Thatcherism entailed a reversal of the mechanics of this dichotomy. Economic success would not be achieved if its one purpose was to fatten an already colossal and pampering welfare state. This thinking again accepted that economics were superior, but for an entirely different purpose. Central to New Right thinking, as we have seen, were the notions that a truly free society was based on a vision of negative liberty, an enterprise culture and a minimal welfare state. In legislative terms in the 1980s this translated into a package of tax cuts and greater means-testing in social security, although it can be argued that Thatcher failed in her overall socio-economic strategy because public expenditure rose for every one of her years in office<sup>635</sup>.

The theoretical backbone of the post-war settlement was in many ways pure Fabianism; and the two most important theses of the Webbs' socialism were conducive to the perpetuation of the economic-social split: there was both an assertion of the primacy of the state and of economic policy<sup>636</sup>. On the other hand, it can be added that the social policy field has been too narrow in its disregard of economics. The welfare state in the 1980s was clearly influenced more by macro-economic policy than developments in social policy and administration, notwithstanding the very important changes that did occur due to legislation in this field. But certainly the return of mass unemployment had more of an impact upon the *welfare* of individuals than, say, social security, housing, health policy, or any of the other traditional areas of social policy. It also had massive implications for public expenditure in terms of its cost<sup>637</sup>. Often the social policy literature is at fault for neglecting this issue. Indicative of this is the core social policy text, *The State of Welfare*, written by academics from the Welfare State

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<sup>635</sup> *The Government's Expenditure Plans 1981-82 to 1983-84* sets out reducing public expenditure as the prime economic objective.

<sup>636</sup> See Chapter 2.



Programme at the London School of Economics in 1990<sup>638</sup>, which failed to comprehend the relevance of mass unemployment<sup>639</sup>.

It seemed especially necessary to understand the connection between economic and social policy in view of the apparent contradiction between Labour's existing policies and the analysis that the existing social policy framework had become out-dated. That is, to say that the post-war settlement, both its institutions and policies were inappropriate to welfare demands. This is the case for two reasons. First, through economic conditions, primarily claimant numbers and expenditure on benefit levels. Second, due to the impact of demographic and social change, in particular the rising elderly population and changing nature of the family.

One of the main products of this re-thinking was the commitment to the introduction of a minimum wage, in both the 1987 manifesto and then again in the Policy Review. This accepted much research, both quantitative and qualitative, particularly by the *Low Pay Unit*, that poor pay could lead to social hardship and poverty in the same way as joblessness. This was a classic example of the inter-connection of economic and social policy on the British left in the 1980s. For it made the tacit point: is poverty a social problem or an economic one? Clearly, it is both. Thus it should be tackled as such - in the form of a joint social-economic strategy. For alternatively, a social policy approach alone might involve what Pete Alcock describes as "recourse to extensive means-tested support for low wages"<sup>640</sup>. Neither is this a withdrawal by the Labour Party from radical economic reform; rather, the opposite is true, as Alcock again writes:

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<sup>637</sup> This issue is powerfully discussed by various contributors in A. Glyn and D. Miliband (eds.), *Paying for Inequality: The Economic Cost of Social Injustice*, IPPR/Rivers Oram Press, London, 1994; in particular, J. Philpott, 'The Incidence and Cost of Unemployment'.

<sup>638</sup> J. Hills (ed.), *The State of Welfare: The Welfare State in Britain since 1974*, Clarendon Press, Oxford, 1990.

<sup>639</sup> The book's structure is illustrative of the error, with chapters on each of the established subjects in social policy (there is a wider issue here about the technicalities of classifying academic areas).

<sup>640</sup> P. Alcock, 'The Labour Party and the welfare state', op.cit., p.144.

“...implementing it will require a future government to engage in a level of intervention in economic development previously avoided by post-war administrations”<sup>641</sup>.

The minimum wage pledge is significant for another reason. For not only does it unite the social and economic arenas; it transcends them. It does this by strengthening what democratic socialists regard as the ethical dimension of the welfare state, its bond of citizenship and mutual rights, which Esping-Andersen has referred to as “de-commodification”<sup>642</sup>.

The minimum wage was especially targeted by Labour at women<sup>643</sup> trapped, according to Jane Lewis and David Piachaud, “in a vicious circle of domestic responsibilities, and low pay, low status employment”<sup>644</sup>. This fits into a broader context: the changing role of women and the structure of the family. This is another area in which the old predominance of economics over welfare fails to provide a purposeful evaluation of new problems requiring action. The Family Policy Studies Centre has highlighted the radical demographic and social changes in the modern family<sup>645</sup>. Again, this can be elucidated by way of comparison with the post-war welfare state. When William Beveridge wrote his momentous report, *Social Insurance and Allied Services*<sup>646</sup>, the role of women was conceived in terms of a once-married, non-working, child-bearing lifestyle. By the 1980s, however, divorce and re-marriage rates were much higher (one in three new marriages are expected to end in divorce), and cohabitation had increased dramatically (accounting for 20% of single women by the end of the

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<sup>641</sup> Ibid.

<sup>642</sup> G. Esping-Andersen, *The Three Worlds of Welfare Capitalism*, Polity Press, Cambridge, 1990, ch.2.

<sup>643</sup> Labour Party, *Meet the Challenge, Make the Change*, op.cit., p.33.

<sup>644</sup> J. Lewis and D. Piachaud, ‘Women and Poverty in the Twentieth Century’, in C. Glendinning and J. Millar (eds.), *Women and Poverty in Britain*, Harvester Wheatsheaf, Hemel Hempstead, 1987, p.31.

<sup>645</sup> K. Kiernan and M. Wicks, *Family Change and Future Policy*, Family Policy Studies Centre and Joseph Rowntree Foundation, London, 1990.

decade); twice as many married women were working (30% in 1951; 60% by 1987); 25% of children were born outside of wedlock; and more and more mothers were seeking an early return to employment (by 1987, nearly half of mothers with children aged 3-4 were in work, if mainly only part-time)<sup>647</sup>.

