EVER SINCE IT WAS elected in 1979 the Thatcher government has been distinctive for its attitude towards the state, but there is considerable disagreement as to what that attitude is. Many regard this Conservative administration as the most radical anti-state government since the war, determined to roll back the frontiers of the state by reducing public sector enterprise and employment, by cutting public expenditure substantially, and by limiting the number and the range of public responsibilities. The same government is also seen however to be strengthening the state in other areas by increasing the funds and personnel available for internal security and external defence, by tightening laws against immigrants and claimants, by attempting to weaken local control over spending, transferring many functions from local to central or national bodies, and by introducing new laws and techniques to deal with enemies within, whether terrorists, rioters, demonstrators, or strikers.

A climate of fear and uncertainty has been created in many parts of the public sector. The armed forces and the police have been courted by the Thatcher government and made to feel 'one of us' ('They have been very loyal; they never go on strike'). But the loyalty of practically everyone else is in doubt. The Government gives the impression that it is hostile to all other forms of public sector employment, censuring state employees and state institutions indiscriminately for being inefficient, overstaffed, and indifferent to enterprise and commercial success.

Many state institutions have been plunged into turmoil as a result. Relations with the civil service unions have never been so bad. At GCHQ unions have been banned altogether, on the grounds that they are a security risk. The style of the Thatcher government in handling its civil servants has produced considerable disaffection and an unprecedented spate of leaks of confidential government papers to the media. The Government has tried to counter this by tightening its internal security and prosecuting civil servants, not always successfully. On a broader front it has not hesitated to have open rows with leaders of many public institutions, including the Church, the universities and the BBC - all once considered sound Conservative institutions whose defence against meddling radicals was one of the main reasons for the existence of a Conservative Party. This Conservative government often appears not only anti-state in the sense of seeking a contraction of state activities, but also anti the establishment through which Conservative governments have normally ruled.

THATCHER'S RADICAL CRUSADE

Andrew Gamble

a climate of fear and uncertainty has been created in many parts of the public sector

This is a government whose ministers constantly preach the evils of state intervention, yet which is widely perceived as one of the most interventionist governments since the war. It is true that taxation and public spending as proportions of GDP still remain six years after Mrs Thatcher entered Downing Street above the levels which existed under Labour.

But this overlooks the number and scope of interventions by the Thatcher government in restructuring major industries like steel, cars, shipbuilding, and coal; in reorganising the balance of power between central and local government, abolishing a whole tier of local government, the GLC and the metropolitan counties, in the process; in introducing legislation to change the way in which the trade unions conduct their internal affairs, in-

directly affecting the financial and political organisation of the major opposition party; in launching a major programme of privatisation of public sector assets and services; and in recommending changes in attitudes and behaviour in key areas such as education and the media. Even if the Thatcher government has made rather slow progress towards some of its objectives, the existence of these objectives and the repeated public endorsement of them marks this government out as having a new attitude to the state.

It was the perception that this was so which brought the term Thatcherism into general use, not only on the Left but on the Right as well. What began to disturb many senior Conservatives was the realisation that Thatcher and her closest supporters in the party were not concerned merely to use extravagant anti-socialist and anti-state rhetoric for rallying their supporters and building a new popular majority. They entertained serious ambitions of trying to implement their policies in government.

The free economy and the strong state

The key to the paradox of how the Thatcher government can be at one and the same time opposed to state intervention and the most interventionist government of recent times lies in the doctrine of the free economy and the strong state. This concept is at the heart of new Right economic thinking. For the economy to be 'free', for markets to be unhindered in their operation and for individual property rights to govern the economic processes of production, distribution, and exchange, the state must be strong - strong enough to ensure open and fair competition in all markets, strong enough to enforce laws on contract, and the protection of property and persons, strong enough to guarantee a stable medium of exchange, and strong enough to protect the community from external attack. All this implies not a weak state or a passive state, but a highly active and interventionist state, continually alert to create and maintain the conditions for a market order.
A market order is a fragile thing, the product of a conscious state policy, which aims to prevent all private coercion and only permit exchanges between individuals which are voluntary and therefore perceived as mutually beneficial. In real markets however all economic agents seek security from the effects of market forces, particularly from competition, which may bankrupt them, impoverish them, or throw them out of work. This security is sought through employers’ cartels, professional associations, and trade unions, as well as through lobbying politicians and government agencies for special aid and protection. In new Right doctrine if the state tolerates the existence of private ‘protection agencies’ or gives direct legislative or administrative protection to particular interests, then it is a weak state, it infringes the principles of a market order, impoverishes the society, and in the more lurid versions places the whole society on the road to serfdom.

