

Abstract of thesis submitted for the Degree of Doctor of Philosophy

Title: Ideology or Pragmatism: The Conservative Party in Opposition, 1974-79

Eric Caines – St Edmund Hall

Hilary Term, 2011

In January 1979, Stuart Hall claimed to have identified a new ‘radical Right’ ideology he termed ‘Thatcherism’, which was attempting to ‘command the space’ occupied by the social democracy of the then Labour government and the ‘moderate wing’ of the Conservative Party. In short, the Thatcher Conservative Opposition was detaching itself from ‘traditional’ Conservatism. This thesis examines the validity of the claim at the time it was made, through a detailed scrutiny of the positions taken up between 1974 and 1979 by those identified as being on the ‘radical Right’ of the Party and those designated as ‘moderates’. In particular, it analyses the programme proposed by Sir Keith Joseph, the leading advocate of New Conservatism, within the context of the policy-making processes adopted by the Party in those years and the outcome of those processes. It concentrates on efforts to formulate policies in the key economic and industrial relations fields and examines how what emerged was shaped by the opposing views of those involved and by outside events. It considers how Margaret Thatcher, in order to keep the Party intact, contrived to avoid entering into potentially unsustainable policy commitments and, at the same time, impressed herself sufficiently on the electorate that when the opportunity arose, it was prepared to vote her and her Party into office. It became possible, once the first Thatcher government started its work, to regard much of what it did as ideological and radical. However, so inchoate was the programme developed in opposition that one can only conclude that there was no body of doctrine at the time of the 1979 election which warranted the name of ‘Thatcherism’ and that victory was achieved by acting in accordance with ‘traditional’ Conservatism – by doing what was necessary in the circumstances to attain power.

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The voluminous historiography of the Margaret Thatcher years, from her becoming leader of the Conservative Party in February 1975 to her resignation as Prime Minister in November 1990, has in my view a significant and serious defect. It concentrates, unsurprisingly, on the Thatcher governments and analyses in minute detail what, from 1979 onwards, was christened ‘Thatcherism’. What it does not do is pay sufficient attention to the preceding opposition years, in which I include the year of opposition under Edward Heath. This thesis, therefore, offers an analysis of this period and pursues two particular issues. The first is whether the preparations made for government during the period – both in their substance and the manner of their making – accorded with the tenets of ‘traditional’ Conservatism as it was then understood. The second is whether the term ‘Thatcherism’, which came into usage around the time of the 1979 general election, could be justified at that time as a signifier of a recognisable and distinctive brand of Conservatism.

‘Thatcherism’, a term first used by Stuart Hall in *Marxism Today* in early 1979, was a response, as he saw it, to the ‘recession and crisis in capital accumulation of the 1970s’. It was ‘a petty bourgeois ideology’ in which economic factors were translated to the political level. It was the ideology of the ‘radical Right’ struggling to command the space occupied by social democracy in power (the Wilson government) allied with the ‘moderate wing’ of the Conservative Party. This thesis examines whether such a claim could be regarded as valid at the time it was made, through a detailed examination of the positions taken up between 1974 and 1979 by those whom Hall identifies as being on the ‘radical Right’ of the Party and those whom he designates as belonging to its ‘moderate wing’. The conclusion about whether during those years the Party detached itself from ‘traditional’ Conservatism flows from this examination, as well as from an attempt to establish the norms of ‘traditional’ Conservatism.

The approach of those on Hall’s ‘radical Right’ is established by a detailed analysis of the so-called ‘third crusade’ speeches of Sir Keith Joseph delivered over the two years or so from June 1974, and by a shorter consideration of the New Right views of Nigel Lawson, written after the Conservative election victory of 1979. In the early speeches of his ‘crusade’, Joseph claimed that post-war Conservative governments, by seeking to occupy a middle-ground of politics dragged continually leftward by the collective inclinations of Socialism, had come to embrace ‘Socialist fashions’. He had been complicit in that process during his years as a Minister, for which he apologised. The continuous economic decline of the country relative to competitor countries since the end of the Second World War could be accounted for, according

to Joseph, by the failure to control the growth of the money supply, which failure had been conditioned by the fear that such a policy would lead to unacceptable levels of unemployment. The real enemy, however, was not unemployment but inflation, which had not been caused by the wage demands of trade unions prepared to use strike action in pursuit of their claims, but by monetary incontinence. A monetary policy was therefore the *sine qua non* of recovery, though such a policy would have to be accompanied by strict control of public expenditure, in order to redress the imbalance between public and private expenditure.

In 1974, Joseph was almost a lone voice in the Shadow Cabinet, though after Thatcher's election as Leader of the Party, he received implicit support from her and more direct support from Sir Geoffrey Howe. But the preponderant view in Shadow Cabinet was that expressed by Hall's 'moderate wing' of the Party, committed supporters of Heath's post U-turn position. This view is identified throughout the thesis, with particular reference to the writings of Ian Gilmour, the most ardent critic of the 'radical Right'.

Though Joseph paid lip-service to the classical economists from Adam Smith onwards, the intellectual underpinnings of his New Right views are located principally in the work of economic liberals F.A von Hayek and Milton Friedman, as mediated through the Institute of Economic Affairs. The nature of Joseph's reliance on these sources is examined in the thesis as are his motives and the means he employed for establishing his own think-tank, the Centre for Policy Studies (CPS). The CPS operated outside the normal policy-making framework of the Party and attracted support from a significant group of high-profile intellectual, academic and journalist 'converts' from the left of the political spectrum. Its relationship with the Conservative Research Department (CRD), which the Party had traditionally relied upon in opposition as its principal source of policy thinking, is a key indicator of the nature of the divisions within the Party (between the so-called 'Wets' and 'Dries') during the whole of the 1974-79 period. The disharmony between the two bodies, flowing from their respective roles as the standard-bearers of 'radical Right' (CPS) and 'moderate wing' (CRD) thinking, can be traced both at working levels and in the personal antipathy felt for each other by their Directors, Christopher Patten of the CRD and Alfred Sherman of the CPS.

After Thatcher's elevation to the leadership in February 1975, Joseph was given overall responsibility for policy formulation. This left him uncomfortably placed as the promoter of policies with which the majority of his Shadow Cabinet colleagues and the CRD did not agree but about which he continued to proselytise publicly and through the agency of the CPS. It also brought into question the nature of his relationship with Thatcher who, while ostensibly in fundamental agreement with him – through instinct rather than intellect, had to be concerned with avoiding publicly damaging Party splits and the adoption of policies which would alienate an electorate who, despite the dire state of the economy and continuing disruptive behaviour by the trade unions, had little reason to look forward to the return of a Conservative Administration.

The dynamics of these relationships, particularly in relation to the efforts to formulate policies in the economic and industrial relations fields which were both supportable by the Party and acceptable to the electorate, are traced through the

deliberations of the Shadow Cabinet, Policy Study Groups, separate initiatives such as the Stepping Stones project, public pronouncements by those involved on both sides of the debate and their reactions to significant outside events. Exposition of these dynamics forms the essential core of this thesis. As well as a continuing focus on Joseph's role, special attention is also given to the roles played by Howe, James Prior and, naturally, Thatcher. The extensive archival material which reveals these dynamics is supplemented by the views, obtained in private discussions or recorded elsewhere, of some of those involved in the events of the period.

The shaping of an agreed policy for reversing the trend of economic decline – a process which pitted the 'monetarists' against the 'Keynesians' – was the challenge faced by the Economic Reconstruction Group, chaired by Howe, with Joseph (the archetypal 'Dry') and Prior (a leading 'Wet') as members. One of its major problems, however, lay in the fact that any economic policy which might commend itself could not be isolated from whatever policy it might be decided to adopt for dealing with the trade unions, whose propensity to strike in pursuit of unaffordable and inflationary wage claims had brought about the downfall of the Heath government. Prior, who chaired the Industrial Relations Policy Group, was not disposed to agree a policy which might lead to the sort of confrontation with which the Heath government had had to contend. Howe and Joseph believed, however, that a policy based on collaboration with the unions could not succeed and that reforms in certain key areas, such as picketing and the closed shop, were vital to the success of an economic approach based on control of the money supply and of public spending. The major position papers published during the opposition years, particularly *The Right Approach to the Economy* (1977), all reveal unsatisfactory compromises, to the extent that none of them received Thatcher's unequivocal endorsement.

The dilemma surrounding the formulation of a policy for handling industrial relations emerges clearly from Shadow Cabinet documents and speeches by Prior, advocating cooperation with the trade unions, and by Howe and Joseph demanding firmer action in key areas. The rift between the opposing factions in the Shadow Cabinet was most clearly exposed by their differing reactions to the Grunwick dispute in 1977 and the manner in which the Stepping Stones exercise, masterminded by Joseph's acolyte John Hoskyns, was carried through. Though effectively sidelined in 1978 as a result of opposition led by Prior and Patten, the Stepping Stones project continued to command the tacit support of Thatcher until the time was ripe for its re-emergence as a guide to future policy during the Winter of Discontent in the months before the 1979 general election. Thatcher's view from 1975 onwards had been that avoidance of any commitment to changing the law on industrial relations, which was Prior's stance and which she reluctantly supported, would be unsustainable in a crisis. The Winter of Discontent provided the crisis which enabled a firming up of policy commitments in a manner which accorded with changing public expectations. The relevant archives provide material which highlights the continual in-fighting on this front and Thatcher's difficulty (and achievement) in holding the Shadow Cabinet together.

