

Currents of Neo-Liberalism:

British Political Ideologies and the New Right, c.1955–79*

‘It’s worse than you think. I really do believe in it.’

Tony Blair on New Labour¹

The global rise of the uninhibited model of capitalist political economy that we now call ‘neo-liberalism’ was one of the most significant historical developments of the late twentieth century. It has been explained by some commentators in predominantly materialist terms, as the expression of the powerful class interests of a resurgent financial elite after the crises of regimes of social-democratic policy-making and of authoritarian communism in the 1970s and 1980s undercut the respective economic foundations of Keynesianism and socialism.² While there is a great deal of merit to this interpretation in so far as it accurately identifies the political opportunities and social forces that enabled neo-liberalism to conquer the heights of public policy-making, a second strand of scholarship has sought to add to this account an emphasis on the role that ideas played in

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¹ Tony Blair, speech to Labour Party conference, Brighton, 2 Oct. 2001, available at <http://www.guardian.co.uk/politics/2001/oct/02/labourconference.labour6>.

² G. Duménil and D. Lévy, *Capital Resurgent: Roots of the Neo-Liberal Revolution* (Cambridge, MA, 2004); G. Duménil and D. Lévy, *The Crisis of Neo-Liberalism* (Cambridge, MA, 2013); D. Harvey, *A Brief History of Neo-Liberalism* (Oxford, 2005).

directing and legitimating neo-liberal rule. Such interpretations do not repeat the naïve, idealist account of victory in the battle of ideas that has been narrated by neo-liberals themselves—as well as by some early academic commentators.³ Rather, they identify the ways in which key neo-liberal ideas were systematically sponsored and promoted by sympathetic business and political elites through a global network of academics, journalists and think tanks, thereby substantiating an account of how, in the aftermath of the economic crisis of the 1970s, neo-liberal theories and rhetoric played a decisive role in shaping the direction of public-policy debates in many states.⁴

This approach has generated a substantial body of writings by political scientists, sociologists and historians that has stressed, among other points, the importance of chronology and greater ideological precision in understanding the character of neo-liberal doctrine. These writings show, for example, that what we now term ‘neo-liberalism’ did not emerge fully formed as an oppositional current in the era of the New Deal and welfarist post-war reconstruction. In a period dominated by economic depression and total war, the defence of the market economy offered by early neo-liberal thinkers was stout but nuanced, and open to making strategic use of democratic collective action to tackle externalities or secure the political legitimacy of the market system. A number of important contributions in this vein were made during the 1930s and 1940s by such figures as the sometime American progressive, Walter Lippmann; early Chicago

³ R. Cockett, *Thinking the Unthinkable: Think Tanks and the Economic Counter-Revolution, 1931–1983* (London, 1995).

⁴ D. Plehwe, B. Walpen and G. Neunhöffer, eds., *Neo-Liberal Hegemony: A Global Critique* (London, 2005); R. Turner, *Neo-Liberal Ideology: History, Concepts and Policies* (Edinburgh, 2008); P. Mirowski and D. Plehwe, eds., *The Road from Mont Pèlerin* (Cambridge, MA, 2009); K. Phillips-Fein, *Invisible Hands: The Making of the Conservative Movement from the New Deal to Reagan* (New York, 2009); J. Peck, *Constructions of Neo-Liberal Reason* (Oxford, 2010); D. Stedman Jones, *Masters of the Universe: Hayek, Friedman and the Birth of Neo-Liberal Politics* (Princeton, NJ, 2012); P. Mirowski, *Never Let a Serious Crisis Go to Waste* (London, 2013); W. Davies, *The Limits of Neo-Liberalism* (London, 2014).

economists, such as Frank Knight and Henry Simons; German ordo-liberals, such as Wilhelm Röpke and Alexander Rüstow; and even in some of the early work of the Austrian economist-cum-political philosopher Friedrich Hayek. While avowed opponents of economic planning, these authors offered at that time a more sympathetic appraisal of measures such as anti-monopoly legislation, social-insurance schemes, and even (in some cases) Keynesian demand management. In 1947, Hayek brought together a number of these thinkers to form the Mont Pèlerin Society (MPS), a discussion group that was intended to foster foundational thinking about the prospects for economic liberalism, and which served as the nodal point for the influential network of neo-liberal writers and think tanks that coalesced in the course of the 1950s and 1960s. In this later period, the core of what we would now recognise as a distinctively neo-liberal ideology was developed by members of the MPS and acquired for the first time substantial financial support from disaffected business elites. The doctrine that emerged from these contacts differed from the earlier works of Lippmann and others because it offered a more severe, and systematic, critique of a very wide range of democratic collective action, especially the policies associated with the ‘Keynesian welfare state’. This was the version of neo-liberalism made famous by figures such as Milton Friedman, James Buchanan, and, in his later work, Friedrich Hayek, and which exerted a profound influence on public policy across the world in the late twentieth century.⁵ Neo-liberalism, according to this account,

⁵ Mirowski and Plehwe, eds., *Road from Mont Pèlerin*; B. Jackson, ‘At the Origins of Neo-Liberalism: The Free Economy and the Strong State, 1930–47’, *The Historical Journal*, liii (2010), pp. 129–51; B. Jackson, ‘Freedom, the Common Good and the Rule of Law: Lippmann and Hayek on Economic Planning’, *Journal of the History of Ideas*, lxxiii (2012), pp. 47–68; A. Burgin, ‘The Radical Conservatism of Frank Knight’, *Modern Intellectual History*, vi (2009), pp. 513–38; A. Burgin, *The Great Persuasion* (Cambridge, MA, 2012); R. Van Horn, P. Mirowski and T. Stapleford, eds., *Building Chicago Economics* (Cambridge, 2013); A. Gamble, ‘Economic Libertarianism’, in M. Freeden, L. Tower Sargent and M. Stears, eds, *The Oxford Handbook of Political Ideologies* (Oxford, 2013), pp. 405–21.

is best defined in its mature form not as a doctrine that is opposed to the state *per se*, but rather, as William Davies has put it, one that was pursuing ‘the disenchantment of politics by economics’. It is ‘an attempt to replace political judgement with economic evaluation’, which seeks to erode the scope of democratic decision-making in order to allow greater room for the more efficient and liberating outcomes that are believed to result from market competition.⁶

In spite of this efflorescence of scholarship on neo-liberalism, the processes by which neo-liberal theories and concepts migrated from the texts and think tanks that sponsored them into elite and popular political discourse in particular national contexts remains ripe for further discussion. As Stephanie Mudge has argued, while the intellectual ‘face’ of neo-liberalism—its articulation by a cadre of technocratic experts—is a fairly coherent and well-documented project, the policy and political ‘faces’ of neo-liberalism—the ways in which neo-liberal ideas are translated into bureaucratic reforms and used in the competition for political authority—are less well known and much more diverse, producing ‘not one neo-liberalism but many *neo-liberalisms*’.⁷ The purity of neo-liberalism as a body of theory has therefore always been at variance with the more complex reality of neo-liberalism on the political ground, and the wider truth that ideas mutate when they are translated by political elites into ideologies capable of addressing a broad public audience.⁸ This raises a series of questions. How was the high theory offered by neo-liberal theorists received and disseminated by political actors involved in

⁶ Davies, *Limits of Neo-Liberalism*, pp. 3–4; see also Mirowski, *Never Let a Serious Crisis Go to Waste*, pp. 27–88; W. Brown, *Undoing the Demos* (New York, 2015), pp. 17–46.

⁷ S. Mudge, ‘What is Neo-Liberalism?’, *Socio-Economic Review*, vi (2008), pp. 703–31, esp. 704–5, 719–25; emphasis in the original.

⁸ M. Freeden, *Ideologies and Political Theory* (Oxford, 1996).

electoral competition and policy formation? How were neo-liberal ideas incorporated into existing ideological traditions? Why was it ideologically possible for neo-liberal insights to be championed by political actors of both left and right? This article aims to answer these questions in relation to the case of Britain.

Britain was a precocious adopter of neo-liberal ideas and policies; as a partner in the purported ‘Thatcher–Reagan revolution’ it has long enjoyed a privileged place in commentary on the neo-liberal turn in public policy that occurred after the 1970s. Within the fields of modern British history and politics, it has become a commonplace to state that the trajectory of public policy since 1979 has been decisively shaped by the influence of neo-liberalism. The Conservative government of 1979–97; the New Labour government between 1997 and 2010; and the 2010–15 coalition government of the Conservatives and the Liberal Democrats: each has been characterised as implementing a neo-liberal ideology that has assumed a hegemonic status in British political argument. These governments are said to have been united by their preference for a liberal economic model which relies on labour-market flexibility, low direct taxation, and the growing might of the City of London.⁹ The importance of neo-liberal ideas to British public life after the 1970s is difficult to contest, but there is a more complicated story to tell about how these ideas were championed by the British political elite than a simple one of post-Thatcher capitulation by the left and by ‘One Nation’ Conservatism to an electorally triumphant New Right.

⁹ A. Gamble, *The Free Economy and the Strong State: The Politics of Thatcherism* (Basingstoke, second edition, 1994); C. Crouch, ‘The Terms of the Neo-Liberal Consensus’, *Political Quarterly*, lxxviii (1997), pp. 352–60; R. Heffernan, *New Labour and Thatcherism* (Basingstoke, 2000); M. McIvor, ‘New Labour, Neo-Liberalism and Social Democracy’, *Soundings*, no. 31 (2006), pp. 79–89; S. Hall, ‘The Neo-Liberal Revolution’, *Soundings*, no. 48 (2011), pp. 9–27.

In particular, this article demonstrates that various currents of neo-liberalism were introduced into British political thought before the electoral success of ‘Thatcherism’ in the 1980s.¹⁰ Indeed, the Liberal Party has a good claim to have been the first British political party to sense the potency of neo-liberal thought, as early as the 1950s. Such pre-Thatcher strands of neo-liberalism gained a hearing on the centre and left of British politics because they articulated anxieties about the character of the post-war British state that resonated with similar concerns among a number of conservatives and a vocal minority of liberals and socialists, in particular those who were sceptical about corporatist economic management and the growing reach of the universal welfare state.