Such research raises the question of the efficacy of traditional Labour thinking on social policy. Is Labour equipped with the necessary policy tools to react to such fundamental change? Or do fundamental changes in society necessitate a new analysis and political response? It became increasingly evident that the welfare state was ill-prepared for these developments. The feminist critique of welfare<sup>648</sup> argued that the welfare state was ill at ease with these developments. It has been powerful in pointing to male domination at the time of the welfare state's inception<sup>649</sup>. Indeed, according to one leading expert in the social policy field, in the 1980s, "the gender analysis of welfare became the dominant perspective in the academic study of social policy"<sup>650</sup>. Labour did appear to respond to this analysis. The conception of 'pathways out of poverty' was directly aimed at women. "Women form the majority of the poor today", concluded the Policy Review, and more "women than men claim means-tested income maintenance benefits"<sup>651</sup>.

Feminist thinking on social policy was particularly concerned with citizenship. A major development in social policy in the 1980s was the linkage of social policy with notions of citizenship. It was argued that the welfare state was a patriarchal construction - designed by men for men - which consequently excluded the role and concerns of women in its assumptions. It follows therefore that this is

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<sup>646</sup> W. Beveridge, *Social Insurance and Allied Services*, op.cit.

<sup>647</sup> All of these statistics are from K. Kiernan and M. Wicks, *Family Change and Future Policy*, op.cit.

<sup>648</sup> For an over-view see V. George and P. Wilding, *Welfare and Ideology*, op.cit., ch.6.

<sup>649</sup> F. Williams, *Social Policy: A Critical Introduction*, Polity, Cambridge, 1989.

<sup>650</sup> D. Gladstone, 'The welfare state and the state of welfare', in D. Gladstone (ed.), *British Social Welfare: Past, Present and Future*, op.cit., p.23.

<sup>651</sup> Labour Party, *Meet the Challenge, Make the Change*, op.cit., p.29.

reflected in the structure of social service provision and in the provision of social security<sup>652</sup>. Once this analysis has been made there are ramifications for the whole framework of taxation and social security, which has been shown to discriminate against unmarried, cohabiting women, single women and women wishing to re-enter the labour market after child birth. Child care became therefore an issue of both social and economic significance, and policies were put forward on child care and nursery education in a document published in 1991, *Family Prosperity*<sup>653</sup>. This appears to offer a solution to the long-standing problem for government of whether to regard lone-parents as “mothers or as workers, in other words whether to promote dependence on the state or the labour market”<sup>654</sup>.

It was further agreed that a ‘Ministry for Women’ would be established<sup>655</sup>. Labour argued that the establishment of a separate government department for women would do much to over-turn the prejudices and contradictions which so marked British social policy<sup>656</sup>. It was argued that there is also an intrinsic *economic* logic, for how efficient is it to deny an ailing economy skilled women due to a lack of government investment in the provision of child care?<sup>657</sup> It was argued in *Social Justice and Economic Efficiency* that greater child care, more flexibility in working hours and statutory *parental* leave would “ensure that women genuinely enjoy equal opportunities at work, and therefore realise their contribution to efficient production”<sup>658</sup>. Thus it was contended that moves towards real sexual equality are both economically efficient and socially just.

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<sup>652</sup> F. Williams, *Social Policy: A Critical Introduction*, op.cit.

<sup>653</sup> Labour Party, *Family Prosperity*, The Labour Party, London, 1991.

<sup>654</sup> J. Lewis, *Women in Britain since 1945*, Basil Blackwell, Oxford, 1992, p.43.

<sup>655</sup> Labour Party, *A New Future for Women: Labour’s Programme for Women*, The Labour Party, London, 1989.

<sup>656</sup> Ibid.

<sup>657</sup> Labour Party, *Social Justice and Economic Efficiency*, op.cit., p.12.

<sup>658</sup> Ibid.

## Conclusion

The prominent social policy historian, Bentley Gilbert, used the term *social politics* to describe a situation when the social policy of a state is unclear or under-going marked change<sup>659</sup>. He used it to describe Britain's social policy in the 1930s, contending that social policy was in a period of turmoil because the existing structure was in no position to address the particular social and economic situation of the time, in particular mass unemployment and poverty. British social policy, as we have seen, has been marked by a process of evolution rather than the programmatic transformation which some writers believe best describes Labour's post-war reforms<sup>660</sup>. Gilbert's conception does not contradict this - there are periods of far-reaching reform, of public confidence in the welfare system, and periods of uncertainty.

Social politics is a term which is extremely useful in understanding Labour's social policy and the political ideas behind it between 1983 and 1992. Gilbert wrote that social politics emerges when "the consensus on social policy breaks down"<sup>661</sup>. This was true in the 1930s when state provision was judged by many as inadequate in the face of severe poverty and deprivation. It is also true of the welfare state in the 1980s. Not only was the governing Conservative Party advocating a different set of social policy priorities, but Labour was also beginning to call into question its advocacy of the status quo. On one level, it is easy to understand the indictment of Nicholas Timmins, that when "the

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<sup>659</sup> B. Gilbert, *British Social Policy: 1914-1939*, op.cit. p.305.

<sup>660</sup> Thus Victor George's view that legislation after the Second World War was "significant in social policy thinking" because it was "an excellent example of comprehensive instead of piecemeal thinking"; *Social Security and Society*, Routledge and Keegan Paul, London, 1973, p.24.

<sup>661</sup> B. Gilbert, *British Social Policy: 1914-1939*, op.cit., p.305.

Conservatives unleashed their storm of new thinking on welfare state structures in education, social services and health after 1987, Labour was neither remotely prepared nor intellectually equipped”<sup>662</sup>. This is an understandable point of view: Labour’s defensive posture appeared unexciting and weak in the face of the sheer dynamism of the Conservative’s reforms in the late 1980s (although we have seen how the quasi-market reforms did not match the promised radicalism of the political ideas of the New Right).