In this doctrine, therefore, the role of governments is strictly limited to a few key tasks, and since no private agency can perform those tasks the state has to do so. In this sense the state has to be interventionist; it has to intervene to ensure that no obstacles or rigidities exist to prevent free individual exchange in markets. The kind of intervention that is ruled out is any state action which is a substitute for a private decision or which affects in detail the outcome of exchange between individuals. An example will explain what this means. In new Right doctrine government legislation to outlaw the closed shop or secondary picketing is justified intervention because it weakens the ‘monopoly’ power of trade unions to influence the terms on which the commodity labour power is traded on the labour market. Government action to impose a tariff or offer a subsidy to a particular firm or give tax relief to a particular group of taxpayers such as home owners with mortgages is unjustified intervention because it distorts the pattern of exchange and distribution that would otherwise have come about.

The case for the free economy and a strong state was developed by German neo-liberals who wished to see positive state action to destroy private monopolies and ensure competition. But modern neo-liberals such as Hayek are much more concerned about the infringement of markets by organised labour than by organised capital, and argue for a strong state to curb the power of the trade unions. Securing conditions for the minimum restraint on the operation of capital is regarded as the major priority for government policy.

The new Right as an ideological tendency, however, embraces not merely the market economics of the neo-liberals but the social authoritarianism of the neo-conservatives. The free economy and the strong state has a different meaning in the pages of the Salisbury Review than it does in Economic Affairs.

The neo-conservatives have no difficulty in accepting the formula of the free economy and the strong state. But the significance of the two terms is reversed. Neo-liberals put the objective of a free economy first; the strong state is a means for achieving this. The state is not valued in itself. Just the opposite is true for the neo-conservatives. For them the objective is a strong state, a state which possesses authority but which is not afraid to use its powers of coercion. A free economy is a means for achieving this. The existence of private property is regarded as one of the most important bulwarks of state authority. If it is threatened by the growth of trade union militancy or by democratic movements with egalitarian demands then a major element of social order is undermined.

Restoring the authority of the owners of property becomes part of a project to restore authority more generally - the authority that has been lost in the family and in schools and throughout the institutions of civil society and is leading to social indifference and disaffection. Postwar governments have made the British people less dependent than ever before on employers and landlords and have pursued egalitarian programmes which have undermined respect for social hierarchy. For neo-conservatives a ‘free economy’ is a code-word for restoring authority and discipline in economic institutions rather than licensing unstrained economic individualism.

**The crisis of hegemony**

As an ideological tendency the new Right is extremely diverse and has been so from its first stirrings in the 1960s. But what unites the various elements and allowed them to be yoked together first in Powellism, then in Thatcherism was a rejection of key aspects of the postwar consensus, and a desire to change the limits of what was regarded as politically practicable. All parts of the new Right wanted a sharp break with the ideas and practices of postwar British governments. They freely used the language of rupture and watershed to describe their political project. They looked forward after a period of political confrontation to the creation of a new consensus, a new set of limits on policy which would not be challenged and within which all political parties would be obliged to work.

The emphasis in Thatcherism on strengthening the state by rolling it back was a response to the crisis of hegemony which erupted in the 1970s. Conservatives became alarmed about the weakening of state authority in four main areas; the representation of interests; economic management; public finance; and social order.

Parliament has long been in decline and corporate representation has increasingly supplanted it, since governments needed the cooperation of the major organised interests in order to carry out their policies. But the system of corporatist bargaining entered crisis in its turn in the 1960s and 1970s because it excluded even the limited democratic participation which parliamentary institutions permitted, and it also failed to deliver the results that governments sought. At crucial moments the corporate interests were unable to deliver the acquiescence of their members in key government policies; incomes policy was the outstanding example.