However, this article also stresses that labelling recent British political discourse as unvarnished ‘neo-liberalism’, while at times analytically useful, simplifies a more complicated picture in which distinctively neo-liberal ideas have been blended in different ways into the ideologies of British Liberalism, Conservatism and even Labour socialism. The article therefore turns the spotlight onto a more obscure aspect of the making of British neo-liberalism by exploring how politicians and intellectuals of varying partisan loyalties generated policy discourses that presented neo-liberal ideas as an authentic expression of their own ideological traditions. This raises a more general point about the varieties of neo-liberalism that can be detected in political argument in Britain and other states where neo-liberalism has made significant political headway. Neo-liberalism, although frequently characterised as ideologically rigid and universalist, has in

¹⁰ In a similar vein, Daniel Stedman Jones has observed that it was the Labour government of 1974–9 that adopted monetarist nostrums before Thatcher, although he does not examine the possibility (considered in the final section of this article) that there were in fact ways in which neo-liberalism and socialism could be made ideologically compatible with one another: *Masters of the Universe*, pp. 241–7.

fact proved itself to be flexible and adaptable, capable of colonising territory across the political spectrum.

I

The first iteration of British neo-liberalism emerged in the 1950s under the aegis of a group of intellectuals and political activists associated with the Liberal Party. The Liberals were a beleaguered party immediately after the Second World War, as the British party system polarised into a Labour–Conservative duopoly. Apparently left behind by the tide of history, the Liberals retained a tenacious intellectual fecundity that was prompted by the need to provide their supporters with a rationale for a separate Liberal Party in a seemingly fixed two-party system. One important intervention along these lines was constituted by the Unservile State Group, a ginger group of politicians and academics who produced a powerful restatement of Liberalism for the 1960s in *The Unservile State* (1957). The members of the group included Jo Grimond, later the leader of the Liberal Party, and Alan Peacock and Graham Hutton, economists who would subsequently be associated with more famous British neo-liberal enterprises, such as the influential think tank, the Institute of Economic Affairs (IEA).¹¹

Much of the *Unservile State* agenda had its roots in the 1930s and the work of the Liberal publicist Elliott Dodds, who chaired the Unservile State Group from its

¹¹ For an overview of *The Unservile State* and its key arguments, see T. Jones, *The Revival of British Liberalism* (Basingstoke, 2011), pp. 10–15. Alan Peacock gives a personal account of the Group's work in *Anxious To Do Good: Learning to be an Economist the Hard Way* (Exeter, 2010), pp. 87–120. For further discussion of the IEA, see section II of this article.

foundation in 1953. Dodds had been influenced by Catholic social thought and the early twentieth-century distributist writings of Hilaire Belloc and G.K. Chesterton, who had savagely criticised both the emerging welfare state and unfettered capitalism for sapping the independence and freedom of the masses. They advocated instead a wider dispersal of individual property ownership among the citizenry.¹² It was this objective which Dodds embraced with enthusiasm in the 1930s, eventually chairing a Liberal policy review, *Ownership for All* (1938), which called for the wider diffusion of private property ownership to become the key ambition of Liberal policy. The report endorsed measures such as more stringent inheritance taxation; anti-trust legislation; greater equality of educational opportunity; and measures to encourage profit-sharing and co-partnership in industry. The social vision that underpinned these recommendations was of a polity composed of free and independent citizens, each capable of autonomous personal development because they owned sufficient private property to free them from the overbearing influence of employers or the state. Dodds insisted that the distinctiveness of the Liberal creed resided in the fact that Liberals stood up for the individual against the great concentrations of power enjoyed by the owners of capital, and aimed to diffuse this power throughout society rather than placing it in the hands of the state, as socialists proposed.¹³

¹² The name ‘the Unservile State Group’ is adapted from H. Belloc, *The Servile State* (London, 1912). On Belloc’s distributism, see B. Jackson, ‘Property-Owning Democracy: A Short History’, in M. O’Neill and T. Williamson, eds., *Property-Owning Democracy: Rawls and Beyond* (Oxford, 2012), pp. 37–8; J.P. Corrin, *G.K. Chesterton and Hilaire Belloc: The Battle Against Modernity* (Athens, OH, 1981), pp. 125–47.

¹³ P. Sloman, *The Liberal Party and the Economy, 1929–64* (Oxford, 2014), pp. 109–25; S. White, ‘“Revolutionary Liberalism?” The Philosophy and Politics of Ownership in the Post-War Liberal Party’, *British Politics*, iv (2009), pp. 164–87.

The same spirit animated *The Unservile State*, although in the nearly twenty years that had elapsed since the publication of *Ownership for All*, the political situation faced by the Liberals had changed markedly. The impact of total war and the Labour electoral landslide of 1945 had shifted the British economy away from the relatively unfettered capitalism of the pre-war years towards state-managed welfare capitalism, a settlement largely accepted by the Conservative Party upon its return to office in 1951. The authors of *The Unservile State* still sought ownership for all in the terms described by Dodds before the War, but to make that case they now had to explain how their approach related to the intriguing new phenomenon of the welfare state as much as to traditional capitalism or classical socialism. This gave a novel and more radical inflection to Dodds's agenda, because it led the authors of *The Unservile State* to pioneer what would turn out to be a potent analysis of both the problems of the welfare state and reforms that might be made to liberalise it.

In the opening chapter of the book, Dodds described his liberal faith as a form of personalism, emphasising both personal autonomy and the social context necessary for the full flowering of personhood. Dodds drew on the literature associated with the earliest phase of neo-liberal political theory, notably the writings of Walter Lippmann and Wilhelm Röpke, which, as we have seen, articulated a broadly pro-market political position but nonetheless accepted the propensity of unhindered markets to deliver monopolies and economic immiseration unless complemented by market-compatible forms of state intervention.¹⁴ In philosophical terms, Dodds echoed John Stuart Mill in triangulating his views somewhere between the classical and social models of liberalism:

¹⁴ For examples of the influence of Röpke and Lippmann in the book, see G. Watson, ed., *The Unservile State* (London, 1957), pp. 13, 15, 19, 22, 310.

freedom should be understood as ‘maximising opportunity for the development of personality’, but self-development was firmly a matter for individual choice rather than external imposition.¹⁵ In the end, Dodds argued, Liberals would have to decide whether or not to undertake a particular measure on the basis of whether it increased ‘the sum total of liberty (or, rather, of opportunity for the development of personality)’. Such a judgement would involve weighing up conflicts between competing claims, particularly in the field of welfare. Here the creation of new forms of freedom which liberated individuals from poverty had to be balanced against the new restrictions on liberty which they introduced—in particular heavy taxation, which reduced individual purchasing power, and new bureaucratic interventions into matters formerly left to private decision.¹⁶

When applied to the welfare state, Dodds continued, this liberal vision posed difficult questions: ‘Are the social services to be regarded as crutches, necessary while so many are unable to walk freely as they would like, but to be discarded as soon as they are able to use their own legs? Or are they to be considered as permanent features of a Liberal Society?’¹⁷ Dodds’ answer, which summarised the approach taken in the volume as a whole, was that some social-welfare provision would be an indispensable component of any liberal society, but that it should also be possible to develop ‘private endeavour and voluntary agencies of service and mutual aid to diminish the role of the state’. This would enable the creation of a ‘welfare society’ rather than a ‘welfare state’, by which Dodds meant a society in which individuals and non-state groups ‘would be able and ready to provide most of its welfare for itself’. Among other desirable features of such a

¹⁵ E. Dodds, ‘Liberty and Welfare’, in Watson, ed., *Unservile State*, p. 16.

¹⁶ *Ibid.*, p. 17.

¹⁷ *Ibid.*, p. 18.

society was that it would be able to circumvent the ‘illiberal consequences’ of ‘state monopoly in welfare’ and instead furnish citizens with ‘a varied and competitive welfare’.¹⁸ In broader terms, this line of argument signalled a significant breach with the universal, taxpayer-funded model of welfare and social services that had evolved in Britain by the late 1950s—and indicated the unease felt by some Liberals towards the British welfare state, in spite of the fact that it was a leading Liberal, William Beveridge, who had been instrumental in its creation. Instead, Beveridge was invoked as a supporter of *The Unserving State* approach, and Dodds attributed the distinction between a ‘welfare state’ and a ‘welfare society’ to Beveridge himself.¹⁹

However, Dodds and his colleagues understood this departure from the universal welfare state as forming part of a broader commitment to distributism. Individual self-development, they maintained, could best be achieved by spreading widely ‘wealth, ownership, power and responsibility’ and using public policy to combat concentration in all its guises.²⁰ As the economist Peter Wiles observed elsewhere in *The Unserving State*, they believed that a more equal distribution of private property might well satisfy the legitimate distributive grievances that had generated demand for the welfare state, rendering it ‘a passing phenomenon’. As Wiles put it: ‘With good luck and good management, we should see about one century elapse between its [the welfare state’s] birth (ca.1910) and its demise’.²¹ Through the use of capital taxation and measures to promote individual savings and co-operative models of ownership, Wiles was confident

¹⁸ Ibid., pp. 19–20.

¹⁹ Ibid., p. 19; in later life Beveridge did indeed express disquiet about the idea of a ‘welfare state’: see J. Harris, *William Beveridge* (Oxford, 1997), pp. 453–61. My understanding of the Liberal Party’s views on the welfare state in this period is indebted to Sloman, *Liberal Party and the Economy*, pp. 190–95.

²⁰ Dodds, ‘Liberty and Welfare’, pp. 21–2.

²¹ P. Wiles, ‘Property and Equality’, in Watson, ed., *Unserving State*, p. 100.

that a just distribution could be promoted which avoided the centralised and bureaucratic aspects of the welfare state and instead advanced individual independence.²² This sympathy for widening property ownership—and even, to a limited extent, the use of income tax for redistribution—was contrasted not only with the universalist welfare state but also with labour-market regulation and the role of trade unions in fostering what the contributors to *The Unservile State* saw as private monopoly. While it was acknowledged that trade unions performed an important social role, the book expressed strong concerns about the power they exercised. Wiles explicitly argued that they should play no role in wage determination at all, since ‘*laissez-faire is the just way to distribute earned incomes*’, by which he meant that this would secure the most efficient economic outcomes and enable distributive grievances to be addressed through the redistribution of property and perhaps the provision of a social minimum income.²³

The Unservile State was a pioneering text for the British reception of neo-liberalism: it included contributions from several individuals who would subsequently become familiar exponents of neo-liberal ideas in British policy debates (in particular Jo Grimond, Graham Hutton and Alan Peacock), and it set out the basis of an analysis of the relationship between the state, trade unions and social welfare that would become increasingly influential. But it deployed this analysis in combination with a number of other commitments—to the redistribution of private property, to anti-monopoly legislation, and to the decentralisation of politics and parliament—which distinguished *The Unservile State* from later versions of British neo-liberalism and placed it closer to

²² Ibid., pp. 100–01.