However, this is an observation of Labour *policy* up to the Policy Review, and of the party’s day-to-day rhetorical response to the actions of government. In contrast, Labour’s social policy thinking was vibrant and potentially of more significance than anything since Crosland’s analysis of the welfare state and socialism in the 1950s. Labour’s *1982 Programme*<sup>663</sup> and the election manifesto of the following year<sup>664</sup> noted none of the developments examined here and thus offered no solution to them. The socio-economic presuppositions of these documents were firmly in the mould of the party manifestos of the 1970s. None of the acute social and economic trends discussed above were acknowledged, and Labour did appear to play the role of the *conservative* party of British politics, as Anthony Giddens has argued. However, we have seen how many academics and Labour politicians were challenging the very assumptions and institutional framework of the post-war welfare state which is based on the ideas of Beveridge, Crosland and Keynes, among others. This was challenged from different perspectives, but it all amounts to a coherent critique which perceives a welfare regime based more on bureaucracy, elitism and paternalism than on flexibility, accountability and democracy. It was seen to fail to deliver on traditional objectives (greater equality, alleviating poverty), appearing incongruous and unable to adapt to social and demographic change.

The recent developments in the welfare state have exposed the conjunction between Labour ideas

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<sup>662</sup> N. Timmins, *op.cit.*, p.489.

<sup>663</sup> Labour Party, *Labour’s Programme 1982*, The Labour Party, London, 1982.

<sup>664</sup> Labour Party, *The New Hope for Britain*, the Labour Party, London, 1983.

and policy. Digby Anderson wrote the following in 1990: “At least one strand of socialist social policy thinking had indeed criticized the services for failing the clients especially in the early 1970s...But suddenly when the producers of welfare services came ‘under attack’ from Conservative ‘cuts’, the critics forgot their care for the consumers and rallied to ‘defend essential services’. The Policy Review, however, made an important start in putting this right. There was a decisive shift in thinking away from the state towards the citizen; notions of choice, empowerment and accountability lined up against a bureaucratic and uniform welfare *state*. The influence of the New Right is undeniable. The view of economic liberalism is that if the state over-reaches into the socio-economic sphere, individual choice and therefore liberty are threatened. The re-emergence of these ideas by the New Right should not be seen as remarkable when the welfare state was in crisis (although their ideas were ventilated rather less during the years of the welfare state’s post-war design and consolidation in the 1950s and 1960s<sup>665</sup>).

The New Right had a marked influence on the work of Labour intellectuals in the 1980s, a fact acknowledged by thinkers such as Plant. It is also the case that their political thinking draws from one strand of British socialism: ethical socialism<sup>666</sup>. Although not the prime influence of Labour governments, it has remained strikingly salient in Labour’s political thinking. Nicholas Ellison had distinguished between three sets of political ideas (he refers to *visions*): Keynesianism, technocratic and qualitative socialism<sup>667</sup>. Qualitative socialism, or what we have been calling ethical socialism, has formed the political ideas basis of this welfare critique. It bears stark resemblance to the dispute examined in Chapter 2 between the Fabians and the ethical socialists over the role of the state within socialism.

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<sup>665</sup> It is rarely noted that Hayek’s *The Road to Serfdom*, op.cit., which was so central to the debate on the welfare state from the mid-1970s, was first published to very little effect in 1944. Hayek’s work was certainly a defiant effort in the last full year of a coalition government which designed much of the post-war social policy agenda, notably the Employment White Paper of the same year, and only months before the election of the Attlee government.

<sup>666</sup> Chapter 2, pp.14-17.

There are also clear distinctions and points of departure from New Right social policy thinking. How does Labour's social policy thinking relate to the broader debate on the 'meaning' of the Policy Review? The view articulated here is that an understanding of Labour's social policy revision and social policy ideas requires the stated contextualization. Within this - but only as one part within this - lies the influence of New Right ideas and Thatcherite policy. The hypothesis of commentators like Colin Hay and Gregory Elliott, that the Policy Review simply co-opted Thatcherism in the form, as Hay argues, of a "politics of catch-up"<sup>668</sup>, is not born out. An analysis that is overtly deterministic only prevents an authentic account of what actually took place. Labour's opposition to a means-tested system which blocks "pathways out of poverty" contrasts with the central role means-testing played in the social policy of successive Conservative governments. On the issue of up-rating benefits, Labour opposed the actions of Conservative governments. It was estimated at the time that if in 1989 the provisions and up-rating policy had been the same as 1979, the total benefits budget would have been ten per cent higher<sup>669</sup>. What Labour did co-opt was much of the feminist critique of welfare and the beginning of specific policy pledges in this direction, from pledges on child care to independence for women in the taxation system<sup>670</sup>. This too appears at odds with the 'catch-up' thesis, unless that is, it is to 'catch-up' with feminist social policy.

Ideas to democratize and decentralize the welfare state in fact bear a striking resemblance to the ideas behind ethical socialism. "I feel sure", G. D. H. Cole wrote, "that a Socialist Society that is to be true to its equalitarian principles of humanitarian brotherhood must rest on the widest possible diffusion of power and responsibility, so as to enlist the active participation of as many of its citizens in the task

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<sup>667</sup> Discussed in Chapter 1.

<sup>668</sup> C. Hay, 'Labour's Thatcherite Revisionism: Playing the 'Politics of Catch-Up', op.cit.

<sup>669</sup> J. Millar, 'Bearing the Cost', in S. Becker (ed.), *Windows of Opportunity*, Child Poverty Action Group, London, 1991, pp.9-21.

<sup>670</sup> Labour Party, *Meet the Challenge, Make the Change*, op.cit., p.33.



of democratic self-government”<sup>671</sup>.

The difference between the New Right and the new Labour thinking is based on the distinction between negative and positive liberty. It was a direct echo of the classical liberal/new liberal divide, a separation which, as we have seen, brought the new liberalism very close to ethical socialism. L. T. Hobhouse argued:

*“In the socialistic presentment...[the expert] sometimes looks strangely like the powers that be - in education, for instance, a clergyman under a new title, in business that very captain of industry who at the outset was the Socialist’s chief enemy. Be that as it may, as the “expert” comes to the front, and “efficiency” becomes the watchword of administration, all that was human in Socialism vanishes out of it”<sup>672</sup>.*

In his history of the welfare state, which ends where we begin in 1983, Derek Fraser remarks that “it is at least arguable that social policy influenced ideas as much as the other way round”<sup>673</sup>. In this examination of the political ideas behind Labour’s social policy, it is apparent that this continues to be the case.

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<sup>671</sup> G. D. H. Cole, *A History of Socialist Thought*, vol.5, Macmillan, London, 1960.

<sup>672</sup> L. T. Hobhouse, quoted in R. Barker, *Political Ideas in Modern Britain*, op. cit., p. 21.