The penultimate chapter of the thesis considers the means by which Thatcher, throughout the period of opposition, contrived to give implicit support to the 'radical Right' without explicitly distancing herself from the 'moderates'. Her stance, in relation to shaping a platform upon which the Party could convincingly stand at the

next general election, was in a sense a negative one, eschewing commitments which would have offered hostages to fortune, but keeping all options open. This became an acute problem when it seemed that a general election was likely to be called in the autumn of 1978, when the opinion polls were unpromising, when the Government was successfully stealing the Opposition's clothes and when the drafting of a manifesto was proving difficult. At the same time, she had to project a positive image to an electorate showing disenchantment with politics generally and unconvinced that either of the main parties had the answer to the country's difficulties. She achieved this by addressing the public over the heads of her colleagues, emphasising not policy commitments, whether ideological or pragmatic, but the values with which her background and experiences had imbued her. By so doing, she created a 'Thatcher effect' which chimed with popular feeling and set her at some distance from the Party's attempts to define itself as an alternative government. The means by which she engineered this effect can be demonstrated through an analysis of her public speech-making during this period. When, however, the Winter of Discontent gave her the opportunity to present a more well-defined policy stance to the public, she took it, though in a markedly personal way which built on, rather than undermined, the image she had been intent on creating.

All the foregoing affords answers to the questions which this thesis set out to address. The first conclusion is that at the time of the 1979 election there was nothing which could be called 'Thatcherism' – a body of dogma, departure from which would have constituted some kind of heresy. There was a 'Thatcher factor' created in the ways indicated above, but this was distinct from a well-formulated body of political doctrine bearing the personal stamp of a rigidly-focussed Party leader – which simply did not exist. Despite the sharpening of policy on union reform which the events of the winter of 1978-79 had permitted, what the electorate was being offered was an inchoate programme, particularly in the economic areas, the acceptance of which depended as much as anything on the simple feeling amongst the electorate that change was needed. The second conclusion is that what was being offered to the public was not sufficiently coherent and radical that it could be regarded as offering an alternative to traditional Conservatism – ideology rather than pragmatism and change rather than continuity. It may have become possible, once the first Thatcher government started its work, to regard much of what it did as ideological and radical, but to attach such labels to it as 1974 moved towards 1979 would be to make the mistake of reading history backwards. As an Opposition, it did what the Conservative party had always shown itself capable of doing. It did whatever was necessary to regain power.

Ideology or Pragmatism

The Conservative Party in Opposition, 1974-1979

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Abbreviations used in the text and footnotes

ACP	Advisory Committee on Policy
APEX	Association of Professional, Executive, Clerical and Computer Staff
ASTMS	Association of Scientific, Technical and Managerial Staffs
CBI	Confederation of British Industry
CCO/CO	Conservative Central Office
CCA	Churchill College Archive
CHUR	Churchill
CPA	Conservative Party Archive
CPAG	Child Poverty Action Group
CPC	Conservative Political Centre
CPRS	Central Policy Review Staff
CPS	Centre for Policy Studies
CRD	Conservative Research Department
DHSS	Department of Health and Social Security
EEC	European Economic Community
ESSC	Economic and Social Strategy Committee
GMWU	General and Municipal Workers Union
GNP	Gross National Product
HOSK	Hoskyns
IEA	Institute of Economic Affairs
IMF	International Monetary Fund
KJ	Keith Joseph
LCC	Leader's Consultative Committee (Shadow Cabinet)
LSC	Leader's Steering Committee
NAFF	National Association for Freedom
NEDC	National Economic Development Council
NIESR	National Institute of Economic and Social Research
NUM	National Union of Mineworkers
OPEC	Organization of the Petroleum Exporting Countries
PSBR	Public Sector Borrowing Requirement
SLADE	Amalgamated Society of Lithographic Artists, Designers, Engineers and Process Workers
SOGAT	Society of Graphical and Allied Trades
TASS	Technical, Administrative and Supervisory Section
TGWU	Transport and General Workers Union
TRA	The Right Approach
TRAE	The Right Approach to the Economy
TUC	Trades Union Congress

Introduction

The voluminous historiography of the Margaret Thatcher years – from her becoming leader of the Conservative Party in February 1975 to her resignation as Prime Minister in November 1990 – is deficient in two respects. It concentrates, naturally enough, on the Thatcher governments, on what they did and why they did it. It analyses what from 1979 was christened ‘Thatcherism’ in minute detail and from every possible angle, despite the unavailability of the official papers throughout the entire period since she resigned. What it does not do, in my view, is pay sufficient attention to the formative opposition years, in which I include the year of opposition under Edward Heath - the year which saw two general election defeats, the year in which Sir Keith Joseph set out to destroy the so-called Attlee post-war consensus, the year in which he self-destructed as a potential successor to Heath and the year in which Thatcher stepped forward, unexpectedly and opportunistically, to fill the gap caused by his fall from grace. It is on this period that I concentrate in this dissertation and the deficiencies which I attempt to tackle can best be put as two questions.

The first question asks how the preparations made for future government during that period accorded with the tenets of traditional Conservatism as it was then understood, both in their essence and in the manner of their making. The second asks whether the term ‘Thatcherism’, which found its way into popular usage around the time of the 1979 general election, could possibly be justified at the time as a signifier of a recognisable and distinctive new brand of Conservatism. The two questions are linked in the sense that if the answer to the second is that what emerged from the years in opposition was sufficiently different from what had gone before, then the answer to the first question self-evidently has to be that, as a body of thinking and as

an approach to the politics of governance, it represented a departure from traditional Conservatism or, at least, that it was something which justified inclusion in what was becoming more generically known as the New Conservatism. And the reverse naturally holds true – that if what was developed between 1974 and 1979 as a programme for government can be located within the mainstream of traditional Conservatism, labelling it ‘Thatcherism’ could not be justified.

Of course, the questions, as I have set them out, beg a multitude of other questions which have to be addressed before definitive answers can be contemplated. The first and obvious one is ‘What can be regarded as traditional Conservatism’? Is there, or was there at the time, an agreed template against which the mode and the substance of Conservative thinking between 1974 and 1979 can be assessed? If there is or was such a template, it becomes a matter of determining, from the wealth of archival and other material available including the recorded or remembered views of those involved at the time, how closely the outcome of the deliberations between 1974 and 1979 indicated a future course of action which matched it or was encompassed by it. The second major begged question is what were regarded or were being advanced in 1979 as the constituent elements of ‘Thatcherism’? Was ‘Thatcherism’ the offspring, parent or merely distant relative of the more generic New Conservatism or was it a discreet British phenomenon? One could go on exponentially preparing subsets of questions to any of the formulations set out above and drawing a line under this tendency is one of the challenges of this dissertation.

Any exploration of such questions inevitably highlights the roles, distinct or overlapping, of those principally concerned with the shaping of the events and

thinking of the time. That 'Thatcherism' could be coined as an all-embracing term at the end of our period suggests that Thatcher herself was the sole agent in the formulation of the required body of policy. Study, however, has suggested otherwise and that what finally emerged as the prescription which was offered to the electorate in 1979 was the result of a transmutation of what might be called 'Josephism' into what was called 'Thatcherism', albeit via the mediation of Sir Geoffrey Howe. Looked at more broadly, the roles these three played exemplify, to a very real degree, the dynamics of the politics to be encountered in most parties at most times. If Joseph was the ideologue, Thatcher was the pragmatist and Howe represented the forces of accommodation between the two.

What made this period of opposition different, however, was that Howe's mediation was not the device by which 'Josephism' was reconciled with 'Thatcherism' - the bringing together of two conflicting philosophies. 'Thatcherism' never emerged during the period, in substance at least, as a competing body of thought. Mediation was the device which represented the need to reconcile the substantive beliefs which Joseph, Howe and Thatcher held in common with other equally strong beliefs held by 'colleagues' also occupying positions at the Opposition top table. That the line from 'Josephism' to 'Thatcherism' was not easily and confidently drawn reflects this division. If Joseph, Thatcher and Howe were the leading players in the production of the drama which was Conservative politics at the time, the rest of the cast included many who might be said to have played non-supporting rather than supporting roles. This means that answers to the questions posed in the opening paragraph cannot be attempted without a detailed examination of roles and relationships and the influence

of the interplay between them on the development of what came to be called ‘Thatcherism’, whether that was a premature or a justified appellation.

Ideas and characters therefore overlap and/or intertwine throughout what follows in a manner which reveals either conflicts of principle or simply reactions to external events. Opposition politics are not conducted in a vacuum and Conservative policy-making during the period was affected to an extraordinary degree, in some cases positively and in others negatively, by measures taken for a variety of reasons by the Labour government. Substance as well as presentation had to be continually adjusted to provide current and prospective responses to these government initiatives.