²³ Ibid, pp. 95–6; emphasis in original. For further critical discussion of trade unions, see Philip M. Skelsey, ‘Civil Liberties’ and Nancy Seear, ‘Relations in Industry’, both in Watson, ed., *Unservile State*, pp. 78–80, 193–8.

the traditional concerns of the Liberal Party than to those of the Conservative Party. The contributors to the book were influenced more by the writings of Lippmann and Röpke than by Hayek and Friedman, and many of them espoused a personalism that sought to advance both individual choice and self-development.²⁴ *The Unservile State* was accordingly eclectic in recommending policies intended to distribute power, wealth and opportunity more widely across British society. Dodds and his colleagues sought to trade off the goals of maximising choice and promoting self-development rather than to choose one over the other, and, in their policy proposals, aimed to balance their criticism of trade unions and the welfare state with alternative ideas about how to redistribute wealth and opportunity.

The book aroused some comment at the time of its publication. It was rightly seen as an attempt to rethink liberal commitments in response to the rise of the welfare state and to promote a distributist notion of personal responsibility.²⁵ Reviewers recognised the ideological eclecticism of the resulting recommendations for policy, but critics from the left tended to focus on its purported defence of a libertarian analysis of economic freedom, while critics from the right alighted on what they regarded as its reassertion of the social liberalism associated with Keynes, Beveridge and Roosevelt.²⁶ As a result, few external commentators succeeded in confronting the arguments of the book on their own terms, often preferring to use the text simply as a pretext for remarks about the existential

²⁴ However, one contributor to the book, the economist Neville Ward-Perkins, did offer a definition of freedom that was closer to the stance of Hayek: 'in an advanced society freedom can only be considered in terms of choice': N. Ward-Perkins, 'Monopoly', in Watson, ed., *Unservile State*, p. 222.

²⁵ 'Liberalism and Welfare: The Politics of Freedom', *Manchester Guardian*, 25 July 1957.

²⁶ See respectively R. Wollheim, 'Liberals Divided', *Encounter*, Oct. 1957, pp. 77–8; A.A. Shenfield, review of Watson, ed., *Unservile State*, *Economica*, xxv (1958), pp. 266–7.

crisis of the Liberal Party.²⁷ One reader who did respond to the full complexity of the book, however, was Friedrich Hayek. Hayek objected to the arguments of contributors such as Peter Wiles that the welfare state should ultimately be seen as a transitional set of measures. In Hayek's view, this underestimated the economic inefficiency and powerful sectional interests that had been set in motion by the creation of a universal, bureaucratic welfare state. 'Monopolistic' welfare institutions, Hayek argued, would arrest the economic growth that would be necessary to abolish the need for a social safety net and crowd out the development of alternative forms of market-based welfare.²⁸ While Hayek's analysis opened the way to the more full-throated critique of welfare universalism that is examined in the next section of this article, the initial political direction of the Liberal Party set by Jo Grimond as party leader after 1956 was congruent with many themes of *The Unservile State*. Grimond himself invoked the writings of figures such as Walter Lippmann and Karl Popper, combining sympathy for market liberalism as a force for advancing negative liberty with an enthusiasm for liberal government as a constructive, positive force in freeing the individual from social and political oppression and fostering a co-operative community.²⁹ Grimond maintained good relations with figures who would later be associated with the more right-leaning strand of neo-liberalism, such as Arthur Seldon (attending a meeting of the MPS in Cambridge as Seldon's guest in 1984), and even seems to have been personally amenable to some of the

²⁷ C. Hollis, 'The Liberal Creed', *The Spectator*, 2 Aug. 1957; A. Maude, 'How Not to be a Liberal', *The Spectator*, 29 Nov. 1957; 'What is the Liberal Party?', *The Economist*, 26 Oct. 1957.

²⁸ F.A. Hayek, *The Constitution of Liberty* (Chicago, IL, 1960), p. 304.

²⁹ J. Grimond, *The Liberal Future* (London, 1959); P. Barberis, *Liberal Lion: Jo Grimond: A Political Life* (London, 2004), pp. 77–9, 119; Jones, *Revival of British Liberalism*, pp. 20–26.

arguments framed by this strand of neo-liberal thought in the 1970s and 1980s.³⁰ However, Grimond's strategy for the Liberal Party in the 1960s was ultimately influenced by his desire to position the Liberals as a non-socialist left party and by the dominance of the discourse of planning in elite debates about Britain's economic 'decline'. Having imbibed the doctrines that more tough-minded neo-liberal economists derided as 'growthmanship' from economic commentators such as Michael Shanks and Andrew Shonfield, after the 1959 general election Grimond moved the Liberal Party closer to the orthodox social-democratic thinking of the 1960s through an emphasis on indicative economic planning and state-led investment.³¹ As a result, the political ideas laid out in *The Unservile State* became less important to the party's electoral appeal and ideological profile, with the consequence that the later reappearance of neo-liberal ideas in the internal debates of the Liberal Democrats in the early twenty-first century was regarded by many observers as a belated victory for Thatcherism rather than as a reworking of earlier liberal thought.³²

II

The personalism that infused *The Unservile State* provided British Liberals with a capacious understanding of the barriers to individual liberty, encompassing socio-

³⁰ Barberis, *Liberal Lion*, pp. 192–3; Stanford University, Hoover Institution Archives, Mont Pélerin Society Paper, 25/8, 'Guests Attending MPS Cambridge Meeting', 1984; J. Grimond, *The Common Welfare* (London, 1978); J. Grimond, *A Personal Manifesto* (London, 1983).

³¹ C. Clark, *Growthmanship: A Study in the Mythology of Investment* (London, 1961); J. Grimond, *Growth Not Grandeur* (London, 1961); J. Grimond, *The Liberal Challenge* (London, 1963); Jones, *Revival of British Liberalism*, pp. 28–51; Sloman, *Liberal Party and the Economy*, pp. 212–29.

³² P. Marshall and D. Laws, eds., *The Orange Book: Reclaiming Liberalism* (London, 2004); Jones, *Revival of British Liberalism*, pp. 189–97.

economic disadvantage as much as the power of the state. In contrast, the version of neo-liberalism that migrated into Conservative political thought over the course of the 1960s and 1970s was narrower in focus. By this time authors such as Lippmann and Röpke were fading into the background, to be replaced as guiding lights by the intellectuals more commonly associated with the rise of neo-liberalism, such as Hayek, Friedman and Buchanan. One distinguishing feature of the political theory of this version of neo-liberalism was that it eschewed the notion that liberty might at least in part be connected to individual self-development, on the grounds that this form of ‘positive liberty’ led to totalitarianism. Instead, the advancement of freedom was understood as synonymous with widening individual choice, which was construed as independent of whether individuals possessed sufficient economic resources to exercise that choice.³³ The sense in *The Unservile State* that there could be a conflict between different forms of liberty—for example between the freedom from poverty engineered by the welfare state and the freedom to spend earned income without paying tax—was robustly cast aside by these new voices of British economic liberalism, who saw the market as inherently free, and democratic collective agencies such as the state or trade unions as straightforwardly coercive. Arthur Shenfield, who later became one of the leading British advocates of this view, firmly criticised *The Unservile State* at the time of its publication precisely for its failure to grasp how fundamentally freedom was threatened by the welfare state: ‘welfare as a form of liberty is a New Dealer’s abuse of language’.³⁴

³³ Hayek, *Constitution*, pp. 11–130.

³⁴ Shenfield, review of *Unservile State*, p. 267. On Shenfield, see N. Rollings, ‘Cracks in the Post-War Settlement? The Role of Organised Business in Britain in the Rise of Neo-Liberalism Before Margaret Thatcher’, *Twentieth Century British History*, xxiv (2013), pp. 644–52.

At first these voices coalesced outside the Conservative Party. The key bridgehead for this form of neo-liberalism in Britain was the Institute of Economic Affairs (IEA), established in 1955 as the result of its founder, Antony Fisher, conversing with Hayek about how best to advance free-market ideas in an unfriendly world.³⁵ The IEA was closely connected to the wider international network of neo-liberal intellectuals and think tanks centred on the MPS; for example, it was the IEA which organised the meeting of the MPS in Oxford in 1959.³⁶ It was ably led by Ralph Harris and Arthur Seldon. Harris and Seldon were personally deeply involved in the work of the MPS between the 1960s and 1980s; Harris served as the Society's Secretary (1967–76) and then President (1982–4).³⁷ Indeed, it is intriguing that one of the grievances that led to serious internal conflict within the MPS in 1959–61 related to the question as to whether Ralph Harris should be invited to join the Society, a move which was strongly opposed by the domineering founding secretary of the MPS, Albert Hunold. Although this split was in large measure prompted by rival personalities—and in particular Hunold—competing for control of the Society's agenda, it was nonetheless symbolic that it was chiefly continental European members such as Hunold and the then MPS president, Wilhelm Röpke, who broke with Hayek, Friedman and others over (among other issues) Harris's proposed membership of the MPS and the role of the IEA in organising the

³⁵ R. Desai, 'Second-Hand Dealers in Ideas: Think-Tanks and Thatcherite Hegemony', *New Left Review*, 1st ser., no. 203 (1994), p. 45; R. Cockett, *Thinking the Unthinkable: Think Tanks and the Economic Counter-Revolution, 1931–1983* (London, 1995), pp. 122–33.

³⁶ B. Jackson, 'The Think-Tank Archipelago: Thatcherism and Neo-Liberalism', in B. Jackson and R. Saunders, eds., *Making Thatcher's Britain* (Cambridge, 2012), pp. 43–61.