The failures of corporatist policymaking in the 1960s and 1970s made the manifestations of union power extremely alarming to Conservatives. The upsurge in industrial militancy between 1968 and 1973 and the failure of attempts to regulate union behaviour through legislation left many Conservatives convinced that the country was becoming ungovernable. A major sectional interest was refusing to accept the authority of the state, and some trade unions had apparently acquired the ability to defy the state successfully in a trial of strength. The need to re-establish state authority over the trade unions was accepted by all Conservatives. Its urgency was reinforced by the concessions to the unions made by the Labour government after 1974.

**Economic management**

A second aspect of the crisis of hegemony was poor economic performance. Since governments were so eager to take responsibility for the economy and to proclaim its successes as their successes and regularly to promise in their manifestos that they
had the secret for turning the country and the economy round, they could not escape blame and censure when their policies came apart in their hands and the economy deteriorated, inflation accelerated and unemployment climbed. The authority of the state was heavily engaged in promoting modernisation in the 1960s. It expressed a wide consensus among business groups, unions, political parties, and the media. The circumstances of its failure weakened the authority of the state and the authority of the dominant leadership group within each party.

A third aspect of the crisis of hegemony was public finance, expressed in the popular idea that government had become overloaded. This complaint was a reaction to the increase in government expenditure and responsibilities during the 1960s. The initiation of many new spending programmes and the proliferation of new public agencies had significantly increased the complexity of government and the problem of controlling public expenditure. Once the world economy went into recession the problem of funding the existing public sector became acute. Not only was the search intensified for new ways of monitoring and controlling public spending, but new ideas for simplifying administration by reducing the role of government became fashionable.

The feasibility of privatising state enterprises, abolishing regulations on the private sector, removing subsidies, and broadening the tax base, all became talking points among Conservatives. There was agreement that the state had overreached itself and become weak. State policy was no longer determined primarily either by ministers or their officials, but by a host of pressure groups and special interests which had to be either directly consulted or indirectly considered when any policy decision was being taken. Despite the pretensions of government to carry out major policies, their ability to do so had been diminishing. Most Conservatives felt that the way to deal with this problem was to reduce the range of tasks which governments undertook. In this way expenditure could be reduced, administration simplified, and the authority and competence of the state enhanced.

The final aspect of the crisis of hegemony which preoccupied many Conservatives in the 1970s was the problem of social order, and the spread of permissiveness. This was a problem of state authority because the observance of traditional morality and the readiness to accept properly constituted authority were regarded as interconnected. What was especially novel and disturbing about the spread of permissiveness in the 1960s was that it often seemed to be promoted by a liberal establishment embracing the schools, the universities, the churches, the media and other outposts colonised by progressive intellectuals. Suddenly many of the bulwarks of the traditional order appeared to be subverted from within, no longer natural allies of Conservatism. The liberation from various constraints that was achieved in the 1960s produced a succession of moral panics about threats to the English way of life and the English national identity.

The Thatcherite programme
The Thatcher leadership united the whole Conservative Party around the claims that the country had become overtaxed, over-governed, and indisciplined. This diagnosis of the crisis of state authority suggested that the real problem was that the traditional distance between the organs of government and the special interests had been eroded. Government had been invaded by pressure groups and too many decisions had been politicised. Government needed to disentangle itself and reassert its authority and independence. This meant reducing the number and the range of government responsibilities. In economic policy it meant asserting that the government only had responsibility for inflation and the money supply and none for unemployment and growth; it meant abandoning prices and incomes policy and most national tripartite arrangements in which the unions bargained directly with the government. It meant promulgating new financial disciplines for all public agencies particularly local authorities in an attempt to force them to operate within a set of financial constraints determined centrally. It meant launching a major programme of privatisation, giving up many government controls over how enterprises in various sectors operated. The Thatcher government proposed a major simplifying of government functions and a major reduction in government spending.

Diagnosing a crisis of hegemony, however, and remediying it through political action are very different things. The Thatcherites accepted that there was a deep and complex crisis of state authority, but the remedies that were recommended pointed in several directions at once. They have not been easily reconciled. In ideological terms the Thatcherite project demanded a sweeping transformation of institutions, attitudes, and personnel. Yet what was involved in such a radical restructuring and how far it might be beyond the agency of the Conservative Party was little discussed. Among many new Right intellectuals the radical nature of the Thatcherite project was well understood but relatively few of them were Conservative ministers.