Presentation of its stance on any particular policy issue was a constant preoccupation of the Conservative Opposition. In so far as policy alternatives had to be seen to be being developed – it being the job of opposition parties to oppose the government of the day – care had to be taken to avoid entering into commitments, upholding which after an election victory might prove to be undesirable, impractical, unaffordable or simply impossible. And in so far as alternative policies usually imply change, account had always to be taken of the electorate’s natural fear of change, more particularly so since the change of horses in mid-stream had proved to be the undoing of the last Conservative government. This was particularly important in the two touchstone policy areas with which this dissertation is principally concerned – the economy and industrial relations.

All the issues mentioned above are dealt with in the eight chapters which follow, with a view to enabling answers to be given to the two questions posed at the

beginning of this introduction. These are offered in a final chapter in what I hope will be seen as a legitimate conclusion drawn from a balanced assessment of the collected evidence.

Chapter 1: Two Views of Conservatism

The factors bearing on the question of whether, by the time of the 1979 general election, there was a sufficiently distinctive and coherent body of Conservative policies to warrant the status of an ‘ism’ – ‘Thatcherism’ – will emerge as this thesis progresses and will allow an answer to be formulated in the concluding chapter. The question of whether the character and political stance of the Conservative Opposition during the almost five years before the election accorded with or departed from what can be regarded as traditional Conservatism, will be revealed progressively in much the same way. To enable any final judgement to be made on this latter question, however, requires a preliminary analysis of what is thought to constitute ‘traditional’ Conservatism, with a view to identifying standards against which what is revealed in the following chapters can be assessed.

A preliminary reading of the historiography of Conservatism soon reveals that searching for a convincing definition of it raises many more questions than it answers – though this is not to say that historians, political commentators and practising politicians themselves have not essayed answers. Many have sought the household gods of Conservatism among the great figures of the Tory past – Burke, Peel, Disraeli, Salisbury, Baldwin, Macmillan – drawing from their pronouncements and their actions conclusions about the philosophical underpinnings of the Party. Their conclusions, however, often contradict one another, a fact which leads some to assert that the Party has no philosophical underpinnings but deals in a practical way with whatever set of circumstances faces it when it comes into office. However true this

may be, Conservative politicians cannot escape the need to clothe their actions in principles, for the obvious reason that they need to convince those whom they would wish to support them why they should do so. Such principles obviously have to be seen to chime with something recognisably Conservative.

Rather than attempting what would almost certainly turn out to be a separate thesis on the origins and nature of Conservatism, as the means of determining where the Conservatism of the Thatcher Opposition of the second half of the 1970s fitted into it, I have decided to judge the period on the basis of how those involved at the time justified themselves in terms of acting within what they believed to be its traditions. Very few of them, as it happens, seemed to bother to ask themselves the question, let alone try to answer it. The few who did attempt it, however, came up with very different answers, which leads to an initial general perception that the party was split between backward-looking occupants of the middle ground of politics and radicals who were intent on creating a New Conservatism requiring the abandonment of past nostrums. The former group claimed to be perpetuating true Conservatism as practised by post-war Conservative governments, the latter group claimed to be recapturing an earlier historic version of it. In the next chapter, I shall analyse in detail the politics of Sir Keith Joseph, the most prominent Tory intellectual advocate of the emerging New Conservatism during the early years of the Thatcher Opposition period, whose influence on Thatcher is generously acknowledged by her in the dedication to the first volume of her memoirs. Before doing so, however, I want to examine the thinking of two other leading Conservative intellectual politicians of the period, Nigel [Lord] Lawson and Sir Ian Gilmour, whose writings define the territory over which what was essentially the struggle for the future soul of the party was

fought. My hope is that this will enable me to judge with more certainty where the Thatcher Opposition should be placed on the spectrum between the positions taken up by these combatants.

The most coherent exposition of what he freely admitted was a somewhat self-contradictory notion – The New Conservatism – was contained in a pamphlet by Lawson, published by the Centre for Policy Studies in 1980. The paper was the text of a speech which Lawson had given to the Bow Group earlier in the year. The basic claim which Lawson made was that ‘the Conservative party had been swept into office [in 1979] on a programme which seemed to mark a conscious change of direction...from that followed by all British governments since the war, including its own Conservative predecessors’.¹ If this were true, it represented the fulfilment of the need which, as we shall see, Joseph had been urging the party to acknowledge throughout the entire period of opposition. Lawson was not the first to attach the adjective ‘new’ to the type of Conservatism being practised by the first Thatcher government but, taken together with his use of the phrase ‘a conscious change of direction’, it suggested that the policies being implemented in government had deliberately broken a thread with what had been thought of as Conservatism, at least since the end of the Second World War. And since he did not claim that this change of direction had been decided upon only after the government had taken office, one must assume that he saw its foundations as having been laid during the immediately preceding opposition years. Whatever degree of continuity might be established between policies shaped in and for opposition and policies actually implemented in government, there was certainly, as Lawson saw it, no continuity between those policies and the policies of the Heath and its predecessor post-war Tory

¹ N. Lawson, *The New Conservatism* (Centre for Policy Studies, London, 1980), p. 1.

governments. There was however, Lawson averred, continuity with the ‘broad historic tradition of Conservatism’, a reconnection with the tradition established, in the economic field, by David Hume, Edmund Burke and Adam Smith as reinterpreted by ‘new sages’ such as F.A. Hayek and Milton Friedman. The thirty post-war years had seen the Conservative Party embracing ‘the delusions of the efficacy of government action and the notion of equality, not without some misgivings but with a sense of resignation.’ It had followed ‘false trails’ and it had had to unlearn, albeit belatedly, ‘what were mistakenly believed to be the lessons of the war’. The principal lesson had been that, contrary to what Keynesian post-war policies had led people to believe, the orthodox monetary policies of the 1920s and 1930s had not been responsible for the Depression of those decades. And so, according to Lawson, there was change but there was also continuity; there was a new-style Conservatism but there was too a connection with historic Conservatism.²

Gilmour took a different view of the inter-war years and questioned whether the Conservative party had shown during that period ‘that single-mindedness to the virtues of the market and free competitive enterprise, which is sometimes held to be the only true hall-mark of Conservatism’. He identified a series of measures, such as the nationalisation of London Transport, which had made it possible for Winston Churchill to remark in 1946 that the ‘nationalisation of the Bank of England did not raise any matter of principle’³. He agreed with R.A. Butler’s comment in 1956 that ‘the Conservatives have always been ready to use the power of the State’ and saw further proof of a continuous link between the pre-war Conservative and post-war Socialist governments and their successor Conservative governments of the 1950s

² Ibid., p. 2.

³ I. Gilmour, *Inside Right* (Hutchinson & Co, London, 1977), p. 34.

and 1960s in the distress expressed by Hayek that Britain ‘in the short space of the inglorious years 1931 to 1939, transformed its economic system beyond recognition’.⁴ He refuted the view that the Conservative Party ‘had deserted its past and its principles’ since the war and saw ample evidence of continuity between pre-war and post-war Conservatism. The link between the two had been provided by ‘Churchill’s great wartime Coalition’. It was that Administration, not Attlee’s post-war government, which had set the pattern of post-war politics and ‘created a massive new middle ground’. The consensus was, therefore, ‘rather more of a Tory than a Socialist consensus’.⁵

Exploring the same question though on a narrower front, Lawson’s view was that the application by the Thatcher government of monetarist disciplines was not such an extreme departure from past practices as many were wont to allege. Monetarism was ‘simply a new name for an old maxim, formerly known as the quantity theory of money’. It was not the controversial brainchild of an ‘eccentric American professor’ but ‘the common belief and shared assumption of politicians of all political parties throughout the industrialised world for the century and more that preceded the second world war’.⁶ It was in effect as old as the Conservative Party itself. Lawson acknowledged that there were those in the party who felt that New Conservatism smacked too much of classical liberalism but the latter had simply been the application to a different set of issues of the instinct, shared between the parties in the nineteenth century, for stable money. The Thatcher government was attempting to apply the same instinct, though expressed in somewhat different terms, to current circumstances.

⁴ Ibid., p. 36.

⁵ Ibid., p. 20.

⁶ Lawson, *The New Conservatism*, p. 4.

While Lawson regarded economic policy as being at the heart of politics in a modern democracy in time of peace (though recognising, to be fair to him, that it would be wrong to see Conservatism purely in terms of an approach to economic policy), Gilmour saw politics as being incontestably more important than economics. In particular he believed that monetarism was no more than a demonstration of fashion in economic policy and that there was nothing permanent in the wisdom of economists, who had 'as much right to change their minds as politicians' and to alter their views to accord with changed circumstances. No economic theory or orthodoxy had a monopoly of the truth. In particular he did not believe that monetarism had turned economics into one of the natural sciences so that 'an increase in the money supply can be infallibly predicted to produce a given rise in prices two years later'.⁷

Where Lawson, therefore, sought and saw continuity interrupted only by 30 years of post-war apostasy, Gilmour saw constant change designed to take account at any one time of the stance of the opposition, the state of politics, the general conditions prevailing and public opinion. This means that when we come to consider whether Conservative policy-making during the Thatcher opposition years was predicated on the need for continuity or change, we shall have to answer such questions as: if continuity, what sort of continuity and within what timescale; if change, change from what and to what - to something entirely new or to a revival of the values of a previous age, change betokening reaction or radicalism? Answers to these questions will help us conclude whether the Thatcher Opposition inclined to the Gilmour position or the Lawson position or was perched, comfortably or uncomfortably, somewhere between the two.