³⁷ This has been demonstrated by the social network analysis of the MPS undertaken by Dieter Plehwe, who found Harris, Seldon and Arthur Shenfield to be among the most frequent attendees at MPS meetings: D. Plehwe, 'Introduction', in Mirowski and Plehwe, eds., *Road From Mont Pèlerin*, pp. 17–20.

Society's conference in Oxford. A shift in the leadership of the MPS and the neo-liberal movement towards Anglo-America was underway and the IEA was at the heart of it.³⁸

The intellectual direction of the IEA was chiefly set by Seldon. Seldon was an emblematic figure in the evolution of British neo-liberalism, since he was a life-long Liberal, voting for the SDP–Liberal Alliance even at the high tide of Thatcherism in the general election of 1983—though he seems to have ceased his active involvement in the Liberal party sometime in the 1970s as a result of what he saw as the Liberals' leftwards trajectory.³⁹ Seldon's earliest political involvements were with Elliott Dodds and the Liberal Party: he worked closely with Dodds on the *Ownership for All* policy document in 1938 and his initial political engagement was as a fellow traveller of the Unservile State Group.⁴⁰ But Seldon's trajectory while working for the IEA took him away from Dodds' liberal eclecticism towards a more focused critique of the British post-war settlement. Although Seldon remained in certain respects sympathetic to the distributist objectives that Dodds had highlighted, he had come to believe that market competition unhindered by state regulation or redistribution was the best means of achieving them. This led Seldon to amplify the strand of *The Unservile State* that had been critical of the universal welfare state and trade unions, while neglecting proposals for positive state action to equalise private property or break up private monopolies. In making this move,

³⁸ Burgin, *Great Persuasion*, pp. 129–37.

³⁹ Seldon explained, in a memorandum to the Conservative MPs Keith Joseph, Geoffrey Howe, Ian Gow and Cecil Parkinson, that he voted for the Alliance in 1983 because he believed that, after the re-election of the Conservatives, 'the most important purpose of the general election was to emphasis the disintegration of the Labour Party', since it was crucial that the next non-Conservative government would leave intact the reforms undertaken since 1979. 'The essential is to return to 19th century government alternating between two parties, neither socialist': Stanford University, Hoover Institution Archive, Institute of Economic Affairs Papers [hereafter IEA], 330/2, A. Seldon to K. Joseph, G. Howe, I. Gow and C. Parkinson, 11 July 1983.

⁴⁰ C. Robinson, *Arthur Seldon: A Life for Liberty* (London, 2009), pp. 56–7; J. Meadowcroft and J. Reynolds, 'Liberals and the New Right', *Journal of Liberal History*, xlvii (2005), pp. 45–51.

Seldon and his colleagues drew on the style of neo-liberal theorising that had been pioneered by Hayek and Friedman in the 1950s, but added a distinctive emphasis to these ideas which, in the end, proved to be more appealing to Conservatives than Liberals.

During its initial work in the 1960s the IEA focused most of its attention on the welfare state, viewing it, through the lens of the emergent language of public-choice theory, as emblematic of a wider failure in the ‘monopoly’ provision offered by the public sector more generally.⁴¹ The IEA developed an influential analysis of the deficiencies of the Beveridge model of universal welfare that enlarged upon the anxieties expressed in *The Unserving State* about its compatibility with individual choice and independence. Seldon’s principal argument was that this form of welfare provision was fundamentally out of step with affluent consumer capitalism. The British people, he argued, now enjoyed much greater ‘freedom of choice for their food and drinks, their clothes, their furniture and household equipment’. Since the average man and woman were now ‘treated like lords and ladies at their grocer’s, the hairdresser’s and on the plane to their fortnight in Spain’, it was unlikely that they will ‘tolerate much longer being treated as servile, cap-in-hand supplicants in the local state school, the doctor’s surgery, the hospital’. Hostility to the paternalism of state-provided welfare, Seldon concluded, would therefore increase as incomes rose.⁴² ‘The man who owns his home (and his car and his video, etc.) will want to own/control not only tangible goods but also services’.⁴³ Indeed, Seldon believed not just that this was an inevitable development but that it represented a highly desirable victory for liberty: the consumer sovereignty exercised in

⁴¹ For this broader critique of the public, see N. Thompson, ‘Hollowing out the State: Public Choice Theory and the Critique of Keynesian Social Democracy’, *Contemporary British History*, xxii (2008), pp. 355–82.

⁴² A. Seldon, ‘What Kind of Welfare?’, *Spectator*, 18 Mar. 1966, pp. 320–21.

⁴³ IEA 330/2, A. Seldon to K. Joseph, G. Howe, I. Gow and C. Parkinson, 11 July 1983.

the marketplace was in his view unambiguously preferable, from the perspective of freedom, to the allocation of resources by political decisions.⁴⁴ Seldon therefore broke from the remnants of the developmental understanding of freedom that had lingered on in *The Unservile State* and instead interpreted liberty as the exercise of individual choice. This required, Seldon argued, bringing an end to many forms of ‘dependence’ on the state, and thereby ‘replacing the badge of citizenship with a declaration of independence’.⁴⁵

Nonetheless, Seldon and the IEA (like Hayek and Friedman) were not fully-fledged economic libertarians. They accepted that a state-sponsored safety-net would be necessary for the disadvantaged, and progressed beyond the vague anxieties about welfare universalism expressed in *The Unservile State* to propose a concrete alternative model of a residualised welfare state. Seldon himself ultimately favoured reducing taxation to the extent that individuals would be able to use their own incomes to purchase whatever insurance cover they desired in the market, leaving, he believed, only a small minority requiring government support.⁴⁶ But this ultimate goal was not as prominent in the IEA’s public campaigns as the more technocratic, but also more credible, proposal of a negative income tax—which Seldon seems to have regarded as an interim measure on the road towards enhancing consumer purchasing power through tax cuts.⁴⁷ The negative income tax aimed to sweep away existing welfare benefits and some social services, and

⁴⁴ A. Seldon, ‘Welfare by Choice’, in Institute of Economic Affairs, *Rebirth of Britain: A Symposium of Essays by Eighteen Writers* (London, 1964), pp. 156–8; A. Seldon, ‘Which Way to Welfare?’ (1966), reprinted in *The Collected Works of Arthur Seldon*, IV: *Introducing Market Forces into ‘Public’ Services*, ed. C. Robinson (Indianapolis, IN, 2005), pp. 4–6.

⁴⁵ Seldon, ‘Welfare by Choice’, pp. 154, 159–60, 169 (quotation at 169). The phrase ‘badge of citizenship’ was a reference to Richard Titmuss’s presentation of universal welfare services as a form of social citizenship.

⁴⁶ Seldon, ‘Which Way to Welfare?’, pp. 3, 8–9.

⁴⁷ A. Seldon, ‘Crisis in the Welfare State’, *Encounter*, Dec. 1967, pp. 64–5.

to replace them with a cash payment from the state that would top up the incomes of the poor so that everyone received whatever was deemed to be the socially acceptable minimum. This was an idea that had been famously advanced by Milton Friedman (although it built on earlier plans along these lines) and it was popularised in Britain by the IEA in the late 1960s.⁴⁸ The IEA proposal was, roughly speaking, to replace all existing cash benefits, including pensions, unemployment benefit and family allowances, with a single state payment that would lift all individuals out of poverty. The advantage of such an approach was not only that it avoided the ‘waste’ of resources on the rich, but also that it handed to individuals choice over how they spent their money and what they prioritised.⁴⁹ Seldon summarised the benefits: ‘A system of topping up low incomes by cash to create, for the first time for the masses, markets in personal welfare services, is the most hopeful way of redirecting the welfare state to the technical opportunities and human aspirations of the late twentieth century’.⁵⁰ In addition, IEA authors applied to British public policy Friedman’s other famous reforming proposal for the welfare state: vouchers for parents to spend as they chose on a range of government-approved (but not government-run) schools, as a means of empowering consumer choice and introducing competitive forces into education.⁵¹ The advantages of user payments and private

⁴⁸ M. Friedman, *Capitalism and Freedom* (Chicago, IL, 1962), pp. 191–4; D. Lees, ‘Poor Families and Fiscal Reform’, *Lloyds Bank Review*, no. 86 (Oct. 1967), pp. 10–15.

⁴⁹ A. Christopher, G. Polanyi, A. Seldon, and B. Shenfield, *Policy for Poverty* (IEA Research Monographs, 20; London, 1970), pp. 28, 33, 43, 57.

⁵⁰ A. Seldon, ‘Thaw in the Welfare State’, *Lloyds Bank Review*, no. 105 (July 1972), p. 33.

⁵¹ M. Friedman, ‘The Role of Government in Education’, in R. Solo, ed., *Economics and the Public Interest* (New Brunswick, NJ, 1955), pp. 123–45; Friedman, *Capitalism and Freedom*, pp. 85–107; E.G. West, *Education and the State: A Study in Political Economy* (1965; 2nd edn., London, 1970); C. Welch, ‘Why not Freedom in Education?’, *Daily Telegraph*, 8 Nov. 1965.

medical insurance instead of the NHS were also vigorously propounded by IEA authors.⁵²

The negative income tax enjoyed a brief moment of prominence in the early 1970s when the Conservative government committed itself to introducing an embryonic version of it.⁵³ But, as Florence Sutcliffe-Braithwaite has shown, one of the policy changes made by Margaret Thatcher in the early years of her leadership of the party was to abandon the negative income tax, on the roughly Hayekian grounds that it would simply become another scheme that arrogated power and resources to the state. Nonetheless, the broader impulse behind the negative income tax was one that Thatcher and her allies endorsed, namely to reform the welfare state so that it became a residual safety-net that would promote individual self-reliance—although not, as Seldon later noted, in health and education, where the record of the Thatcher government was ultimately a disappointment to more radical-minded reformers.⁵⁴ Such an ambition had itself been a long-standing preoccupation of certain sections of the Conservative Party, exemplified by the early publications of the One Nation Group of Conservative MPs in

⁵² D.S. Lees, *Health Through Choice: An Economic Study of the British National Health Service*, IEA Hobart Papers, no. 14 (, 1961); D.S. Lees, 'Expanding Personal Payment in Medicine', *Bulletin of the Fellowship for Freedom in Medicine*, no. 53 (Jan. 1963), pp. 3–16; *Monopoly or Choice in Health Services? Contrasting Approaches to Principles and Practice in Britain and America*, IEA Occasional Papers, no. 3 (1964); A. Seldon, 'National or Personal Health Service?', *The Lancet*, 25 Mar. 1967, pp. 674–7; A. Seldon, *After the NHS: Reflections on the Development of Private Health Insurance in Britain in the 1970s*, IEA Occasional Papers, no. 21 (1968). For further discussion of the IEA on the welfare state, see B. Jackson, 'Richard Titmuss versus the IEA: The Transition from Idealism to Neo-Liberalism in British Social Policy', in L. Goldman and S. Jones, eds., *Welfare and Social Policy in British Historical Perspective: Essays for Jose Harris* (forthcoming). The previous two paragraphs draw on material from this chapter.