<sup>673</sup> D. Fraser, *The Evolution of the British Welfare State*, op.cit., p.xxvi.

## CONCLUSION

*“As the twentieth century was coming to a close, socialists could not but re-examine, yet again, the framework of their doctrine. They did so as they had always done: in a confused and uncoordinated manner, propelled by the contingency of everyday politics and the pressure of electoral considerations. They could not do otherwise. Moving forward is no guarantee of success. Standing still offers the certainty of defeat”.*

- Donald Sassoon<sup>674</sup>

I have examined the political ideas of the Labour Party between 1983 and 1992. I adopted two detailed case studies: economic policy and social policy. The thesis demonstrated the need for a broader analysis than can be found elsewhere in the literature<sup>675</sup>. This took the form of an historical contextualization based on three factors. First, and of most importance, the history of Labour’s political ideas, discussed in Part I, which illustrated the extent to which former debates re-emerge. To a large extent, Labour continued in the 1980s to re-examine ‘traditional problems’. Second, Labour’s economic and social policy thinking was, at least in part, a reaction to earlier thinking. It was certainly, in part, a reflection on its own record in government. Thus Part II, the examination of economic policy and social policy, began with an historical

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<sup>674</sup> D. Sassoon, *One Hundred Years of Socialism: The West European Left in the Twentieth Century*, op.cit., p.754.

context of Labour policy in these areas since the 1940s. Third, the immediate political context between 1983 and 1992 is also central to an understanding of Labour ideas over this period. This primarily includes the impact of Thatcherism as well as the effect of fundamental economic and social change, and the leading interpretation of these developments, the ‘post-fordist’ thesis.

These three factors formed the basis of the examination of the ideational content of Labour’s thinking on the economy and the welfare state in Part II. The foremost political event was the Policy Review. The Policy Review was a concerted and strategic attempt to re-examine the party’s political ideas and revise its policy. It was not adequate, however, to restrict an examination of Labour’s political ideas to official reports of party policy. This is the fault with all of the most important texts on this subject<sup>676</sup>. For the conception, however, of ‘Labour’s ideas’ entailed a broader scope. A significant distinction between this and other work is the definition of ‘Labour’ that is employed. I included official policy publications, the individual work of leading party figures and Labour intellectuals. This, therefore, was a more complicated formulation, for how do we theorise such diverse forces? What is contended here is that an assessment of Labour’s political ideas *must* include all three.

In some respects, the individual works of thinker-politicians, notably Roy Hattersley and Bryan Gould but others too, form the bridge between the party and its intellectuals. Hattersley and Gould’s work were not *official* party pieces: in this respect they acted like Labour intellectuals, foremostly academics but also journalists (both, for example, contributed to the influential *Marxism Today*<sup>677</sup>). However, they were also central party figures and, more importantly, at the heart of Labour’s Policy Review.

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<sup>675</sup> The literature of the 1983-1992 period was discussed in Chapter 1.

<sup>676</sup> This includes the following: E. Shaw, *The Labour Party since 1979*, op.cit., the edited volume by M. J. Smith and J. Spear (eds.), *The Changing Labour Party*, op.cit., C. Hay, ‘Labour’s Thatcherite Revisionism: Playing the ‘Politics of Catch-Up’’, op.cit., M. J. Smith, ‘Understanding the ‘Politics of Catch-Up’: the Modernization of the Labour Party’, op.cit., and M. Wickham-Jones, ‘Recasting Social Democracy: a Comment on Hay and Smith’, op.cit.

<sup>677</sup> Discussed in Chapter 4, pp.105-9.

The connection between Labour and its intellectuals is ambiguous but only because it is unofficial. Academics normally make a more explicit contribution in government<sup>678</sup>. Hattersley and Raymond Plant were known to have collaborated intellectually, and there was substantive congruity between the thinking of the market socialists and the two central Policy Review documents *Social Justice and Economic Efficiency* and *Meet the Challenge, Make the Change*<sup>679</sup>. It is no less important because the relationship cannot be explicitly described: it does not mean that it does not exist or that it is not important. Indeed, the thesis which has been argued here - that an understanding of Labour's political ideas required the stated contextualization - requires an expansive examination of 'Labour's ideas'.

The historical context of Labour's political ideas was examined in Part I. It included the work of socialists, both ethical socialists and the Fabians, and the new liberals. The work of Tawney, Cole, Sidney and Beatrice Webb, Hobhouse and Hobson, Beveridge, Crosland and Keynes was crucial to the development of Labour's economic and social policy over the period. Part II analysed the ideational content of Labour's social and economic policy. This could only be understood within the historical context of political ideas of Part I. Labour's economic policy and social policy between 1983 and 1992 was, however, partly a product of its time. To a certain extent, it was a response to Thatcherite political ideas. Of more importance, however, were the familiar conceptual relationships Labour sought to resolve.

The study of the Labour Party's political ideas is a much neglected area in the political science literature. This thesis constitutes an attempt to redress the balance. It examined the political thinking of this period within an historical context. The changes in the political ideas of the Labour Party were unclear and un-coordinated because there was no overriding 'school of thought', or classic political text, like R. H. Tawney's *Equality* or Anthony Crosland's *The Future of Socialism*. This is not indicative of the fact that,

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<sup>678</sup> This is particularly true in social policy. Previous Labour governments employed the services of experts either directly in government or indirectly in specific statutory bodies or Royal commissions. For example, David Piachaud was a member of the Number 10 Policy Unit, and David Donnison chaired the Supplementary Benefits Commission in the 1970s.

at the same time, highly significant developments took place. The examination here of the ideas behind Labour's economic and social policy in the 1980s illustrated this.

Many of the problems and issues concerning the Labour Party's political ideas over this period are explicable within an historical context. Above all, five inter-connecting conceptual comparisons were paramount. First, the relationship between the means and the ends of socialism. Second, the dispute itself over which one of the two most fundamental means socialists should pursue, democracy or revolution? Third, the relationship between the ethical and the economic. Fourth, the interplay between the state and the market. Fifth, the relationship between the state and the individual. An examination of Labour's political ideas has highlighted the re-emergence of former concerns. These ideational relationships have dominated the history of the Labour Party's political ideas.