⁷ Gilmour, *Inside Right*, pp. 231-2.

If Lawson's attempt to present the Thatcher government's economic policy as a resumption of a historical continuum may be seen as unconvincing – particularly given Joseph's earlier attempts, which I shall be examining in the next chapter, to distance what he was preaching from *laissez-faire* economics – his attempts to defend it against the charge that it was too theoretical were somewhat more convincing. Conservatives have traditionally professed a disdain for abstract ideas and Gilmour saw them as generally requiring a rewriting of history – which is what he clearly believed Lawson was engaged in in condemning the thirteen post-war years of Conservative government as having been built on a delusion. To Gilmour, ideology was about keeping up with the Joneses; if the other side had an ideology against which to test its policies, 'we must have one too'. A single, unalterable blueprint for economic recovery simply could not work in a changing situation. Blueprints/ideologies required agreement, though 'people in the grip of dogma [were] neither susceptible to reason nor prone to [admit error]'. To oppose an ideology constituted heresy. What was required was not agreement to a fiat but consensus which embraced alternative points of view and recognised that, even when a course of action had been arrived at, the party which had had the better of the argument did not have *carte blanche* to pursue a policy beyond the limits exposed by the argument. The opponents of consensus believe that it was achieved only by abandoning or compromising all beliefs, principles and values. Consensus was the antithesis of conviction, as was pragmatism. Consensus was, by its nature, pragmatic. It implied dilution and a two-party system could not work in the absence of a preparedness by both parties to dilute their policies, though each would naturally

want the proportion of the mixture altered so as to contain more of its own ingredients.⁸

Lawson believed that the rise of social democracy over a period which had seen the Right surrender the intellectual ascendancy to the Left had presented Conservatism with a challenge it had to win. It had no choice but to fight the battle of ideas. As he saw it, for the first time since the war Hayek had opened up the possibility of a morally superior political conception to that of socialism by elevating private actions above public direction. This conception was what opponents decried as an alien ideology. But to deny ideology was itself profoundly ideological, since it implicitly accepted the concept 'of a simple linear left-right spectrum, along which a suitably moderate position [could] be judiciously selected'. For Lawson, 'the notion that Conservatism [was] nothing more than a technique of governing [was] altogether too pallid and bloodless an account of the role of a major political party'.⁹

In order to come to a conclusion about whether the politics of the Thatcher Opposition conformed with traditional Conservatism or not, I shall therefore have to come to a judgement about whether they were based in ideology, deriving from individual or shared convictions, or in pragmatism, recognising and taking account of individual differences in the search for a consensus. Given that all these words – ideology and pragmatism, conviction and consensus – are freighted with a variety of meanings, this will be no easy task, but without testing each one against what actually happened and how those involved expressed themselves, no sensible conclusion will be possible.

⁸ I. Gilmour, *Dancing with Dogma* (Simon and Schuster, London, 1992), pp. 1-7.

⁹ Lawson, *The New Conservatism*, pp. 17-18.

What Lawson and Gilmour did not specifically acknowledge was the Conservative urge to power. For a Conservative, being in power and disunited is better than not being in power. Unlike the Labour party, which has often in the past given the impression that it is happier being out of power and free, therefore, to conduct its ideological battles unhindered by the responsibilities of government, Conservatives covet power with whatever degree of internal discomfort that might bring. According to Peregrine Worsthorne, Conservatism is about 'establishing the fact that some people should have more influence over public affairs than others and that it is necessary to sustain an economic and social system to make this possible'.¹⁰ The Conservative elite believes it possesses the superiority of historical collective wisdom and has a greater right to govern than those who can bring only rational evaluation to bear on the question of what political arrangements would prove most efficacious at any particular time. It follows from this that the Conservative Party is not disposed to act dynamically unless in pursuit of changes made necessary by loss of power. Whether this holds true of the Thatcher Opposition is, therefore, a further question to which I shall be seeking an answer.

What I have discussed so far, in searching for a template by which to judge the nature of the Thatcher Opposition in terms of its relationship to Conservative tradition, have essentially been approaches to politics. Was the urge to power pursued by seeking continuity or by planning change and, if the latter, how radical or reactionary was that change intended to be? Was the approach to policy-making ideological or pragmatic? Was the method for formulating policies underpinned by

¹⁰ P. Worsthorne, 'Too much Freedom' in M. Cowling (ed.), *Conservative Essays* (Cassell, London, 1978), p. 142.

conviction or did it emerge from consensus? As a first step towards providing answers to these questions, I examine in the next chapter the thinking of Sir Keith Joseph, often referred to as Thatcher's John the Baptist, in that he it was who, after the defeat of the Heath government in 1974, went before her and mounted the intellectual challenge which lay at the root of the differences I have outlined above.

Chapter 2: Joseph's 'Third Crusade'

This chapter analyses Keith Joseph's thinking, as revealed principally by the speeches he made between June 1974 and December 1975 – the speeches of his so-called 'third crusade', and attempts to locate it within what came to be called the New Conservatism, or more broadly the New Right.

There have been many attempts to define the New Right, shared by those who have felt moved to justify or legitimise it and those who have wanted to understand its essence in order to determine how best to reverse its effects. In broad terms, however, the many and various strands of New Right thinking identified by both its advocates and its opponents group themselves under the two main headings of libertarianism and authoritarianism. Both were influential in shaping the policies of the Thatcher governments from 1979 onwards. Libertarianism is based 'in economics and on ideas about individualism and markets'; authoritarianism is concerned with issues of social conduct and discipline constituting what David Edgar called 'an assault on the Sixties'.¹ Though, as I have said, both found their expression in politics during the Thatcher years, both had their pedigrees in academic thought. The roots of libertarianism can be found in the ideas of a long line of thinkers stretching, most notably, from Adam Smith and David Hume to J.A. Schumpeter, F.A. von Hayek and Ludwig von Mises of the Austrian School to Milton Friedman of the Chicago School. The academic roots of authoritarianism are more recent and are to be found principally in the work of the Cambridge School connected with Peterhouse

¹ D. Edgar, 'The Free or the Good', in R. Levitas (ed.), *The Ideology of the New Right* (Polity Press, Cambridge, 1986), p. 55.

College, Cambridge. The ideas of both these strains of New Right ideology entered Conservative thinking through the mediating efforts of groups such as, in the former case, the Institute of Economic Affairs and the Adam Smith Institute and, in the latter, the Salisbury Group and the Conservative Philosophy Association. Discussion outside academia was also stimulated from the late 1960s onwards by influential journalists and commentators.

As applied to the thinking of the Conservative Party between 1974 and 1979, however, it is with the libertarian strand of New Right thinking that I shall be most concerned. It was this strand, more than any other, which underpinned the criticism that the Party had taken an ideological turn and was intent on fundamental change. The use made of it represented the elimination of the long-maintained Schumpeterian distinction between political economy and economic analysis; between the principles which should govern public policy and value free generalisations which form the body of knowledge of scientific economics. The focus of attention of those, like Joseph, who accepted the intellectual case advanced by the New Right economists, was on the need to prepare the Party to halt Britain's precipitous economic decline by detaching it from the Keynesian, Beveridgeian, Middle-Way approach of the post-war years.

Describing their policies as New Right policies was something which what I shall call the Josephite faction was reluctant to accept. It was a term which their opponents used in a harsh and pejorative sense, implying foreign and particularly American influences. Joseph did not regard what he was preaching – which was all he could do in opposition – as new at all. He saw it, or claimed to see it in its fundamentals, as

consistent with traditional Conservatism, though he never went to the lengths that Nigel Lawson was to do (as we saw in the last chapter) to justify this view. What he did say on the subject is typified by the following extract from a speech to an Oxford audience in March 1975:

we can learn from the past. We accept that human institutions must change. Conservatives constitute a party of change. We have been changing for three centuries. We believe in working with change: in order to work with change you must understand it.²

The change he was intent on promoting from 1974 onwards, however, owed much more to the thinking of the economic liberals, principally Hayek and Friedman, whom he had encountered through his dealings with the Institute of Economic Affairs and to whose ideas he became an ideological convert. Friedman's thinking on monetarism has been described as an 'economic accompaniment' to the liberal conservatism associated with Hayek, whose approach was conditioned by anxiety about the increasing role of government in the economy and society.³

Margaret Thatcher, without the same degree of intellectual curiosity as Joseph, was later to translate the New Right's economic nostrums into populist terms and present them to the electorate as a set of commonsense maxims, derived from personal experience, of how the economy worked and how it should be organised. But as the conduit through which New Right ideas found their way into Conservative Party thinking, and increasingly after 1974 – as an underpinning for her instinct – into Thatcher's mind, it is with Joseph and his conversion to New Right doctrines that we must initially be principally concerned. As we shall see later, by his own confession, the Pauline term is not a misnomer so far as Joseph was concerned.