⁵³ Although the scheme the government adopted drew on various sources and was by no means precisely what the IEA had in mind: P. Sloman, "'The Pragmatist's Solution to Poverty': The Heath Government's Tax Credit Scheme and the Politics of Social Policy in the 1970s', *Twentieth Century British History*, xxvii (2016), pp. 220–41.

⁵⁴ F. Sutcliffe-Braithwaite, 'Neo-Liberalism and Morality in the Making of Thatcherite Social Policy', *The Historical Journal*, lv (2012), pp. 497–520; A. Seldon, *The Riddle of the Voucher: An Inquiry into the Obstacles to Introducing Choice and Competition in State Schools* (London, 1986); *A Conversation with Harris and Seldon*, IEA Occasional Papers, no. 116 (2001), p. 57.

the 1950s, which had famously advocated greater use of means-testing and an increase in non-state providers of welfare services.⁵⁵ One of the members of the One Nation Group, Enoch Powell, believed that a survey of the Conservative Party's response to the growth of the welfare state over the course of the nineteenth and twentieth centuries revealed an essential consistency in Conservative attitudes, which he summarised as 'the defence of institutions which are local and autonomous and the hatred of bureaucracy and centralisation'. In recent years, Powell observed, Conservatives had added to these traditional themes 'protests against the concept of the social services as an equalising force' and economic doubts about 'whether the direct and indirect cost may not be disproportionate to the national resources as a whole'.⁵⁶ The neo-liberal analysis of the welfare state offered by the IEA therefore gained an audience in the Conservative Party in part because it articulated, in a more sophisticated and social-scientific form, ideas that were already present in the party's political thought. Indeed, shortly after writing these words Powell himself became closely involved in the work of the IEA and was enthused by reading Hayek's *Constitution of Liberty*.⁵⁷

The second important contribution made by Seldon and the IEA was in publicising monetarism as an alternative macro-economic strategy to the more Keynesian orientation of post-1945 British policy-makers. Since monetarism only emerged as a viable policy option in the late 1960s, this strand of the IEA's work developed later than

⁵⁵ R. Walsh, 'The One Nation Group: A Tory Approach to Back-Bench Politics and Organisation, 1950–55', *Twentieth Century British History*, xi (2000), pp. 190–95; E.H.H. Green, *Ideologies of Conservatism* (Oxford, 2002), pp. 219–22, 226–7, 272–5; E.H.H. Green, *Thatcher* (London, 2006), pp. 41–6.

⁵⁶ J.E. Powell, 'Conservatives and the Social Services', *Political Quarterly*, xxiv (1953), pp. 164–5.

⁵⁷ S. Heffer, *Like the Roman: The Life of Enoch Powell* (London, 1998), pp. 212, 250–51, 268–71, 355–7, 367–8, 419–21. Another leading intellectual figure in the One Nation Group, Angus Maude, was also influenced by Hayek's analysis of egalitarianism and the welfare state, although Maude departed from orthodox neo-liberalism in some other respects: A. Maude, *The Common Problem* (London, 1969), pp. 20–46, 129–213, 283–94.

their publications on the welfare state. But once these ideas had acquired a wider audience, after Milton Friedman's celebrated presidential address to the American Economic Association in 1968, the IEA were quick to position themselves as leading advocates for this radical new economic doctrine.⁵⁸ As Jim Bulpitt pointed out, the political appeal of monetarism to the Conservative Party was that it opened up a new approach to economic statecraft by declaring that inflation was purely a monetary phenomenon, and thus not susceptible to control via incomes policies. This had the important political implication that the British state could therefore dispense with the excruciating negotiations with trade unions that had become critical to the successful pursuit of economic policy during the 1970s.⁵⁹ When married with the further economic argument that trade unions were responsible for increasing unemployment, because their excessive wage demands priced some workers out of jobs, the technical discourse of monetarism enabled the Conservatives in government to recast the state's economic responsibilities: it became the state's job to control inflation through monetary policy, whereas blame for unemployment could now be directed at an 'inflexible' labour market.⁶⁰

Nonetheless, in spite of this apparently clear political conclusion, there were some complicated internal debates among neo-liberals about the precise relationship between strong trade unions, inflation and employment. As Tim Congdon and Michael Oliver have noted, the British version of monetarism, as purveyed by the IEA and like-minded

⁵⁸ M. Friedman, 'The Role of Monetary Policy', *American Economic Review*, lviii (1968), pp. 1–17.

⁵⁹ J. Bulpitt, 'The Discipline of the New Democracy: Mrs Thatcher's Domestic Statecraft', *Political Studies*, xxxiv (1986), pp. 19–39.

⁶⁰ J. Tomlinson, 'Thatcher, Monetarism and the Politics of Inflation', in Jackson and Saunders, eds., *Making Thatcher's Britain*, pp. 62–77.

economists, differed from its American, or Friedmanite, equivalent in several respects—for example, over the best measure of the money supply or the exact relationship between fiscal and monetary policy. But the most emblematic difference concerned the role played by trade unions in causing inflation.⁶¹

Friedman robustly maintained the strict monetarist position that, since inflation was caused by the expansion of the money supply, union wage-bargaining had no effect on the overall price level in the economy. But he professed disappointment that the debate in Britain remained largely wedded to an analysis that regarded the disorganised character of British industrial relations as fundamentally driving inflationary pressure, with localised union wage-bargaining enabling continuous ‘leapfrogging’ pay increases. As he wrote to *The Economist* following a trip to Britain in 1974:

I have been dismayed, even in my few days in London, at the widespread support of ‘union bashing’ as a way to attack inflation. Unions do much harm, primarily by restricting the employment opportunities available to the more disadvantaged of your citizens. But they do not produce and have not produced inflation. On the contrary, one of the unfortunate effects of inflation has been to strengthen unions. Blaming unions for inflation leads to wrong policy, to evasion of the real problem and, even more tragically, to weakening the political fabric of your society.⁶²

In spite of Friedman’s emphatic denial, many British neo-liberals remained committed to the view that unions were, in a certain sense, inflationary. They made this case by drawing on Hayek’s argument that organised labour played a critical role in promoting

⁶¹ T. Congdon, ‘British and American Monetarism Compared’, in his *Keynes, the Keynesians and Monetarism* (Cheltenham, 2007), pp. 158–9; M.J. Oliver, *Whatever Happened to Monetarism?* (Aldershot, 1997), p. 63.

⁶² M. Friedman, letter to the editor, *The Economist*, 28 Sept. 1974, p. 4. For a fuller exposition of Friedman’s reasoning, see his ‘What Price Guideposts?’, in G. Shultz and R. Aliber, eds., *Guidelines, Informal Controls and the Market Place* (Chicago, 1966), pp. 17–39.

inflation because powerful unions created a political context in which governments were forced to maintain full employment by pursuing expansionary (and hence inflationary) policies.⁶³ British neo-liberals maintained that, since unions created unemployment by forcing employers to maintain uncompetitive wage rates and pricing other workers out of a job, they raised what monetarists regarded as the ‘natural’ (or non-inflation-accelerating) rate of unemployment, and then intimidated governments into pursuing expansionary policies that would cause an acceleration of inflation. In this sense, unions were said to play an important causal role in the rise of inflation.⁶⁴ Ralph Harris suggested to Friedman that perhaps the following formula might unite this strand of neo-liberal thinking with Friedman’s own account: ‘trade unions may be regarded as the *active* agents of inflation so long as the government *passively* stands ready to supply whatever increase in money may be thought necessary to secure full employment at ruling wage rates’.⁶⁵ In reply, Friedman demurred and flatly maintained that Harris’s suggestion gave an inaccurate account of the sources of inflation in the United States, the case with which he was most familiar (and which, of course, had a considerably lower rate of union membership than the United Kingdom).⁶⁶ This difference of emphasis generated some rather fraught, and arcane, debates among British neo-liberals. Certain British monetarist economists remained faithful to Friedman’s basic analysis, as did Enoch Powell, the most unyielding of the various Conservative politicians who were

⁶³ Hayek, *Constitution of Liberty*, p. 280.

⁶⁴ L. Robbins et al., *Inflation, Causes, Consequences, Cures: Discourses on the Debate between the Monetary and Trade Union Interpretations* (IEA Readings, 14; London, 1974); J. Burton, ‘Trade Unions’ Role in the British Disease: “An Interest in Inflation”?, in P. Minford et al., *Is Monetarism Enough? Essays in Refining and Reinforcing the Monetary Cure for Inflation* (IEA Readings, 24; London, 1980), pp. 99–117.

⁶⁵ IEA 296/11, R. Harris to M. Friedman, 26 Feb. 1973, emphasis in original.