The reason why Thatcherism has been such a contradictory phenomenon is because of the basic practical and theoretical uncertainty at the heart of the project about the kind and degree of state restructuring that was sought. Creating a 'free economy' commands wide support in the
Conservative Party when it is interpreted to mean such things as lower taxes, lower public expenditure, less nationalisation, weaker trade unions, less government regulation and control, and more inequality. But there was always less agreement over the wider implications of the strategy.

A state that restruc...s... The most canvassed alternative implied a state strong enough not just to make the economy free but prepared to intervene actively in all institutions of civil society to impose, nurture, and stimulate the business values, attitudes, and practices necessary to relaunch Britain as a successful capitalist economy. To play this role the Conservative Party would have to become for the first time in its history a bourgeois modernising party, a party in which a thousand Norman Tebbit's might bloom. Such a party would have no qualms about radical restructuring of all institutions in both state and civil society in the interests of increasing economic efficiency. Such programmes have been proposed before but have always foundered because they have never tackled the heart of Britain's anti-industrial culture - the British political, intellectual, and business establishment centred on the public schools, the universities, the professions, the civil service, and the City.

There is undoubtedly an element in the Conservative Party and its leadership which is so convinced of the need to halt Britain's relative economic decline and so fearful of the consequences of not doing so that it is quite prepared to go down this road. But there is a much larger body of opinion in the party which opposes it. Their presence is most often felt every time there is a proposal to abolish or curtail fiscal "ivileges enjoyed by one of the spe... interest groups, such as private home owners, lawyers, doctors, farmers, or fee-paying parents of students, whose members are well represented among Conservative supporters.

These elements backed Thatcherism for orthodox party reasons rather than ideological ones. They favour preserving the autonomy and the authority of the state because these increased the ability of the Conservative Party to win elections. But the way in which the modern state has developed gradually cut the ground from under the traditional politics which the Conservative Party practised. The state which the Conservatives administered between 1951 and 1964 involved them presiding over a much enlarged system of welfare and public enterprise, and accepting new responsibilities to maintain full employment and economic prosperity. In the 1960s and 1970s programmes of modernisation based around much greater state involvement in the supply side of the economy and new corporatist structures to secure the cooperation of unions and employers were launched. The experience of the Heath government convinced many Conservatives that their party was ill-suited to play this game at all and was likely to cede crucial political ground and authority to Labour permanently.

Thatcherism appealed to many Conservatives because it appeared to be a means of restoring the political initiative to the Conservatives. The modernisation it sought did not depend on the cooperation of trade unions or further extension of government responsibilities. But the legacy of the postwar state remains. Keynesianism and collectivism cannot be turned off like a switch. The paradox in which the Thatcher government has been embroiled is that in order to reduce state involvement it has had to be prepared to intervene on an increasing scale. Local government is the best example. Since central government had in the past delegated so much responsibility for spending and implementation of policies to local authorities, the attempt to pursue monetarist policies at the national level was threatened by the unwillingness of many local authorities to work within the new spending limits. The Government was therefore led to intervene more and more in an attempt to control local spending and maintain its financial strategy intact. This has resulted in a steady restriction of the autonomy of local government, without central government being willing as yet to carry the policy to its logical conclusion and assume direct responsibility for all local spending.

New Right criti... The Thatcherite programme to restore state authority therefore encountered two major problems. Restoring the authority and autonomy of the state would only have been feasible if the institutions of civil society are fundamentally sound, the public sector small, and the economy thriving. Since they were not, the Government was drawn into numerous interventions to try and transform attitudes and behaviour in desired directions. Re-establishing the authority of the state was found to require increasing intervention to force the compliance of other agencies and interests with government wishes and plans. The seriousness of the condition of the British economy and the complexity of the public sector meant that a strategy of disengagement from accumulated responsibilities and commitments went along with major efforts to reorganise many activities and institutions in the public sector and in civil society.

The problem for the Thatcher government is that its own diagnosis of the crisis of state authority constantly impels it towards intervention - whether in the internal affairs of trade unions, the spending priorities of local authorities, the curricula of schools and universities, or patterns of family behaviour. At the same time the Government has been very reluctant to create the kind of state machinery that would allow such intervention to be effective.