² K. Joseph, *Reversing the Trend* (Centre for Policy Studies, London, 1975), p. 66.

³ T. Congdon, *Monetarism: An Essay in Definition* (Centre for Policy Studies, London, 1978), p. 12.

Days before the Conservative Party Conference in October 1976, which considered the first comprehensive policy statement to be issued by the Thatcher Opposition – *The Right Approach*, written by Chris Patten and Angus Maude, Director and Chairman respectively of the Conservative Research Department (CRD) – the Centre for Policy Studies (CPS) published a collection of Joseph's most recent speeches under the title *Stranded on the Middle Ground?*⁴ This followed the publication a year earlier of *Reversing the Trend*, a collection of the speeches he had made between June 1974 and March 1975. *The Right Approach* was a carefully crafted document designed to minimise and obscure the differences between the moderate group of Shadow Cabinet Ministers and those who favoured Joseph's more radical approach to the construction of a future Conservative policy agenda. *Stranded on the Middle Ground?* was an unambiguous and uncompromising call for 'radical change' to 'reverse the downward [economic] spiral' caused by the insistence of successive governments of both parties on 'throwing good money after bad' in a 'pseudo-Keynesian' attempt to cure inflation without sacrificing the goal of 'full' employment. It recognised, frankly, that 'inflation and its causes were matters on which consensus remain[ed] to be achieved', though it believed that some progress had been made. It claimed particularly that over the previous year, 'official Labour party spokesmen [had] tacitly reversed their position and explicitly declared that far from being a lesser evil and antidote to unemployment, inflation [was] the father and mother of unemployment'. In so far as this was true, which will be considered later, it was variously interpreted at the time as a victory for Joseph and his fellow campaigners or, at the other extreme, a cutting of the ground from under the Thatcher Opposition's feet and a blow to their chances of winning the next election.

⁴ K. Joseph, *Stranded on the Middle Ground ?* (Centre for Policy Studies, London, 1976).

What these documents represented was the fight which was being waged at the time for the soul of the Conservative Party. One of the questions which historians have asked themselves in the years which have elapsed since they appeared was whether war would have been declared at all between the two factions – between the ‘Wets’ and the ‘Dries’ as they were subsequently referred to – without Joseph’s ‘conversion’, and the only real way to assess this is to unpack what was in effect the cumulative manifesto of his ‘new’ beliefs.

From 1974 to 1979, Joseph carried his message to adult audiences of all persuasions and inclinations. His travels for this purpose have been described as ‘an old-fashioned stump around the country’ and as a crusade.⁵ In addition, between 1974 and 1976, he spoke, by his own estimate, to about 25,000 students at some 60 open meetings in universities and polytechnics. The core of his message, however, is contained in the 26 speeches he gave between June 1974 and December 1975. The more important of the earlier ones are contained in *Reversing the Trend* and the later ones in *Stranded on the Middle Ground?* Some of the speeches, most notably the first speech in the series at Upminster on 22 June 1974 and the two Preston speeches on 5 September 1974 and 24 September the following year, have become part of the political folklore of the period.⁶

The Upminster speech was the vehicle for introducing the Centre for Policy Studies (CPS) to the public – the manifestation of Heath’s agreement that Joseph might ‘set

⁵ M. Halcrow, *A Single Mind* (Macmillan, London, 1989), p. 98.

⁶ Some sense of the impact of the first Preston speech can be gauged from a comment in the diary of Ronald McIntosh, Director General of the NEDC, for 5 September 1974. ‘I took Roy [Jenkins] to lunch...We spoke about Keith Joseph, who had made a major and in my view very high-quality speech about the need for a gradual return to “sound money” policies if we are to get inflation under control. Roy said he entirely agreed with Joseph about the destructive effects of inflation and the need to give absolute priority to bringing it under control’. R. McIntosh, *Challenge to Democracy* (Politico’s, London, 2006), p. 140.

up a small Institute...to study the lessons for government in this country of the greater success that some neighbouring countries, such as Holland, Germany and France, seem[ed] to have had in releasing the potential of a social market economy'. It caused a stir, not so much because of this unveiling of a body whose influence over the next few years was to be out of all proportion to its size, but because of Joseph's disavowal of what he called 'well-intentioned statism', the concept of collectivism which had been shared by both parties for the previous thirty years, a disavowal which also contained his famous *mea culpa*. As he acknowledged at the end of his speech, 'I must take my share of the blame for following too many of the [Socialist] fashions'.⁷ *Reversing the Trend*, the publication of which happened to coincide with the resolution of the Conservative leadership question – the election of Margaret Thatcher to succeed Edward Heath – contained in its Foreword the following further confession: 'About twenty years ago, I joined the Conservative Party, and later was adopted as Conservative candidate for the then safe seat of Leeds North-East. In 1959, I was given my first ministerial post. But it was only in 1974 that I was converted to Conservatism. (I had thought that I was a Conservative but now I see that I was not really one at all.)'⁸

The main features of Joseph's prescription for what had to be done to 'reverse the ... accumulating detritus of Socialism' – themes which, as we shall see, he enlarged upon in later speeches – were the need to stop 'consuming our capital stock faster than we can replace it'; 'to keep the overall level of demand at...the right level'; 'to prevent the public sector...draining away the wealth created by the private sector'; and for the trade unions to transmute their narrow self-interest into 'enlightened self-

⁷ Joseph, 'This is not the Time to be Mealy-Mouthed: Intervention is Destroying us' in *Reversing the Trend*, pp. 5-10.

⁸ *Ibid.*, p. 4.

interest'. But as well as laying down the outlines of a positive programme for action, he was also careful to recognise that he would need to defend his position against those who would be disposed to attack the moral basis of capitalism and, particularly, the profit motive.⁹

In the early days of opposition – between the February and October 1974 elections – the term 'social market' gained a certain cachet in Conservative political circles. It appealed in a negative sense because it sounded less threatening than direct talk of a 'market economy'. More positively, it appealed because it was practised in West Germany which at the time was enjoying an economic miracle, and because it was thought by many that social idealism was not in conflict with market economics. Heath's agreement, therefore, that Joseph should set up an independent study centre was to facilitate a study of market economics in Europe and particularly of the successful social market economy in West Germany. Indeed, for a time, a proposal that the new Institute should be called the 'Institute for a Social Market Economy' was given some consideration and in 1975 the CPS published a pamphlet entitled *Why Britain Needs a Social Market Economy*, which explained the nature and extent of the perceived compatibility between a market economy and social idealism:

A market economy may be defined as an economic system in which the mechanism of variable prices functions freely to signal consumer preferences and, through its effect on profitability, to encourage the allocation of resources...manpower, capital and raw materials...so as to satisfy those preferences. The market's shortcomings [are that] it does not in itself ensure that the occasional divergence of private and social cost benefits is reflected in prices; it often fails to provide for those who, through misfortune, cannot provide for themselves; it may bring about a redistribution of income, wealth and economic power which many people find unacceptable. There is therefore a clear need to complement the market system with various social policies – especially to help the old, the ill, the handicapped, the disabled, the unemployed. There is thus a need for some

⁹ Ibid., pp. 6 and 8.

government intervention in the economy, but in a form which limits the resulting distortions.¹⁰

The social market idea was short-lived, however, principally because Joseph came to the conclusion that Britain, suffering as it did from what seemed at the time the incurable ‘British disease’ of poor industrial relations, could not hope to replicate the German model, which functioned effectively only because of the good labour relations which had existed since, after the war, private companies had been forced to accept worker representatives at board level. Thatcher, too, became convinced, despite much evidence to the contrary, that the West German model was ‘a kind of corporatist, highly collectivised, consensus-based economic system which pushed up costs, suffered increasingly from market rigidities and relied on qualities of teutonic self-discipline to work at all’.¹¹ Geoffrey Howe, Shadow Chancellor of the Exchequer, was also wary of ‘mechanical imitation of the German prototype’.¹² Though Joseph never ceased to believe that a market economy was compatible with the promotion of a compassionate society – indeed that the latter was dependent on the successful functioning of the former – his abandonment of the phrase ‘social market’ necessarily gave a harsher edge to his rhetoric, though it simplified his message.¹³

If the Upminster speech had rocked the Conservative Party boat by disavowing collectivism, Joseph’s first Preston speech on 5 September 1974 almost capsized it

¹⁰ N. Vinson and M. Wassall, *Why Britain Needs a Social Market Economy* (Centre for Policy Studies, 1975).

¹¹ ‘The concept of the social market was – like other terms of foreign provenance too literally translated – bedevilled with problems. How much was it simply a matter of restating the truth that only a successful market economy can sustain social improvement? How much did it signify a market economy with a high degree of “social protection”, i.e. regulation?’ M. Thatcher, *The Path to Power* (HarperCollins, London, 1995), p. 253.