⁶⁶ IEA 296/11, M. Friedman to R. Harris, 8 March 1973.

attracted to neo-liberalism.⁶⁷ But many of the journalists, policy-makers and think-tank figures who rose to prominence in the 1970s as advocates of the Thatcher revolution tended to adopt a ‘Hayekian’ rather than a Friedmanite stance on this issue and to seek to prevent the unions from coercing governments into inflating the money supply.⁶⁸

In addition to the critique of the universal welfare state and the sponsorship of monetarism, a third element of the Conservative version of British neo-liberalism echoed the distributist style of *The Unservile State* in focusing on fostering private property ownership through the sale of public property. However, ‘privatisation’, as it came to be known during the Thatcher governments, was a policy and a rhetoric that was in part the descendent of traditional British Conservatism, rather than being the pure product of neo-liberal political thought.⁶⁹ A long-standing Conservative aspiration had been to counter the appeal of socialism to the working class by encouraging the growth of small property owners who would feel solidarity with the interests of larger property owners. This ideal of a ‘property-owning democracy’ was coined by the Conservative politician Noel Skelton in 1923 and placed at the forefront of Conservative statecraft by Anthony Eden after the Second World War, as the party sought to adapt to the new policies enacted by the Labour government from 1945. This interest in fostering greater private property ownership led Conservatives to support (if not necessarily to enact into policy) measures such as co-ownership of firms; widening share ownership; and increasing the number of

⁶⁷ A. Gamble, *The Conservative Nation* (London, 1974), pp. 116–19.

⁶⁸ For a flavour of this discussion, see the debates printed in Robbins et al., *Inflation*. For further discussion of the neo-liberal analysis of trade unions, see B. Jackson, ‘An Ideology of Class: Neo-Liberalism and the Trade Unions, c.1930–79’, in C. Griffiths, J. Nott and W. Whyte, eds., *Classes, Cultures and Politics: Essays for Ross McKibbin* (Oxford, 2011), pp. 263–81. The present paragraph draws on material previously published in this chapter.

⁶⁹ On the history of privatisation, see D. Parker, *The Official History of Privatisation*, I: *The Formative Years, 1970–87* (London, 2009) and II: *Popular Capitalism, 1987–97* (London, 2012).

homeowners.⁷⁰ In contrast, Conservatives were less receptive to strengthening the taxation of capital, a measure that the contributors to *The Unserving State* had regarded as important in ensuring a more egalitarian distribution of private property.

But it would be wrong to see the pursuit of this agenda by Conservatives in the 1970s and 1980s simply as channelling ancestral voices. One distinctive feature of the Conservatives in the Thatcher era was that they were prepared to do much more than their predecessors to implement these ideas because the political context permitted them to move further and faster on this agenda than had ever been possible before, enabling the party to nurture a new electoral constituency concerned about protecting the value of their property.⁷¹ However, as Matthew Francis has argued, the privatisation of the nationalised companies and the sale of council houses were defended by arguments that also drew on important neo-liberal innovations. The case made for these policies by Margaret Thatcher and her leading ministers and advisors did not rest solely on the claim that they sought to democratise the ownership of property. Rather they made the further, and distinctively neo-liberal, argument that the freedom exercised through participation in the market and the ownership of property granted individuals a form of liberty that was in some respects preferable to the liberty obtained through democratic politics. The Conservative MP David Howell, an influential advocate of privatisation, predicted that ‘more personal ownership’ would lead to greater individual independence and thus ‘less

⁷⁰ Jackson, ‘Property-Owning Democracy’, pp. 36–40; M. Francis, “‘A Crusade to Enfranchise the Many’: Thatcherism and the “Property-Owning Democracy””, *Twentieth Century British History*, xxiii (2012), pp. 275–97.

⁷¹ R. Stevens, ‘The Evolution of Privatisation as an Electoral Policy, c.1970–90’, *Contemporary British History*, xviii (2004), pp. 47–75.

central government and bureaucratic power.’⁷² John Moore, the government minister in charge of privatisation between 1983 and 1986, argued that the power that was given to the individual through property ownership was ‘the kind of power that matters to ordinary people—power to make choices, power to control their own lives’; a power that leading Conservatives presented as more tangible than the power that would be granted to individuals through any further democratisation of political and economic institutions.⁷³ This emancipatory power of property and market relations was well expressed by Enoch Powell, who had advocated the privatisation of public assets long before it became official Conservative policy:

If the man in Whitehall is not to dictate to us, then the alternative is that we all take the decisions ourselves, by saying what we want to do with our money and our effort and our savings. We say this through the market; we say it through prices; we say it through rates of interest; we say it through the choice of the consumer ... In fact, as I often tell my fellow-countrymen in Wales, consumer choice is the true ‘home rule’, always and everywhere.⁷⁴

These three strands of neo-liberal theory shaped the emerging discourse of Thatcherism in the 1960s and 1970s. Grappling with a politically dangerous cocktail of high inflation, rising unemployment, weakening state authority, and acrimonious industrial relations, important Conservative politicians found themselves drawn to the analysis laid out in the publications of the IEA and by other sympathetic journalists, intellectuals and think tanks. The intellectual infrastructure of the British New Right grew

⁷² D. Howell, *The New Capitalism: Personal Ownership and Social Progress* (London, 1986), p. 7.

⁷³ Francis, ‘Crusade to Enfranchise the Many’, pp. 295–7, quotation at 295.

⁷⁴ Enoch Powell, *Freedom and Reality* (Kingswood, 1969), p. 22. For Powell’s early advocacy of denationalisation, see for example his speeches at Morecambe, 11 Oct. 1968, and Old Welwyn, 18 Oct. 1968, both in Cambridge, Churchill Archives Centre, Enoch Powell Papers, POLL 4/1/3, File 1; Heffer, *Like the Roman*, pp. 424, 484–6, 574–5.

significantly in this period, with the IEA afforded by the foundation of the Centre for Policy Studies by Keith Joseph in 1974, and of the Adam Smith Institute in 1977 by Madsen Pirie and Eamonn and Stuart Butler (three British libertarians who had worked in the United States and were closely connected to the American New Right).⁷⁵ The ideas propagated by these bodies were mirrored and amplified by a growing current of academic and journalistic opinion, particularly in the influential pages of the *Daily* and *Sunday Telegraph* and *The Times*.⁷⁶

Leading Conservative politicians—figures such as Enoch Powell, Geoffrey Howe and Keith Joseph—imbibed the insight that in Britain too much power had been concentrated in the hands of democratic collective agencies, notably the state and the unions, at the expense of the individual. But, unlike the Liberals who were drawn to a similar conclusion, these Conservatives saw no problem with—indeed, appeared to deny the existence of—concentrations of power in the private sector, and professed no enthusiasm for developmental conceptions of liberty as a legitimate normative goal alongside that of enhancing individual choice. Instead, as Powell explained, it was the freedom to make economic choices to spend, save and invest that assumed priority in this discourse:

Almost all of us have a capital. I am not thinking of our National Savings Certificates or our units in the trusts. I mean our endowments of mind and body,

⁷⁵ Cockett, *Thinking the Unthinkable*, pp. 231–86; B. Harrison, ‘Mrs Thatcher and the Intellectuals’, *Twentieth-Century British History*, v (1994), pp. 211–20; R. Heffernan, ‘“Blue-Print for a Revolution?” The Politics of the Adam Smith Institute’, *Contemporary British History*, x (1996), pp. 73–87; A. Denham and M. Garnett, *British Think Tanks and the Climate of Opinion* (London, 1998), pp. 117–73.

⁷⁶ M. Cowling, ‘Preface to the Second Edition’, in his *Mill and Liberalism* (Cambridge, 1990), pp. xvii–xxxvi; Cockett, *Thinking the Unthinkable*, pp. 183–4; Jackson, ‘Think Tank Archipelago’, pp. 52–6; J. Stapleton, ‘T.E. Utey and Renewal of Conservatism in Post-War Britain’, *Journal of Political Ideologies*, xix (2014), pp. 215–21.

skill or enterprise or strength or determination. For most of us, whatever other capital we have has been acquired by these. To put all that capital to the use which in his judgement he sees best is an essential part of a man's dignity and freedom. Choice is never unlimited—circumstances more or less restrict or guide it—but the possibility of choice is always there so long as a man is free to invest his effort or his money as he thinks fit.⁷⁷

In contrast to the critique of both private and public coercion in *The Unserving State*, the version of neo-liberalism that was assimilated into the Conservative Party in the 1970s was focused unwaveringly on the illegitimate power of the state and trade unions, and the ways in which they constrained the liberty of individuals to deploy the various forms of capital at their disposal.

III

In most accounts of the rise of neo-liberal macro-economics in Britain in the 1970s, pride of place is reserved for the contribution made to this policy revolution by broadsheet economic journalists, and in particular by Samuel Brittan and Peter Jay.⁷⁸ Brittan was the chief economic commentator for the *Financial Times*, Jay the economics editor of *The Times*. The combination of the social prestige of their newspapers, the chaotic economic and political circumstances, and the intellectual acuity of their analyses granted them unusual authority as commentators and advisors to the British political elite in the 1970s. Both had moved from a more conventional Keynesian outlook to outright advocacy of

⁷⁷ Powell, *Freedom and Reality*, p. 34. There is an intriguing similarity between Powell's language here and the concept of 'human capital' pioneered by the Chicago economist Gary Becker: *Human Capital* (Chicago, 1964).

⁷⁸ P.A. Hall 'Policy Paradigms, Social Learning and the State: The Case of Economic Policy Making in Britain', *Comparative Politics*, xxv (1993), pp. 286–7; Cockett, *Thinking the Unthinkable*, pp. 184–8; Stedman Jones, *Masters of the Universe*, pp. 233–41.

monetarism and Hayekian liberalism by the end of the Heath government in 1974. Although the two were close collaborators, and advanced broadly similar analyses of Britain's economic malaise, their political roots and connections differed. Brittan's variant of neo-liberalism owed something to the *Unservile State* tradition of liberalism; he was, for example, an advocate of a universal basic income. He was also in contact with those leading Conservatives who were involved in the formulation of Thatcherism: he is thought to have helped write Keith Joseph's famous speech in 1974 at Preston which advocated monetarism; he contributed an important paper to Keith Joseph's Centre for Policy Studies; and he was personally close to Nigel Lawson.⁷⁹ Jay, by contrast, gravitated to the Labour Party. This was partly a matter of family ties: his father, Douglas Jay, had been a leading Labour politician, and Peter Jay married the daughter of James Callaghan, the Labour politician and, between 1976 and 1979, Prime Minister. In a parallel to Brittan's entanglements with Conservative speech-writing, it is thought that Jay drafted the key passage of Callaghan's famous speech to the Labour Party conference in 1976 which disavowed Keynesian remedies to an economic downturn.⁸⁰ But Jay's connection to Labour was also a political one, since he remained committed to a set of distinctively left-leaning egalitarian and democratic objectives while simultaneously espousing monetarism and an end to trade-union 'monopoly'.