The New Liberal influence on Labour's post-war economic and social policy was clearly discernible. As Peter Clarke argued in *Liberals and Social Democrats*, the "work of the Attlee Government turned the hopeful proposals" of Hobhouse and Hobson into "concrete achievements"<sup>680</sup>. From Keynesian techniques to managing the economy, to the Beveridge Report's articulation of social insurance, the influence of New Liberalism on the Labour Party was tangible. The historical interplay between liberal and socialist political ideas is central to an understanding of Labour's political ideas both before and during the 1983-1992 period.

## 1. Context

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<sup>679</sup> Chapter 4, pp.120-136.

<sup>680</sup> Peter Clarke, *Liberals and Social Democrats*, p.283.

The academic debate over the 1983-1992 period, however, is often pitched around one critical question. For many commentators the question is whether Labour acquiesced in response to Thatcherism or whether Labour's thinking on ideas and policy was an introspective product of revisionist reflection. The debate between Colin Hay<sup>681</sup> and Martin Smith<sup>682</sup>, adjudicated by Mark Wickham-Jones<sup>683</sup>, demonstrated this perfectly. The former argument takes two forms, arguing either that Labour was motivated purely by electoral considerations and so played out a "politics of catch-up"; or that the ideas of economic liberalism were accepted on their own terms. The second argument defines Labour's thinking and policy revision as a fundamental reappraisal of ideas and policies in the light of a changing social, economic and political environment. The Policy Review was therefore an exercise in political revisionism<sup>684</sup>. The two hypotheses lacked sophistication. This analytical fault was brought about by the failure to provide an historical context, particularly a history of political ideas. Existing interpretations of Labour over this period, such as these, are overly heroic and did not analyse political ideas.

The changes in the Labour Party from 1983 to 1992 were not explicable solely in terms of contemporary phenomena. The history of Labour's political ideas is not separable from more recent events. The historical context set out in Part I provides a trajectory of evolution but, importantly, not a false determinism<sup>685</sup>. It is not so much that the two hypotheses represent a false dichotomy but, rather, that they only set out a part of the picture. An analysis of the Labour Party's political ideas in the 1980s clearly necessitates an understanding of the influence of Thatcherism. The debate involving Hay, Smith and Wickham-Jones was particularly useful here. But as the historical context showed, this was only one part of a

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<sup>681</sup> C. Hay, 'Labour's Thatcherite Revisionism: Playing the 'Politics of Catch-Up'', op.cit.

<sup>682</sup> M. J. Smith, 'Understanding the 'Politics of Catch-Up': the Modernization of the Labour Party', op.cit.

<sup>683</sup> M. Wickham-Jones, 'Recasting Social Democracy: a Comment on Hay and Smith', op.cit.

<sup>684</sup> The historical roots of revisionism were discussed in Chapter 2, pp.40-3.

broader picture. It can be over-stated and was so in much of the literature. The impact of Thatcherism on Labour's economic policy and social policy was clearly discernible. The reform, for example, of the welfare state in part shaped, and in part gave Labour the space for a reappraisal of its political ideas. For some this took the form of a crusade: reclaiming freedom as a socialist idea away from the polemics of the New Right. Roy Hattersley's *Choose Freedom* aimed to reconstruct the party's political ideas on the basis of a re-statement of values, freedom in particular<sup>686</sup>. At the same time, the reason behind his work was a perceived need to challenge Thatcherism on the level of ideas. If Thatcherism did Labour any service it was to provoke Labour's re-think in the 1980s and draw out the paucity of much of the party's thinking on the economy and the welfare state.

Part I of this work showed how debates and concerns over political ideas in one generation may shape debates and arguments which follow, even if for some time they remain dormant. An understanding of Labour's political ideas between 1983 and 1992 necessitates such contextualization. There was a resurrection of precisely the same analysis which was deployed in the first quarter of the century. Socialism in the 1980s rediscovered its early scepticism of the state. In both periods there was a distinct concern over the central state: in the first period, predicting problems which a centralised Fabian state could cause; the second, highlighting these problems and thereby acknowledging the prescience of the first. The relationship between the state and the individual was central to this discussion. The point, that the Webbs' approach to the state threatened to simply replace the 'boss with the bureaucrat', as a new tyranny for the working class,

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<sup>685</sup> Quentin Skinner, discussed in Chapter 1, wrote a powerful critique of the *writing* on the history of philosophy and political ideas in which he demonstrates a tendency to imply false progression, as though one historical episode (written or action) anticipated later events. He was thinking particularly about histories of ideas which build 'inevitability' into chronology.

<sup>686</sup> R. Hattersley, *Choose Freedom*, op.cit.

was both a democratic point and a socialist one. This was the thinking behind ethical socialism as well as new liberalism<sup>687</sup>.

Two of the most enduring of the conceptual comparisons are the relationship between the ethical and the economic, and the state and the market. They form the heart of the two strands of British socialism this century: Fabian and ethical socialism. The task for socialists in the 1980s, according to Anthony Wright, was to: “show how to abolish the capitalist form of the concentration of power and property without thereby inaugurating a new form of socialist concentration”. “In terms of the economy”, he continued, “this would clearly involve an accommodation between plan and market, in the interests both of efficiency and consumer choice, and with a range of forms of enterprise and social ownership but with a preference for the small scale and the self-managing”<sup>688</sup>.

The ideas of the market socialists were marked by continuity and change. Their thinking is marked by revisionist strictures (the distinction between means and ends). Conversely, their analysis of central political ideas, namely liberty and equality, was new. They argued that the traditional socialist triumvirate of ‘liberty, equality, fraternity (or community) should be re-organised. Freedom, the market socialists argued, is the most important idea. Moreover, their arguments on the market went further than much that preceded them. In *Market Socialism*, Julian Le Grand and Saul Estrin drew a distinction between the market and capitalism<sup>689</sup>. It was argued that the market could be made to serve socialist ends: “There is nothing intrinsic in planning that implies equality or in nationalization that eliminates exploitation. Nor, by extension, is there anything intrinsic in markets that prevents them from being used to achieve those ends”<sup>690</sup>.

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<sup>687</sup> The subject of Chapter 2.

<sup>688</sup> A. Wright, *Socialisms*, op.cit., p.135.