¹² G. Howe, Foreword to F. Zweig, *Germany Through Inflation and Recession: An Object Lesson in Economic Management* (Centre for Policy Studies, 1976), p. vii.

¹³ A. Denham and M. Garnett, *Keith Joseph* (Acumen, Chesham, 2001), p. 241.

by its espousal of monetarism.¹⁴ It was a speech which Robert Skidelsky has defined as the “seminal text” of the Conservative intellectual rethink.¹⁵ Thatcher, who had been shown an early draft of the speech and, significantly perhaps in the light of later events, had ‘made no suggestions for changes’, regarded it, as she later recorded, as ‘one of the most powerful and persuasive analyses I have ever read...one of the very few speeches which have affected a political generation’s way of thinking.’¹⁶ Though Joseph clearly understood the nature of the terrain he was traversing, what he actually said about monetarism, somewhat defensively, was that he recognised that some would label the line of argument he was deploying ‘monetarist’:

Successive governments, faced with a rise of registered unemployed, have deliberately increased public spending...On each occasion, the government – by which I mean almost every post-war government – has chosen to boost home demand by deficit financing. If policies are to be judged by the criterion of the greatest good of the greatest number, then excessive expansion of the money supply has been tried and found wholly wanting, in practice and theory alike. Monetary control is a pre-essential for everything else we need and want to do...[But] I am not saying, have never said and do not believe that we need a certain level of unemployment to avoid inflation.¹⁷

It is worth noting, in passing, that he once again donned sackcloth and ashes in repeating his apology for his part in the past failings of the governments in which he had served:

I know...with the vision of hindsight where we went astray. As a participant...I [accept] my full share of the collective responsibility...For

¹⁴ Though it never received the same degree of attention as Joseph’s Preston speech, Peter Lilley had argued the same case as Joseph was to make in a Bow Group publication three months previously. In *Lessons for Power*, Lilley had written ‘Conservatives must recognise that Trades Unions do not cause inflation. They may, by pricing workers out of jobs, create unemployment. But it is governments who create inflation, especially if they attempt to reduce unemployment by expanding demand’. This followed Lilley’s request, in the Bow Group’s *Alternative Manifesto*, published in 1973, for a government pledge ‘to keep monetary expansion from outstripping the growth in the economy’. Lilley was Bow Group Chairman between 1973 and 1975 and went on to become Secretary of State for Trade and Industry from 1990-92. J. Barr, *The Bow Group* (Politico’s, London, 2001), pp. 135-8.

¹⁵ Skidelsky also thought the speech significant because of its identification of ‘the full employment commitment as the error from which the whole drift towards ungovernability [had] flowed’, R. Skidelsky (ed.), *Thatcherism* (Chatto and Windus, London, 1988), p. 14.

¹⁶ Thatcher, *The Path to Power*, p. 255.

¹⁷ Joseph, ‘Inflation is Caused by Governments’ in *Reversing the Trend*, pp. 25-31.

over 30 years governments in this country have had unprecedented power over economic life. It is only fair that we should accept heightened responsibility for what has gone wrong.

On numerous occasions after this first Preston speech, Joseph attempted explanations of where monetarism came in his political thinking. On 14 December 1974, in a speech in Leeds, for example, he said that ‘The monetarist thesis has been caricatured as implying that if we get the flow of money spending right, everything will be right. This is not – repeat not – my belief. What I believe is that if we get the money supply wrong – too high or too low – nothing will come right’.¹⁸ And he attempted an even more elaborate justification of his position in a speech to newspaper editors in Birmingham on 11 April 1975:

Let us consider the word ‘monetarist’ – a highly-charged word. The English still have a feudal prejudice against the whole concept of money and everything associated with it. To be called a ‘monetarist’ makes you sound, to ordinary ears, a very crude and vulgar sort of fellow...and [moreover] a ‘panacea-monger’. That is very offensive to the commonsense, empirical tradition in British politics. What we are saying is that there ought to be some sort of direct relationship between the amount of money circulating in the community and the goods available for purchase – a demand that we should return to a sense of what the function of money is.¹⁹

Joseph’s anxiety, evident from the above passages, not to be labelled a ‘monetarist’ – to refute ‘the unsubtle but rather common insinuation that monetarism [was] a kind of economic Blimpishness’, as Tim Congdon said it was regarded by many at the time – is nowhere better exemplified than in a later passage from his speech to the newspaper editors.²⁰ ‘The real monetarists are those who believe that money has magical powers – that it can conjure up jobs where there are none. These are the monetarists – these are the panacea-mongers – theirs are the attitudes which have got us into the mess’.²¹ Even he must have winced at such a deliberate distortion. Despite

¹⁸ Joseph, ‘Inflation Retards Growth’ in *Reversing the Trend*, p. 34.

¹⁹ CPA, KJ 30/2. No. 13, speech by K. Joseph to Editors Dinner, Guild of British Newspapers, 11 April 1975.

²⁰ Congdon, *Monetarism: An Essay in Definition*, p. 1.

²¹ *Ibid.*

all his efforts, however, ‘monetarism’ certainly impressed itself on the public consciousness, and was used, blanket-fashion, by those who rejected his message, as a general term of abuse which branded those who preached it as right-wing and reactionary.

At the time of the first Preston speech (5 September 1974), the Shadow Cabinet was actively engaged in the preparation of a new manifesto for an election which it was obvious could not be long delayed and Joseph came under pressure to postpone or at least water down the speech, the text of which was circulated in advance to members of the Shadow Cabinet.²² As Thatcher recorded, ‘After some early inconclusive discussion in Shadow Cabinet of Keith’s various ideas, Ted [Heath] had refused the general economic re-evaluation and discussion which Keith wanted. Keith decided that he was not prepared to be either stifled or ignored’.²³

Many commentators have tried to explain the strength of the resistance to monetarism in Britain around this time, given the scale of the ‘monetary abuse’ in 1972-74. Some have suggested, over-simplistically, that it lay in the fact that Keynes was an Englishman rather than an American or European and held a uniquely special position in the pantheon of British economists. More convincing, however, though still problematical, is the view that part of the answer at least lay in the ‘social and political attitudes of the policy-formation establishment in Whitehall and the two “blue-brick” universities’. This view claims that ‘civil servants and academics – especially Oxbridge academics – liked to pretend to a quasi-aristocratic detachment from the materialism of business and commerce; they bridled at the mention of

²² M. Halcrow, *Keith Joseph: A Single Mind* (Macmillan, London, 1989), p. 71.

²³ Thatcher, *The Path to Power*, p. 255.

complicated financial mechanisms; and they preferred not to know how the squalid and grubby business of the City of London was conducted. The result was an ostentatious ignorance of even the most rudimentary ideas in monetary theory'.²⁴

Though there is evidence to suggest that Joseph, the businessman, shared these views and studied the works of the monetarist economists perseveringly, he was nevertheless continually and acutely aware of the controversial nature of the issue. In consequence, he felt compelled to return to the subject at almost every opportunity, endlessly explaining and elaborating his money supply ideas, but always being careful not to be seen to be accepting the precise nature of the 'monetarist' charge levelled against him – that he was advocating deflation as a 'cure-all'. One notable occasion which he exploited to this end was the 1976 Stockton Lecture, to which he gave the title '*Monetarism is Not Enough*' and where he began by calling "so-called" monetarism...a verbal snare implying a non-existent antithesis between monetarists and some other non-monetarist kind of economist'. The antithesis, as he saw it, was:

between those economists who believe that monetary policies should be used to tackle monetary problems on the one hand and those on the other hand who believe that monetary policies can master non-monetary problems – such as union obstruction, lack of skills, overmanning, housing rigidity, lack of confidence – and [that] non-monetary policies like control of wages, prices and dividends – can master the monetary problems of inflation'.

The lecture was not, in any sense, a retreat from 'monetarism' in the narrow sense in which he understood it – the need for 'the maintenance of a stable money supply eschewing the use of demand creation as a short cut to growth and full employment' – but took it a step further by emphasising that unless the State contracted, the confidence or the climate necessary for entrepreneurship and risk-taking to flourish

²⁴ Congdon, *Monetarism: An Essay in Definition*, pp. 74 and 75.

would not be created. Hence, monetarism was not enough; public spending had also to be tightly controlled. ‘The public sector’, as he saw it, ‘[was] relatively insensitive to economic conditions; it [did] not spontaneously adapt; it exert[ed] a huge force of not merely inertia but also of impetus’. He observed that in what he called ‘the silver age of Churchill’s post-war administration, the wealth-creating [private unsubsidised] sector, which accounted for three-fifths of the GNP, carried on its back a state and subsidised sector equal to the remaining two-fifths, [but that] the state and subsidised sector now [accounted] for some two thirds and the private wealth-producing sector the other third’. His conclusion was that:

Monetary contraction in a mixed economy strangles the private sector unless the state sector contracts with it and reduces its take from the national income. We are over-governed, over-spent, over-taxed, over-borrowed and over-manned...This is why, by itself, the strict and unflinching control of money supply, though essential, is not enough. We must also have substantial cuts in tax and public spending and bold incentives and encouragement for the wealth creators.²⁵

If monetarism was a theme to which Joseph continually returned, with impressive patience and almost as a missionary determined to make people share his view of the truth as he saw it, there were several other themes which he also developed in depth during his mid-70s proselytising. Principal among them – as a necessary explanation of how politicians had been misled after the war – were the extent to which consensus politics had been conditioned by the fear of unemployment and, by way of extension, the need to modernise the presentation of unemployment statistics. Indeed, the opening salvo of Joseph’s first Preston speech had been aimed at the seemingly indestructible edifice built on the foundations laid down by the Churchill Coalition’s 1944 Employment White Paper, with its commitment to a ‘high and stable’ level of employment after the war.²⁶ The Paper had envisaged not the complete elimination of

²⁵ K. Joseph, *Monetarism is Not Enough* (Centre for Policy Studies, London, 1976).