Jay described his outlook as a form of market socialism, inspired by the British labour movement's historic roots in co-operatives and guild socialism, although, as we

⁷⁹ R. Middleton, 'Brittan on Britain: "The Economic Contradictions of Democracy" Redux', *The Historical Journal*, liv (2011), pp. 1141–68; R. Middleton, 'Brittan on Britain: Decline, Declinism and the "Traumas of the 1970s"', in L. Black, H. Pemberton and P. Thane, eds., *Reassessing 1970s Britain* (Manchester, 2013), pp. 69–95; A. Denham and M. Garnett, *Keith Joseph* (Chesham, 2001), pp. 255–7.

⁸⁰ K. Morgan, *Callaghan: A Life* (Oxford, 1997), pp. 507–8, 535–7.

will see, his specific institutional proposals differed from the model of market socialism often discussed on the left.⁸¹ Jay's interest in market socialism stemmed from the deep-seated hostility to British corporatism that he nurtured during the course of the 1970s. Observing the frailties in British economic policy-making from his front row seat at *The Times*, Jay became increasingly disillusioned with Keynesianism and the dysfunctional bargaining between organised interests that underpinned its operation in British public policy. Such corporatism, or 'state capitalism' as he also called it, seemed to Jay increasingly to resemble a cartel assembled by the large impersonal bureaucracies of companies, trade unions and the state at the expense of the individual. This social system, Jay argued, was creating a 'vortex of indigent feudalism into which the combination of trade union power, Tory corporatism and Labour *dirigisme* is bent upon hurling us'.⁸²

Jay believed that the root cause of the emergent economic crisis of the 1970s lay in a fundamental sociological tension between the growing need of a capitalist economy for highly educated workers and the capacity of such an education to awaken 'individual aspirations which cannot easily be reconciled with the depersonalised discipline of docile mass politics and aseptic industrial bureaucracies'.⁸³ In a sense, Jay was concerned about 'alienation' from the industrial system; he intermittently used that very term, in a

⁸¹ P. Jay, 'The Workers' Co-operative Economy', in his *The Crisis for Western Political Economy* (London, 1984), p. 82. For other forms of market socialism developed shortly after Jay's version, see A. Nove, *The Economics of Feasible Socialism* (Abingdon, 1984); J. Le Grand and S. Estrin, eds., *Market Socialism* (Oxford, 1989); D. Miller, *Market, State and Community: Theoretical Foundations of Market Socialism* (Oxford, 1990); P. Bardhan and J. Roemer, eds., *Market Socialism: The Current Debate* (Oxford, 1993); J. Roemer, *A Future for Socialism* (Cambridge, MA, 1994).

⁸² P. Jay, 'Thwarting the Organization Man', *The Times*, 6 Mar. 1975. For other examples of this theme in Jay's columns in *The Times*, see his untitled column in *The Times*, 27 Feb. 1970; 'Powerful Challenge to Fashionable Dogmas', *The Times*, 26 Apr. 1973; 'What Would Adam Smith Have Made of it All?', *The Times*, 7 June 1973; 'A Brave Attack on the Inflation Spiral', *The Times*, 6 Dec. 1974. For 'state capitalism', see, e.g., Jay, 'A General Hypothesis of Employment, Inflation and Politics' (1976), in his *Crisis for Western Political Economy*, p. 47.

⁸³ P. Jay, 'Britain in a Threadbare Political Wonderland', *The Times*, 6 Nov. 1970.

presumably conscious but theoretically imprecise echo of the language of the radical political currents of the 1960s. 'The trick', he argued, 'is to find a political, economic and social order which both enables industry to operate, plan and invest and enables the individual citizen to feel that he with his fellows is setting the goals for society'.⁸⁴ In short, Jay sought a means of combining the efficiency of capitalism with the participatory goals of the left. In his view, this entailed moving away from what he referred to as 'the Keynes–Crosland system' towards a new social settlement.⁸⁵ As Jay observed in his correspondence with Michael Meacher about Meacher's own writings on a participatory socialism, this agenda drew its energy from both the radical right and left against the centre:

I still feel very strongly that the real battle in politics is between those who want to glorify remote structures, whether private and corporate or public and bureaucratic, and those who want to return more effective control over our political and economic life to individuals both as consumers in the market place and as voters in the polling booth. I find a natural sympathy at the conventional extremes of politics (Powell, Biffen, Benn, shop stewards) and instinctive hostility from power-brokers of the centre (Heath, Jenkins, CBI, TUC, Whitehall).⁸⁶

According to Jay, the most immediate problem raised by British corporatism was that he thought it was economically unstable. Jay argued that there was an 'irreconcilable quadrilateral' in corporatist policy-making, by which he meant four apparently desirable political goals that could not in fact be pursued simultaneously: free collective bargaining, democracy, full employment, and stable prices. These goals were

⁸⁴ Ibid.

⁸⁵ Churchill Archives Centre, Peter Jay Papers [hereafter Jay], 4/4/17, P. Jay to F. Hirsch, 25 Mar. 1977.

⁸⁶ Jay, 4/4/27, P. Jay to M. Meacher, 14 Dec. 1976.

incompatible, Jay argued, because free collective bargaining inevitably created unemployment by pricing workers out of jobs. But democratic government was now understood to require the state to pursue full employment, which meant that, in the face of this union-created unemployment, the state would undertake Keynesian stimulus measures. Jay therefore followed the ‘Hayekian’ view of trade unions identified in the previous section of this article, by arguing that such a stimulus would ultimately accelerate the rate of inflation. Moreover, an accelerating rate of inflation, Jay concluded, was likely to bring about a weakening of democracy and lead in the longer term to totalitarianism. Consequently, Jay identified free collective bargaining as, in economic terms, the most dispensable of the four goals he identified; but, in keeping with the pessimistic tone of neo-liberal commentary during the 1970s, he also implied that the political power of the unions was such that it was more likely that democracy would disappear first.⁸⁷

In response to his pessimism about the future of British democracy in its current form,⁸⁸ Jay proffered a radical solution, premised on what he saw as a return to older eighteenth- and nineteenth-century capitalist and socialist principles: ‘that the citizen as consumer should be sovereign in the allocation of economic resources and that the citizen as worker should be sovereign in the direction of his and his mates’ energies’.⁸⁹ In certain respects this marked a return to elements of the radical liberal hostility to concentrations of wealth and power offered in *The Unservile State*, but Jay offered a more systematic

⁸⁷ E.g. P. Jay, ‘How Inflation Threatens British Democracy with its Last Chance before Extinction’, *The Times*, 1 July 1974; his ‘The Good Old-Days of Stop-Go Economics’, *The Times*, 5 Dec. 1973; and his contribution to Robbins et al., *Inflation*, pp. 25–34.

⁸⁸ A pessimism shared at that time by Samuel Brittan: see his ‘The Economic Contradictions of Democracy’, *British Journal of Political Science*, v (1975), pp. 129–59.

⁸⁹ Jay, *Crisis for Western Political Economy*, p. 7.

and socialist set of prescriptions than had been entertained in that volume: the outright abandonment of collective bargaining and other labour-market rigidities; a regime of strict monetary and fiscal discipline, including the introduction of market or market-like discipline into public services; and the conversion by law of every company with more than a hundred workers into a workers' co-operative. Jay accepted much of the analysis offered by neo-liberal theorists such as Friedman, Hayek and Buchanan, but coupled this with an acknowledgement that the model of capitalism they favoured would have worrying consequences for levels of employment and the distribution of income and wealth. Unlike these neo-liberals, Jay believed that it should be squarely acknowledged that, if government 'seeks to extinguish inflation by indefinitely refusing to underwrite increases in factor costs by extra fiscal or monetary stimuli', then both 'the levels and duration of unemployment' were likely to 'be very large indeed'.⁹⁰ Furthermore, if the state sought to reduce the power of the trade unions as part of such a programme of economic restructuring, then the absence of 'any credible alternative protection' against the interests of employers, 'on whose interests the sun seldom if ever sets', would be unlikely to command political consensus.⁹¹

The solution, Jay believed, was to design a model of capitalism that could 'disalienate' workers to the extent that they would understand the importance of a non-inflationary business environment while also enjoying greater workplace freedom and democratic control than under other forms of capitalism. Influenced by economists such as Jaroslav Vanek and James Meade, and by the experience of the Mondragon co-operative in the Basque Country, Jay argued that an economy predominantly made up of

⁹⁰ Jay, 'General Hypothesis', p. 47.

⁹¹ Ibid., p. 48.

workers' co-operatives offered such a way forward for Britain in the 1980s.⁹² Jay defined workers' co-operatives as 'business enterprises in which the freehold ownership of the assets of the business is vested in the members collectively, in which the sovereign body is the members each having one vote and in which all employees and only employees are members'.⁹³ This model of 'market socialism' differed from other versions discussed on the left at the time which assumed that co-operatives would lease capital from publicly-owned investment agencies, earning income but not actually owning the capital of their enterprises.⁹⁴ Jay, by contrast, envisaged co-operatives operating within a capitalist economy and raising capital from private markets rather than public agencies. Jay thought that the main form of investment into co-operatives should come from banks (as well as other private investors), who would be allowed to offer 'equity-type' investment. This would entitle investors to a share of the profits of the enterprise, but not to appoint the board of directors or to have a share in the value of the firm if it were to be liquidated.⁹⁵ Furthermore, Jay shared the neo-liberal conviction that the existing public sector could be improved by the introduction of market discipline and in many cases by the direct provision of services via the market rather than the state. A social safety-net would still exist, but would be better furnished by means of cash payments rather than services in kind. Jay briefly suggested that he was open to this direction of travel in 'education, housing, health, personal services and broadcasting' and commended the

⁹² J. Vanek, *The General Theory of Labor-Managed Firms* (Ithaca, NY, 1970); J. Meade, 'The Theory of Labour-Managed Firms and of Profit-Sharing', *Economic Journal*, lxxxii (1972), pp. 402–28; P. Jay, 'St George and Mondragon', *The Times*, 7 Apr. 1977; P. Jay, 'Till we Have Built Mondragon...', *The Times*, 14 Apr. 1977.