<sup>689</sup> J. Le Grand and S. Estrin (eds.), *Market Socialism*, op.cit., p.1-3.

<sup>690</sup> *Ibid.*, p.2.



This argument greatly resembles the critique of the ethical socialists against the Fabian conception of the state. A state-run economy based on the public ownership of the means of production (public ownership is not the same as social ownership) was very different from the economic democracy implicit in workers' control. Bryan Gould contrasted the benefits of a "decentralization of economic power" with a centrally planned economy<sup>691</sup>.

## 2. Ideas

Did the re-examination of Labour's political ideas and the revision of policy form a continuity with Labour tradition or a move in another direction. It was argued earlier that if the pursuit of either hypothesis provokes the assembling of information (the sources examined such as the writings of political thinkers or policy documents) towards the vindication of one, this would be disingenuous. The situation was more complicated: Labour's ideas and policy between 1983 and 1992 was not shaped uniformly along the lines of this juxtaposition. The changes to Labour's economic and social policy in the Policy Review follow a pattern of re-acquaintance with Labour's post-war economic thinking following the rise and fall of the *Alternative Economic Strategy* in the 1970s and the adoption of much of its remit, in a diluted form, in Labour's *Programme* of 1982, and the election manifesto of the following year<sup>692</sup>. On the other hand, the Policy Review, produced a new analysis of different economic conditions, and thereby different policies and prescriptions.

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<sup>691</sup> B. Gould, *A Future for Socialism*, op.cit., p.96.

<sup>692</sup> Discussed in Chapter 4.

Labour's ideational structure, by the end of the 1980s, resembled the revisionism of the 1950s in many respects. The argument of the importance of separating socialist means from ends derived from Crosland who, in turn, drew on a broader tradition of revisionism. The balance between the state and the market also recalled *The Future of Socialism*, though in an even more rigorous way. The Labour Party, and in individual publications, its thinker-politicians, argued against what was taken to be a false choice in a polarised debate. The Policy Review applied itself to what the market could and should do in practice, and to what it could not. The justification behind the approach was that it was necessary to endorse the market's strengths and benefits in order to most effectively demonstrate its weaknesses and disadvantages. "The case for a socialist economic policy", stated the Policy Review, is that "the free market, although possessing great strengths which must be utilised, is ultimately incapable of building unaided a strong and modern economy"<sup>693</sup>. Clearly this can be taken to illustrate a timidity of intellectual conviction or it can be seen as an attempt to theorise what - at least in practice - had long been a reconciliation between state and market.

Labour intellectuals increasingly turned their attention to, what Anthony Wright called, an attempt to develop an "account of how a democratic socialist economy would plausibly work"<sup>694</sup>. Clearly, what Wright alludes to here is a particular interpretation of a 'socialist economy'. Proponents of the Alternative Economic Strategy drew up detailed plans of their desired 'socialist economy', as we saw in Chapter 4<sup>695</sup>. What is being referred to is a *market* socialist economy. The central development in Labour's thinking on the economy was to address more explicitly how the market and socialism could be harmonised. For a growing number, an account of how a conceivable socialist economy "would plausible work" could not be based on Keynesian means. There were two reasons for this. The first, an issue with which Labour only tentatively began to grapple, was the phenomenon of the globalisation of capitalism. Keynesianism is based

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<sup>693</sup> Labour Party, *Meet the Challenge, Make the Change*, op.cit., p.10.

<sup>694</sup> A. Wright, *R. H. Tawney*, op.cit., pp.145-6.

<sup>695</sup> Chapter 4, pp.101-4.

on essentially ‘national’ assumptions and, for Sassoon, a “national road to social democracy” was no longer possible<sup>696</sup>. The globalisation thesis, however, may have been over-stated.

For Labour intellectuals and thinker-politicians a post-Keynesian economic policy entailed a transition from an emphasis on demand to supply. A key reason behind this was the legacy of the perceived failings of previous Labour governments. The balance between two of the ideational relationships deployed in Part I - the state and the market, and the state and the individual - were thereby in transition. Labour had always accepted the ‘mixed economy’, in the literal sense that a role for the market as well as the state is accepted (and presented as a *reality*). However, party rhetoric notwithstanding, Labour’s approach to the state - the state as a feasible instrument for its economic and social policy - can be classified as neutral, at the least, and benevolent, at the most<sup>697</sup>.

The thinking in the Labour Party in the 1980s, the work of the market socialists in particular, sought to unite its thinking on the market with Labour’s core values. We have seen that throughout the party’s history, economic issues have been central to its political ideas. Questions of central values were re-examined in the light of changing economic conditions and thinking on the relationship between the market and the state. Nicholas Ellison believes that “elements” of market socialism persuaded a number of senior Labour figures, “to the extent that the traditional emphasis on collective *outcomes* has largely been rejected in favour of strategies designed to produce ‘democratic equality’ and equalise ‘effective freedom’”<sup>698</sup>. The inquiry here into Labour’s pre-eminent thinker-politicians demonstrates that this was indeed the case. “A feasible socialist market economy should be pluralistic”, wrote Michael Meacher<sup>699</sup>. “There should be a large co-operative sector, a sector in which capital-labour partnerships were formed in varying proportions

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<sup>696</sup> D. Sassoon, *One Hundred Years of Socialism*, op.cit., p.739.

<sup>697</sup> I am not referring to the ‘democratic’ state but the ‘central’ state. That is, not to discount Labour’s post-war suspicions of the *state* - defined as the political elite or establishment - in view of its interventionist proposals, which were examined in Chapter 2.

<sup>698</sup> N. Ellison, *Egalitarian Thought and Labour Politics*, op.cit., p.202.

around a 50:50 norm, a sector of worker buy-outs of larger firms, as well as a sector taking a conventional capitalist form”<sup>700</sup>. This is a clear indication of the attempt by Labour politicians, as well as intellectuals, to develop a socialist approach to the market.

The relationship between the state and the market is one of the key ideational relationships in Labour’s history. In the 1980s it became central to the work of Labour intellectuals, thinker-politicians and directly to the party itself. The market socialists provided the first fundamental attempt to reconcile the market with socialism. As Rodney Barker expressed it: “The adoption by socialists of the mechanisms of the market was the single most radical break in the entire socialist tradition”<sup>701</sup>.