²⁶ *Employment Policy*, Cmnd 6527, 1944.

unemployment *per se* but of mass unemployment – which was initially measured at 8.5% but reduced subsequently to 3% – and long-term unemployment for any one individual.²⁷

In 1944, the Conservative Party had had little choice but to accept that high priority would have to be accorded to avoiding unemployment after the war, given that the fear of it was still a powerful factor in the minds of an electorate whose collective memories of life ‘on the dole’ in the inter-war years had not yet faded and were being persistently reinforced by Labour Party propaganda.²⁸ The continuing strength of this feeling throughout the immediate post-war years and the tight domestic labour markets and world-wide economic expansion of the 1950s had served, however, to turn what came to be known as Keynesian ‘full employment’ into something akin to a hallowed principle and had created a climate, as Joseph put it, ‘within which critics were quiet, partly for fear of being said to want unemployment and other ills which the neo-Keynesians and socialists claimed to be able to cure by their panaceas’.²⁹ The Preston speech combined both an attack on the continuing and misplaced fear of unemployment as well as on the misunderstandings about the misleading and mischievous way in which the term had actually been used:

To us, as to all post-war governments, sound money may have seemed out of date; we were dominated by the fear of unemployment. It was this which made us turn back against our better judgement and try to spend our way out of unemployment, while relying on incomes policy to damp down

²⁷ The starkest argument against the adoption of a policy based on an arbitrarily defined full employment goal, was set out by Milton Friedman in his 1967 address to the American Economic Association on ‘The role of monetary policy’. A stable rate of wage increases, explained Friedman, produced ‘the natural rate’ of unemployment, the level at which there is neither excess demand nor supply in the labour market. To attempt, by stimulating demand, to drive unemployment below the natural rate, would result in money wage rises and price inflation. Governments could not, of course, know what the ‘natural rate’ might be at any one time and it was its ‘elusiveness’ which was for Friedman, the ‘true refutation of the demand management approach’. Congdon, *Monetarism: An Essay in Definition*, pp. 25-26.

²⁸ In which respect, see Wal Hannington, *Ten Lean Years* (Gollancz, Left Book Club, 1940).

²⁹ Joseph, ‘Recovery without Inflation’ in *Stranded on the Middle Ground?*, p. 52.

the inflationary effects. It is perhaps easy to understand; our post-war boom began under the shadow of the 1930s. We were haunted by the fear of long-term mass unemployment, the grim hopeless dole queues and towns which died. So we talked ourselves into believing that these gaunt, tight-lipped men in caps and mufflers were round the corner. [But] if we wish to fight the battles of the seventies with the weapons of the thirties, we would do well to find out what was actually said and done in the thirties.³⁰

Pleading none other than John Maynard Keynes in aid, Joseph described the conditions of the 1930s as ‘imaginary’, as aggregations of widely differing phenomena under the umbrella term ‘unemployed’. Keynes had recognised, he claimed, that there was ‘frictional’ or strictly temporary unemployment as men moved from one job to another. But there were also the voluntary unemployed, ranging from the inadequate, through the ‘difficult to place’, to the scroungers; there was fraudulent unemployment – those who were drawing benefits while working; and there were white-collar workers compulsorily retired at 60 but required to stay on the unemployed register in order to be excused national insurance payments until they reached the pensionable age of 65. Deducting all these categories from the published unemployment figures put the numbers of those who were genuinely involuntarily unemployed at any one time into a more realistic perspective. And when one set against these figures the numbers of notified job vacancies – being only a relatively low proportion of all job vacancies at any one time – an even greater sense of realism was engendered. As he saw it, given too that the country had been absorbing large numbers of workers from overseas, there had been for most of the post-war period an overall shortage of labour at the national level. There were, of course, black spots of unemployment but what Keynes had advocated was better distribution of demand, rather than simply boosting it by increasing public spending. Such a policy, adopted by successive post-war governments, had invariably led to

³⁰ Joseph, ‘Inflation is Caused by Governments’ in *Reversing the Trend*, p. 21.

increased imports and balance of payments crises and resulted in a continual series of what had become known as ‘Stop-Go’.

In a more overtly political rather than analytical manner, in a speech to a Young Conservatives’ audience in London on 22 August 1975 he expressed concern both about manipulation of the unemployment statistics and about the way in which the fear of unemployment had been exploited by the Labour Party:

Why did we misinterpret the [unemployment] statistics? Partly from seeing problems through the prism of the 1930s instead of the realities of the 1960s and beyond. Moral blackmail was used against us. The Socialists have never hesitated in the past to mobilise a stage-army of unemployed against us for the political capital they would earn from it... The end result has been that the very policies designed to cure the unemployment which virtually never was, have become a major cause of our present real increase in unemployment, though the present figures substantially overstate its extent.³¹

Having reminded the audience at his second Preston speech on 24 September 1975 of what he had said a year earlier about ‘the misunderstanding of the phenomenon of unemployment’ – the erroneous belief that it could be eliminated almost entirely by expanding demand by deficit financing, and that the steps needed to cure inflation would entail some additional unemployment – and recalling too that Michael Foot had accused him at the time of ‘making a most insidious assault on the full employment theories so widely accepted since 1945’ and had opined that ‘it would take more than Sir Keith’s brilliant but twisted logic to convince us that doctrines so beneficial should be cast aside in the present panic’, he cannot but have felt some degree of vindication to find that the Wilson government had now come round to the view that ‘Inflation causes unemployment...the attack on inflation is the essential way to check the rise in unemployment and to avert the threat of millions indefinitely

³¹ CPA KJ 30/2, No.22.

out of work'.³² And he must have felt even more vindicated a year later when Labour

Prime Minister James Callaghan told his 1976 Party Conference that:

We must ask ourselves unflinchingly: what is the cause of high unemployment? Quite simply and unequivocally it is caused by paying ourselves more than the value of what we produce...We used to think that you could spend your way out of a recession and increase employment by cutting taxes and boosting government spending...that option no longer exists and that insofar as it ever did exist, it only worked on each occasion since the war by injecting a bigger dose of inflation into the economy followed by a higher level of unemployment as the next step. Higher inflation followed by higher unemployment.³³

As described by Andrew Gamble, 'In 1974, the Labour government initially attempted to maintain demand and its own spending to prevent a major deflation and the onset of recession. But after 1976 this attempt was abandoned. Unemployment had doubled to 1.5 million but no further significant attempt was made to reduce it. Acceptance of permanent high unemployment had become a major feature of British economic policy'.³⁴ Whether Joseph felt the same ten years later about 'imaginary' unemployment when, though inflation had come down to a mere 2.5%, unemployment had risen to over 3 million – over 13% of the labour force – is difficult to ascertain. To be fair to Joseph, he never pretended that inflation could be cured without a great deal of pain nor that the lag time between taking whatever medicine was necessary and seeing the results of it in improved economic health might not be prolonged but, as he told the International Monetary Conference in San Francisco in June 1976, 'I believe that people are capable of understanding the truth when it is properly explained to them. With this degree of understanding, I am sure that our public will face and overcome the withdrawal symptoms to be expected

³² Joseph, 'Inflation: the Climate of Opinion is Changing' in *Stranded on the Middle Ground?*, pp. 9-11; *Attack on Inflation: A Policy for Survival, A Guide to the Government's Programme* (HMSO, London, September 1975).

³³ J. Callaghan, *Time and Change* (Collins, London, 1987), pp. 426-7.

³⁴ A. Gamble, 'Economic Policy', in H. Drucker *et al.* (eds.), *Developments in British Politics* (Macmillan, London, 1983) p. 140.

when we attempt to abate inflation as a precondition for commencing recovery and a new state of progress'.³⁵

So why had Conservative governments failed to tell the public the truth about what was happening and why it was happening? According to Joseph, one reason why the Conservative Party had been lulled into supporting the so-called 'Attlee consensus' since the war was that the Party had unwittingly allowed the middle ground of politics to be determined by the Labour Party.³⁶ In a speech at the Oxford Union on 6 December 1975, Joseph defined the middle ground as 'a compromise between politicians...the lowest common denominator obtained from a calculus of assumed electoral expediency, defined...by splitting the difference between Labour's position and the Conservatives'. In other words, the middle ground was the territory which a party had to seek to occupy in order to win elections. The trouble was that Labour's position had been arrived at by splitting the difference between their left and their centre, and the further the left had pitched their demands so the middle ground had moved leftwards to accommodate them. 'Then the Conservatives in turn would edge along towards them [in an attempt] to remain on the mystical middle ground'.³⁷ The middle ground was not therefore any longer a secure base but 'a slippery slope to socialism and state control' being 'ratcheted' ever leftward by the Labour extremists. The ratchet had replaced the pendulum as the mechanism which determined where the centre ground of politics was located.