Many of the capitalist modernisers in the party have grown impatient at the slow pace of advance. One of the more outspoken has been Sir John Hoskyns, formerly head of the policy unit in Downing Street, now Director-General of the Institute of Directors. He places the problem of relative economic decline in the forefront of his analysis of what is wrong with Britain, and argues forcibly that nothing will be done about it until major changes in the structure of government have been brought about. He seeks a major reform of the civil service, which he regards as one of the chief causes of the decline because the civil service has come to regard its task as the orderly management of decline, and is therefore ill-equipped to give support to any radical policy either of right or left to arrest decline. Hoskyns lists a number of major organisational weaknesses of the civil service; insufficient attention is given to defining and agreeing objectives so that civil servants rarely have objectives which are either clear enough or demanding enough to act as criteria for success or failure; performance is judged more by conduct than by results.
One consequence of this is the dominance of short term policy-making in government, the urge to get through the day and survive the constant pressures. This means that there is a lack of strategy, defined as working out a route to move from one state of affairs to another, if necessary breaking political or economic constraints formerly regarded as unbreakable. Civil servants he implies have no use for strategic thinking. Their whole training is against it. Is this not however what politicians are for in the traditional model of the constitution? Hoskyns agrees, but points out that politicians are unable to think strategically either because of their workload, the character of the Westminster/Whitehall culture, saturated with such insight in Yes Minister, and the imbalance of resources between ministers and civil servants. The pressures on individual ministers are so intense that most come to depend on precedent and short term expediency in making decisions; the system encourages survivors rather than doers. Hoskyns draws attention to the small number of actors in British policy-making at the level of central government, comprising the handful of ministers and top civil servants, as well as the secrecy of the system and its resistance to outside advice. This is an elite says Hoskyns whose political members are under too much pressure to think strategically, while the civil servant members are inhibited by the conventions of political neutrality from thinking in strategic terms.

Hoskyns' remedy

Hoskyns' remedy follows from his analysis of the problem. The balance of taxpayers' support should be shifted from a political career civil service to the political parties. Every incoming government would have the right to appoint a large number of officials on short term contracts - as many as 10-20 for each department. They would fill senior positions or act as policy advisers. Hoskyns points to the Second World War when Whitehall was full of outsiders, as one of the rare periods of successful British government. In addition to these political appointees working alongside and in support of ministers, Hoskyns also recommends the creation of a new small department responsible for developing and monitoring the government's total strategy across all departments, integrating policy and politics.

Hoskyns proposals if ever adopted would be a major reform of British government. They point towards the creation of an executive government, a government capable of formulating, implementing, and monitoring a coordinated programme of policies. Only in wartime have British governments attempted to act in this manner. Constitutional practice in Britain has been for central government to delegate to subordinate bodies the task of actually carrying through policies. This is one reason why the Treasury is the dominant department in central government and why the key controls employed by the centre over the activities of subordinate bodies are generally financial. The authority of the central government which is absolute in legal terms is highly constrained in practical terms because of the dense network of delegated powers through which it works. A radical strategy of reform even if it can be defined in ideological terms is very hard to carry through.

Hoskyns and many other neo-liberals believe that the Thatcher government had a radical strategy but that it has been continually frustrated by the inadequacy of the civil service and the present organisation of government from effectively pursuing it. This account puts into perspective some of the organisational changes the Thatcher government has introduced and which have caused such controversy. The picking out of particular civil servants, including Clive Ponting, for rapid promotion was intended to give key positions to civil servants who agreed with government strategy or who were able and forceful and therefore likely to be good at doing what the Government wanted. The Thatcher government has also used its powers of patronage quite widely to secure the right people in key jobs; Ian MacGregor at the NCB, Walter Marshall at the CEGB, Robin Leigh-Pemberton at the Bank of England. It also explains the various moves that have been made towards the creation of a prime minister's department - such as the bringing in of specialist advisers on economic policy and foreign affairs.

Yet the changes that have so far taken place all have precedents in previous administrations and hardly add up to a radical overhaul of the state machine. Despite its misgivings about civil servants and its determination to reduce their numbers and contain their pay, the Thatcher government still relies on the traditional civil service to carry through its programme.