Anthony Crosland wrote that socialism equals equality<sup>702</sup>. A principal development of the period 1983 to 1992 was the casting of freedom as Labour’s central political value. An historical context of political ideas illustrates why this is important. The emphasis on freedom is significant, because it had displaced equality. Equality was still central to Labour’s political ideas, but the final objective, the central political value, was freedom. There were two grounds for this. One, an historical argument within socialism over core political values. Two, a perceived need to respond to Thatcherism’s appropriation of the idea. For David Miller, freedom “has recently returned to prominence on the Left, as socialists have begun to realize how politically disastrous it is to allow the New Right to equate the free society with capitalism”<sup>703</sup>. But there was a broader historical resonance. As Anthony Wright put it: “At the beginning of the twentieth century, socialists assured the world that socialism was synonymous with human freedom,

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<sup>699</sup> M. Meacher, *Diffusing Power*, op.cit., p.133.

<sup>700</sup> Ibid.

<sup>701</sup> R. Barker, *Politics, Peoples and Government: Themes in British Political Thought Since the Nineteenth Century*, Macmillan, Basingstoke, 1994, p.110.

<sup>702</sup> A. Crosland, *Socialism Now*, Cape, London, 1979, p.15.

<sup>703</sup> D. Miller, ‘Why Markets?’, op.cit., p.32.

while anti-socialists warned that it was to be identified with coercion and tyranny. It can scarcely be claimed that the rest of the century has done much to strengthen the socialist-side of the argument”<sup>704</sup>.

The policy debate was couched explicitly in ideas. The Thatcherite usage of freedom held considerable public resonance when applied to economic and social policy. Labour altered its thinking on the welfare state the economy because it had re-asserted the importance of freedom within its corpus of political ideas. The New Right critique of the welfare state had considerable resonance in the 1980s. It led socialists to re-focus on the ethical socialist tradition; a tradition which had not been lost, but at the same time had not been at the fore of the Labour Party’s political ideas. We have seen how the rhetoric of the New Right was not matched by its policy programme in social policy. With significant exceptions, the welfare state remained largely intact by the end of our period. What had changed was the public debate - the ability for Labour to increase welfare spending seemed unlikely.

In a Fabian essay, *Equality, Markets and the State*, Raymond Plant adopted the following strategy: to relate equality to the market through liberty. It rests on the traditional socialist critique of the negative conception of liberty and the free market. Is this a radical break in socialist political ideas or have we seen it before? Does it represent a departure or is it grounded in a context that is familiar? In fact, it is both. The argument that liberty is only genuine if it contains positive value, obtainable by greater equality, runs through British twentieth century thought, through Tawney to Crosland. The attempt, however, to couple this analysis with the market - thereby to link ideas with the economy - was distinctly novel.

Gregory Elliott’s interpretation was that it was during this period that Labour abandoned equality for liberty<sup>705</sup>. The examination presented here contradicts this view. An important aspect of the historical context presented here illustrated the role of the new liberals. New liberalism highlighted the distinction

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<sup>704</sup> A. Wright, *Socialisms*, op.cit., p.133.

<sup>705</sup> G. Elliott, *Labour and the English Genius*, op.cit., p.134.

between positive and negative liberty, and the argument that the positive conception of liberty draws close to the arguments presented for greater equality. Elliott's interpretation of freedom is in the negative, free market sense, not one where it can be said that: "the role of the state is positive...To enable the individual to gain greater freedom, choice and welfare within society, the state must intervene"<sup>706</sup>. This is rather different, and more accurate, than Elliott's argument.

We have seen how thinkers like Tawney, Cole and Crosland argued that freedom was a vacuous conception unless it was twinned with equality, or at least 'greater equality'. In so doing they closely relate to the new liberals' Hobhouse and Hobson's idea of 'positive' liberty. What Plant, Le Grand and Miller did which is different is to make explicit the secondary status of equality vis-à-vis freedom. Plant *à la* new liberalism argued: "in order to realize what is valuable about liberty, we have to be able to pursue values of our own, and to do this we have to have abilities, resources, and opportunities"<sup>707</sup>. It is evident, therefore, that the market socialists are the inheritors of the new liberal tradition as much as any socialist one. The conception of positive liberty is central to both.

However, the market socialists were not a homogeneous school of thought. A distinction can be made between those like Plant, Wright, and also Hattersley, who were more explicit about equality, and the others. They saw equality as a necessary condition of freedom, following a tradition that can be traced back to Tawney, as Hattersley wrote:

*"The achievement of a more equal distribution of wealth and power, and the resultant increase in the sum of freedom for the community as a whole, is the principal goal of socialism."*<sup>708</sup>

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<sup>706</sup> M. J. Smith, 'A Return to Revisionism: The Labour Party's Policy Review', op.cit., p.24.

<sup>707</sup> R. Plant, 'Socialism, Markets and End States', op.cit., p.65.

As Wright put it, it is of prime importance to provide a “convincing account of a socialist conception of equality that genuinely enlarges freedom”<sup>709</sup>. This could be better defined in the diagrammatic form of a pyramid, with freedom at the top and equality and community equidistant at the base. A key argument of the market socialists is to oppose equality in its ‘end-gate’ form. Equality was re-defined as a ‘starting-gate’ notion, as an essential precursor to a positive conception of liberty.

This shows very clearly the impact of the New Right. The New Right brought about a political environment in which thinkers on the left had to make very clear the kind of equality they were proscribing; and called for a re-claiming of freedom as a socialist value in the face of Thatcher’s appropriation of the idea in its negative, ‘old’ liberal hue. But there was great strength to this re-thinking too. A demonstration of positive freedom and a demonstration of how greater equality could improve this resurrects equality from its dismal historical casting; as the polar opposite of freedom.

The work of Labour intellectuals found its way into the Labour Party’s thinking. There was a realisation that all was not well with the welfare state. Further, there was an analysis that Keynesian economics could not continue to serve. This created an almighty vacuum indeed: the social policy of William Beveridge and the economic policy of John Maynard Keynes were the framework upon which the post-war order was laid. The *new* ideas put forward to challenge them were, in fact, often the ideas of the ethical socialists.