⁹³ Jay, 'Workers' Co-operative Economy', p. 56.

⁹⁴ For example, Miller, *Market, State and Community*.

⁹⁵ Jay, 'Workers' Co-operative Economy', pp. 60–61. This and some other economic technicalities of Jay's scheme were discussed in greater detail in A. Clayre, ed., *The Political Economy of Co-operation and Participation* (Oxford, 1980).

work undertaken by the IEA in this field.⁹⁶ Nonetheless, Jay argued that his proposals, by blending the ideals of the free-market right and the socialist left, could transform the outlook for Britain:

The corporate state and its handmaiden, the national trade union, and the bureaucracy of the mixed economy, would wither away. The democracy of the ballot box, of the market-place, and of the work-place would prevail over the otherwise impossible power of giant organisations, most particularly of government itself. It is at least an alternative to the anarchy followed by the strong man to which present arrangements are inexorably leading.⁹⁷

Jay had intended to write a book on market socialism, setting out his proposed economic model in more detail, although this was never completed.⁹⁸ One reason for this was, presumably, that one of the key premises on which Jay's analysis rested was tested to destruction by the Thatcher government: as it turned out, the existence of mass unemployment was not quite as unacceptable to a democratic electorate as Jay had assumed. His irreconcilable quadrilateral was therefore reconciled under Thatcher by rejecting full employment as a legitimate goal of state policy, and in due course by facilitating the withering away of collective bargaining in the British economy.

There were few takers in the 1970s for Jay's elaborate amalgam of socialism and neo-liberalism. But he was a straw in the wind. In retrospect, the fascination of Jay's political vision resides in the fact that it demonstrated that neo-liberalism could mutate

⁹⁶ Jay, 'Workers' Co-operative Economy', pp. 85–6.

⁹⁷ Jay, 'General Hypothesis', p. 55.

⁹⁸ See the notes and drafts in Jay, 5/2; there is also a letter applying to the Rockefeller Foundation for funding to complete the work: Jay, 5/2/5, P. Jay to S. Wortman, 4 June 1979.

into a body of ideas that was compatible with certain strands of Labour socialism.⁹⁹

Although the agenda pursued by Labour after it came into government in 1997 was different from, and much less radical than, the one Jay had set out, they shared important points in common: an acceptance of labour-market ‘flexibility’ as important to economic growth, and in particular scepticism about the wisdom of widespread trade union collective bargaining; and an openness to the use of market mechanisms in the public sector. But both Jay and the architects of New Labour believed that this view of the economy and how to promote greater efficiency and responsiveness in public services need not preclude a distributive agenda that promoted greater equality of opportunities and incomes. New Labour thinkers even at times shared Jay’s wistful longing to return to the mutualist strands of socialist thought.¹⁰⁰ Of course, once in government Labour never entertained anything as radical as fundamentally altering the ownership structure of capitalist firms, preferring, in the less apocalyptic circumstances of the early years of the twenty-first century, a more conciliatory approach to British capitalism.

However, Jay demonstrated that a left-leaning neo-liberalism was not as preposterous as it might initially sound: a liberal market economy might be combined with attention to the distributive and democratic goals that had long animated the left and the labour movement. Jay did not discuss political theory in much detail, but it seems clear that his understanding of freedom was influenced by Isaiah Berlin’s ‘Two Concepts

⁹⁹ For the subsequent reception of neo-liberalism by socialists in the 1980s and 1990s, see S. Griffiths, *Engaging Enemies: Hayek and the Left* (London, 2014).

¹⁰⁰ In New Labour’s case, the leading intellectual exponent of this view was Julian Le Grand: see his *Equity and Choice* (London, 1991) and *Motivation, Agency and Public Policy: Of Knights and Knaves, Pawns and Queens* (Oxford, 2003). On New Labour and mutualism, see J. Birchall, ‘The “Mutualisation” of Public Services in Britain: A Critical Commentary’, *Journal of Co-operative Studies*, xli (2008), pp. 5–16.

of Liberty’.¹⁰¹ Jay was accordingly more enthusiastic about liberty as maximising individual choice than about developmental understandings of the concept. Nonetheless, he was unsatisfied with the purely negative definition of liberty prioritised by neo-liberal thinkers such as Hayek and Friedman. Instead, he thought that a somewhat egalitarian vision of distributive justice and greater democratic participation in economic decision-making should be admitted alongside individual liberty, as valid political goals to be traded off against one another—a view not unlike that of Isaiah Berlin himself. Indeed, he noted that the persisting insight of the socialist tradition was its argument that ‘the system itself, any system, can become a juggernaut in which the desires and hopes of individual real people are subordinated to the inanimate imperatives of the system’.¹⁰² But socialism had taken a wrong turning at the end of the nineteenth century, Jay believed, when it had moved away from its roots in mutualism and co-operatives towards large trade unions and the central state as its key agencies.¹⁰³ A neo-liberalism of the left, Jay suggested, offered a novel route back to this lost socialist tradition.

IV

The compatibility of neo-liberalism with British Liberalism, Conservatism and socialism was not simply a matter of electoral or material pressures reshaping British political thought in the 1970s and 1980s. The astounding ideological success of neo-liberalism in

¹⁰¹ I. Berlin, *Two Concepts of Liberty: An Inaugural Lecture Given Before the University of Oxford on 31 October 1958* (Oxford, 1958).

¹⁰² Jay 5/1, P. Jay, ‘Economic Freedom—What Does it Mean?’, lecture at the University of Virginia, Sept. 1969, especially pp. 19–35, with quotation at 28.

¹⁰³ P. Jay, ‘Summing Up’, in Clayre, ed., *Political Economy of Co-operation*, p. 205.

Britain also stemmed from its affinity with long-standing anxieties about the character of the British state and its increasing involvement in corporatist economic management. Each of the major political traditions in Britain could draw on ideological resources that bolstered such anxieties. Liberals could recall their historic crusades against arbitrary executive power and sectional interest groups. Conservatives could cite their long-standing concerns about an over-mighty state crowding out individual liberty and civil society. And Labour had recourse to its roots in mutualist forms of socialism such as the co-operative movement. Although support for corporatism and the universal welfare state remained the posture of each party's leadership until at least the late 1970s, these alternative ideological options were carefully nurtured in the strands of thought investigated in this article. This subordinate but vocal cross-party current of opinion played an important role in the unmaking of the 1945 settlement by advancing criticisms of the power of the trade unions and the reach of the welfare state that became increasingly persuasive to party leaders as the economic context darkened.

In spite of this common ground, there was never simply one current of neo-liberalism in British politics. There were also important differences in how neo-liberalism was incorporated into these indigenous political ideologies. In particular, the left-leaning variants developed by Liberals and socialists did not offer as their sole political objective the understanding of individual freedom as the maximisation of choice that had been offered by Hayek and Friedman and was eventually adopted by the Conservative Party. Instead, what we might think of as 'left neo-liberalism' sought to pursue this objective while according equal status to other, distinct political values such as freedom as self-development, distributive justice, or democratic participation. Neo-liberals of the left

therefore offered a more complicated political prospectus in which the combination of, or a trade-off between, these values would determine the direction of policy that they prescribed. Amid the cut and thrust of political argument these distinctions between different currents of neo-liberalism are often overlooked; but they were not trivial. They account for important differences in the statecraft and policies of British governments since the 1970s, and they demonstrate that critics of neo-liberalism overlook its flexibility and durability at their peril.

Finally, the specific historical examples investigated in this article illuminate a wider analytical problem in the study of neo-liberal ideology. It has always been difficult to situate neo-liberalism in relation to the ideological families that dominated Western political history in the nineteenth and twentieth centuries. Commentators (and indeed neo-liberal theorists themselves) have vigorously contested whether neo-liberalism can be classified ideologically as a new form of conservatism or liberalism.¹⁰⁴ At the same time, the alacrity with which neo-liberalism has been assimilated by parties of the left has seemed to many observers to be a startling departure from the former ideological standpoints of those parties and thus as a phenomenon requiring further explanation.¹⁰⁵ The explanation for this uncertainty about where neo-liberalism should be located ideologically lies in the fact that neo-liberalism is not a conventional ideology, in the sense of a body of ideas that evolved over time in tandem with a wider social movement. Rather, neo-liberalism was a project initiated by a small group of intellectuals and businesspeople precisely because of the absence of any suitable social movement to

¹⁰⁴ Freeden, *Ideologies and Political Theory*, pp. 276–310; R. Eccleshall, ‘The Doing of Conservatism’, *Journal of Political Ideologies*, 5 (2000), pp. 275–87; Hayek, ‘Why I am not a Conservative’, in his *Constitution of Liberty*, pp. 397–411.

¹⁰⁵ T. Judt, *Ill Fares the Land* (London, 2010); Mudge, ‘What is Neo-Liberalism?’, pp. 721–4.

oppose the leftward political shifts of public policy that occurred during the mid-twentieth century. It was sponsored by a distinctive structure of interlocking intellectual groups and think tanks that bypassed the more established venues of academia and political parties, which the neo-liberal founders regarded as being unsympathetic to their agenda.¹⁰⁶ However, as we have seen, for the neo-liberal agenda to achieve any durable contact with debates about public policy—as opposed to one-off lobbying victories—it was ultimately necessary for it to be absorbed and championed by political actors who were embedded in the pre-existing ideological and institutional fabric of democratic debate. The theoretical and relatively systematic neo-liberalism of the intellectuals of the Mont Pèlerin Society therefore had to be translated into diverse neo-liberalisms capable of a wider dissemination and ultimately of wielding substantial political influence. In this sense there are limits to the utility of ‘neo-liberalism’ as a category of historical analysis; to describe a policy, an idea or even a historical period as ‘neo-liberal’ can be a valuable first step but, in the absence of further efforts to specify *which* neo-liberalism is at stake, it can also be a misleading and over-inflated term.¹⁰⁷

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¹⁰⁶ Mirowski, *Never Let a Serious Crisis Go to Waste*, pp. 42–9.

¹⁰⁷ R. Venugopal, ‘Neo-Liberalism as Concept’, *Economy and Society*, xlv (2015), pp. 165–87.