The record assessed

The Thatcher government has been most successful when it has faced major challenges to its authority and has been able to win a trial of strength. It has 'seen off' Maze hunger strikers, the Argentinian junta, the miners, and mostly recently the rebel local authorities. The Government has demonstrated that intransigence and determination allied to a correct estimation of the balance of forces and adequate preparations can win. These dramatic victories have contributed to Thatcher's image as a strong leader and to the Government's electoral success and they have increased the Government's room for manoeuvre in a number of fields. But the approach has been of little use in dealing with long term problems like the control of public expenditure or the refashioning of education. Here Hoskyn's critique is most relevant.

The Government's greatest achievement has been the weakening of the trade unions. The corporatist structures at national level have been almost all dismantled; only at a lower level as with the MSC is union involvement still sought. Elsewhere unions have been virtually excluded from direct influence on national economic policy.

The reversal of the trend towards greater corporate representation has meant greater reliance on parliament as the source of government authority and the main intermediary between government and civil society. But this change has increased the power of the Government rather than of parliament. Because of the party system and patronage the Thatcher government can dominate parliament in a way it could never dominate the corporate interests. But just because the independence of parliament is in practice so limited this makes it a fragile basis on which to exercise state authority, especially since the Thatcher government has been unable to secure more than 43% of the vote. Why should major interests that are threatened by Thatcherite policies accept its policies as legitimate? Parliamentary government in Britain, if not yet elective dictatorship in Lord Hailsham's colourful phrase, has certainly become more arbitrary and authoritarian, and less consensual.

The cycle of decline continues

To secure the permanent demise of corpor-
atism the Thatcher government needed to transform economic policy-making and greatly reduce the size of the public sector. The first proved easiest, because it meant re-asserting what had always been Britain's traditional policy orientation. Financial stabilisation meant accepting the influence of the financial markets over policy; the ending of all exchange controls merely confirmed what the Government's priorities were going to be. Since then whenever the financial markets have waivered the Government has taken steps to reassure them. This is the kind of indirect manipulation of economic aggregates in which state agencies like the Treasury and the Banks, are most practised.

Reducing the public sector has however proved much more difficult. If the Government has a supply side policy it is tax cuts, to be financed by public expenditure cuts. But even though it has been enjoying the revenue from the oil bonanza and the proceeds of sales of underpriced public assets, the Government has still been forced to increase its spending and its taxes, partly because of the impact on its finances of the recession and partly because of its commitments to increase spending on various programmes, notably defence. Government strategy for the public sector has foundered both because it has proved unwilling to confront the massed phalanxes of special interests from the farmers to mortgage holders who enjoy important fiscal privileges; but also because it has to work through public institutions and agencies over which it exercises little control. It has attempted to influence these agencies through a variety of indirect means, but mostly through financial penalties, often as with local authorities or higher education with bizarre results.

Policies to restore public order have also been limited. New powers have been given to the police and judiciary, intelligence gathering and surveillance have been extended, the repressive potential of the state has been further increased. But the Thatcher government has been unable to secure the return of more retributive punishments nor reverse the permissive social legislation of the 1960s, while its policies on strengthening the family have been vague; amidst all the rhetoric few concrete proposals have emerged. While on crime, the Government has presided over a major boom.

The results of Thatcherism are therefore highly contradictory. Many Thatcherites want to restructure many institutions throughout society but their government has not so far been prepared to create the kind of state machinery that might carry through such a programme. That is because this would have to be a strong state indeed, not tied down by any liberal or democratic scruples or institutional constraints. Only in relation to trade unions has the state under Thatcher moved in this direction and even here only partially. The result is a restructuring of the state that may result in a free but not an enterprise economy. It will be free in the sense that it is an open economy fully integrated into the world division of labour, in which unions it is hoped will wither away, or will be transformed by degrees into enterprise unions; in which all businesses are given more scope and public assets are privatised. But it will also still be an economy in decline with growing disparities between its regions and between its employed and unemployed population. The strong state that is needed so that this economy may remain free is a state able to conduct effective surveillance and policing of the unemployed and the poor, able to confront and defeat any industrial challenge, able to contain any new upsurge of terrorism. But it is not the kind of strong state that would be needed to break out of the cycle of decline.