There was a further, equally important similarity with the earlier ideas of the ethical socialists. Many of the political thinkers I have looked at argued for greater economic democracy. The argument, however, was not fashioned in the Fabian tradition of public ownership. The ethical socialists, like G. D. H.

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<sup>708</sup> R. Hattersley, *Choose Freedom*, op.cit., p.xviii.

<sup>709</sup> A. Wright, *Socialisms*, op.cit., p.134.

Cole, pointed out that such an economic strategy could simply superimpose one non-democratic economic hierarchy for another<sup>710</sup>. A move from capitalist ownership to public ownership does not automatically bring with it a greater level of worker participation; and certainly nothing like industrial self-government. This argument involves one sleight of hand: it conflates public ownership with state ownership. The criticism of the ethical socialists and then the market socialists regarded the latter and not the former. Indeed, public ownership could be seen as corresponding closely with industrial self-government, and for many of its advocates it meant precisely that. There is little doubt that public ownership came to mean state ownership. This is what G. D. H. Cole meant when he wrote that he could describe himself as “neither a Communist nor a Social Democrat, because I regard both as creeds of centralisation and bureaucracy”<sup>711</sup>.

Thus the central issue of ends and means, and the importance of the revisionist distinction between the two for British socialism. Crosland contended that if socialism is defined in terms of public ownership we arrive at conclusions which are “impossible to reconcile with what the early socialists had in mind when they used the word”, for example, that the Soviet Union, unlike Sweden, is a “completely socialist country”<sup>712</sup>.

Andrew Gamble stated: “The Policy Review is the most explicit rejection of the policy of expanding public ownership which the Party has ever made”<sup>713</sup>. There was a growing analysis of economic democracy which resembles the ethical socialism of the 1920s discussed in Chapter 2. In no way can it be argued, however, that Labour was arguing that it would implement a radical policy of industrial ownership, for his would be too massively over-state Labour’s analysis.

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<sup>710</sup> G. D. H. Cole, *Self-Government in Industry*, Bell, London, 1917, p.???

<sup>711</sup> G. D. H. Cole, *A History of Socialist Thought*, Macmillan, London

<sup>712</sup> Crosland, *The Future of Socialism*, pp.66-67. See Chapter 3.



## Understanding Labour's political ideas

Ideas are, by definition, neither tangible nor dense; they cannot be described in the same way as policy can be. This relates back to the theoretical issue of the relationship between political ideas and policy. This was raised in Chapter 1: the very question of the political ideas of a political party. It is a fundamental question.

Are ideas autonomous entities which have a pervasive role or are they contingency factors which are shaped by other forces, economic or political? It was taken here that ideas are crucial and that they have a role - sometimes marked, and sometimes secondary to other concerns - which do shape, and sometimes predominate in, political events.

I began my discussion on ideas by examining the debate in the area of the 'history of political ideas'. This debate does not relate directly to the main issue here: the nature of the relationship between ideas and parties. However, the two prime intellectual positions, concerning the relative merits of either a textual or a contextual method, are helpfully deployed. The former focuses on the writing itself, while the latter refutes this position in arguing that meaning is impossible without context. The academic tradition of the 'history of political ideas', on the one hand, is not applicable to party ideas. Its primary concern is the 'great texts' of political philosophy. On the other hand, the contextual approach to ideas, by definition, moves away from a focus on texts and makes wider assumption about ideas. Quentin Skinner's asserted that contextualization serves to "illuminate some of the connections between political theory and practice"<sup>714</sup>.

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<sup>713</sup> A. Gamble, 'The Labour Party and economic management', op.cit., p.65.

<sup>714</sup> Q. Skinner, *The Foundations of Modern Political Thought, Volume One: The Renaissance*, op.cit., p.xi.

Political ideas lie between these two points. The intention has not been to argue that the ideas ‘determine’ the link between theory and practice. Likewise, neither are they the only factor that is relevant. Policy and structural approaches, for example, are both relevant to the study of political ideas and political parties. This makes the point, however, that the contextual position in the history of political ideas is applicable to the ideas of parties.

The contribution in this thesis, therefore, has been to offer an illustration of how the political ideas of a political party may be understood, as well as providing an analysis of the ideas themselves. An examination of Labour’s political ideas is not a straight-forward task because it is necessary to take a broad interpretation of ‘Labour’. This is because political ideas “cluster around parties”<sup>715</sup>, and a comprehensive analysis cannot be obtained from an exclusive analysis of official party publications. This is a critical part of the picture, particularly when a party engages in an explicit examination of its ideas and policy. However, it is paramount also to include the works of, what was termed here, Labour’s intellectuals and thinker-politicians. There is clearly much scope here for future research because such a definition of a party’s ideas makes for both difficult organisation and dissemination.

What Skinner termed “genuine histories” of political ideas<sup>716</sup> was attempted in this thesis: an examination of Labour ideas in a contextualized form. It is contended here that an assessment of Labour’s political ideas entails an examination of the history of those ideas themselves. Rodney Barker was correct to argue that political ideas lie “between philosophy and the hustings”<sup>717</sup>. Ideas do, as he says, “cluster around parties”<sup>718</sup>. But such geo-politics takes the student only so far. An understanding of Labour’s political ideas necessitates an historical context. Leonard Tivey was also right to express the importance of

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<sup>715</sup> R. Barker, *Political Ideas in Modern Britain*, 1997, op.cit., p.6.

<sup>716</sup> Ibid., p.xiii.

<sup>717</sup> R. Barker, *Political Ideas in Modern Britain*, op.cit., pp.2-3.

<sup>718</sup> R. Barker, *Political Ideas in Modern Britain*, 1997, op.cit., p.6.

“the politics” of ideas<sup>719</sup>. This too is a vital part of the equation, as the assessment of the impact of Thatcherism and the split on the Labour left has shown. But the *history* of ideas is of equal importance. Labour’s ideas must be understood in terms of both, because as Geoffrey Foote argued: “Labour is a living political organism, always seeking new ways to adapt and develop older ideas”<sup>720</sup>.

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<sup>719</sup> L. Tivey, ‘Introduction: Left, Right, and Centre’, in L. Tivey and A. Wright (eds.), *op.cit.*, p.1.

<sup>720</sup> G. Foote, *The Labour Party’s Political Thought*, p.4.

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