In the same speech, Joseph drew a sharp distinction between the middle ground and the common ground. The middle ground defined the relationship between the parties;

³⁵ Joseph 'Recovery Without Inflation' in *Stranded on the Middle Ground?*, p. 55.

³⁶ P. Addison, *The Road to 1945* (Cape, 1975), pp. 270-278.

³⁷ Joseph, 'The Quest for Common Ground' in *Stranded on the Middle Ground?*, pp. 20-21.

the common ground defined the relationship between politicians and the people. Understandings based on the common ground could alone provide ‘the stable expectations that people of all sorts and all organisations [were longing for]’. The ‘unspoken consensus which makes society work’ had become severely eroded. The only common ground which existed at the time, he suggested, was that things in the country were in a bad way and matters would not be addressed while the Conservative Party remained stranded on the middle ground. He was scathing about those whom he called the ‘middle ground men’ of the Conservative Party and particularly so about those who believed that proportional representation, culminating in a coalition, would bring social and economic salvation.³⁸ In his view there was ‘simply not sufficient common ground between the parties to make coalition possible’. For himself, he believed there was an opportunity, under the pressure of events and the movement of opinion he detected in the Labour Party leadership, to reach some common understandings about such aspects as the overmanning of certain industries, the need for profits as the key component of prosperity, and some important elements of social policy, such as housing and education. Socialism saw its job as being to change people – whether they wanted to change or not – not to serve them. But people wanted to be served not changed; they wanted to be free within the law to run their own lives and common ground was to be

³⁸ ‘I agreed with Keith Joseph that the “centre” ground of politics had moved steadily leftwards, and I attributed this principally to the lack of moral courage of those who prided themselves upon being “moderates”. Time and again, these people had been prepared to compromise and adjust their positions; and, as a result, socialism had continued its onward march through our institutions.’, Thatcher, *The Path to Power*, pp. 439-440. ‘Fairly typical of the mood around this time was an argument I had with Margaret which did become more ferocious than usual. In the end, I had to say that I was sorry but I had to leave. To add a little salt to the wound, I added that the reason I had to leave was to attend the re-launch of Harold Macmillan’s book *The Middle Way*. She looked at me and said: “Standing in the middle of the road is very dangerous, you get knocked down by traffic from both sides.” Not particularly original, but it was an insight into her outlook.’, J. Prior, *A Balance of Power* (Hamish Hamilton, London, 1986), p. 106.

found in the acknowledgement of the people that the country had gone astray in this respect.³⁹

As with monetarism and unemployment, there were two other areas where Joseph clearly felt on the defensive and saw a need to justify his thinking whenever an opportunity allowed him to do so. The first broad area of continuing concern was with the widely perceived link between economic liberalism and *laissez-faire*, which required in particular a justification of the market and the profit motive, and the associated charge that capitalism was immoral – that the Conservative Party was generally uncaring, lacking in compassion and dismissive of the ideas of equality and social justice. These challenges he approached in a variety of ways.

Shirley Letwin agreed that what was critically required at the time was a repudiation of *laissez-faire*, a principle which, she claimed, had been characterised as ‘anarchistic’ and hung round the necks of Conservatives by the socialists before the war.⁴⁰ In more practical terms, what the Conservative Opposition after 1974 had to make plain, not only to their opponents and to the country at large but to themselves as well, was that a preference for a market economy, far from ruling out government intervention, required firm and steady intervention but of a particular kind, more targeted at removing shackles than imposing them. They had to show that incipient Thatcherism was not simply an economic doctrine – though it is not difficult to understand how this misconception had been created when one notes, for example, Joseph’s continual references to the ‘market mechanism’, ‘price mechanism’, the ‘signalling system’ and ‘sound money’ – but had a human face. Joseph tackled the

³⁹ Joseph, ‘The Quest for Common Ground’ in *Stranded on the Middle Ground?*, p. 20-34.

⁴⁰ S.R. Letwin, *The Anatomy of Thatcherism* (Fontana, London, 1992), p. 54.

charge that ‘the market system’ amounted to a ‘denial of humanity’ on a number of occasions, most notably in an article in *The Times* headed ‘Why a free market does not have to be a free-for-all’. Taking the attack to the enemy, he averred that the basic assumption upon which the free economy rested was that men were not machines but ‘rational ends in themselves’ and that it was ‘the denial of this assumption, the reduction of men to instruments of social engineering that constitute[d] the essence and real inhumanity of socialism’. What Conservatives understood by human rationality was the ability of men to make choices and to manage their own lives. The key sentence in the article was that ‘We oppose *socialism* because it means a government that runs men rather than makes rules for men who run themselves’.

More deliberately and precisely, he went out of his way in the article to break the link between Conservatism and ‘the nonsense conjured up by that unfortunate phrase *laissez-faire*’, between free enterprise and the Spencerian vision of society as “‘a natural struggle for existence” in which the strong beat up or eat up the weak’. He dismissed the thinking of those who believed that the arrangements that made for efficiency in wartime were appropriate for peacetime and labelled a socialist economy a wartime economy. Man was not God and could not escape his human limitations, as the socialist obsession with security implied. Whether the article did as much to reassure his readers as did some of his earlier speeches, particularly with his rather dismissive invitation to those who ‘wished to escape the risks and uncertainties of being wholly responsible for themselves’ to go and enjoy ‘communal life’ in ‘a commune, a kibbutz, a monastery, an army or a nursing home’, must, however, be open to question.⁴¹

⁴¹ *The Times*, 28 July 1976.

A more thoughtful, historically-based attempt to justify the Conservative ‘economic philosophy in relation to the market’ – that ‘great autonomous on-going pattern of economic cause and effect’ – can be found in a speech he delivered to the National Association of Conservative Graduates in Oxford on 14 March 1975:

Until recently, the Tory tradition was clear. We neither worshipped the market, as did *laissez-faire* liberals and radicals, nor did we reject it, as the Socialists did and still do. Our approach has traditionally been more organic and more cautious; we recognised that the market means human nature in its interaction with the material environment, each individual exercising the multiple functions of producer and consumer; saver, investor, spender; and that by understanding it we can rise above wholly passive dependence on it. This approach is in full accord with the empirical, experimental attitude to the natural world which has guided men’s steps and made possible the great scientific and material achievements of recent millennia.⁴²

‘Profit’ and ‘profiteering’ were also terms which he tried to lift out of the bogey-man category, giving the impression once again as he did so that deflecting his opponents’ criticisms and destroying what he regarded as the myths which they had created around the concept of capitalism was just as important as, and somewhat more difficult than, getting across a more positive message. Recognising the unfortunate connotations of the word ‘profiteering’, for example, he told his Oxford audience on 14 March 1975 that:

‘Profiteering’, which socialists so enjoy denouncing, is rare when competition bites properly. If profit is too easily made other than as a short-term reward for effective innovation, then it is almost invariably the institutional framework set by government which turns out to have caused it...Socialists and paternalists are fond of decrying the ‘profit motive’ and claiming that they direct policies to ‘social ends’. The market economy is not the embodiment of eternal verities or the acme of perfection, but a workable product of history and national character which must be judged empirically in the light of experience.⁴³

⁴² CPA KJ 30/2, No.11.

⁴³ Joseph, ‘Conservatives and the Market’, *Reversing the Trend*, p. 70.

In a rather less high-flown style, he explained to the Cathcart Conservative Association in Glasgow on 7 May, 1975, that:

Without profits...firms are doomed. They need profits...to modernise their plant...to expand...to attract new capital, loans etc.. Small firms go to the wall...when the bigger firms find themselves in difficulties and the big unions shake their fists; government panics...and steps in with vast grants and unconditional subsidies. The money comes from taxes on businesses...and from inflationary finance.⁴⁴

So much for Joseph's defence of market-related issues and correction of 'misunderstandings' shading, as he saw them, into prejudices. Though those issues are the ones with which I shall be principally concerned in the later chapters of this thesis, I believe it is also important not to overlook, in order to have a rounded picture of his thinking, the lengths to which Joseph went to make clear his position on the multi-faceted and contentious question of the morality of Conservatism. If he had to struggle to be convincing in the economic areas, he found it even more difficult to tackle issues such as welfarism, equality, fairness and so on – most of which were regarded at the time as forming the core of Socialist philosophy. He implicitly acknowledged this in his speech to newspaper editors in Birmingham on 11 April 1975, though he was uncompromising about the effect of state provision of social benefits and gave added impetus to the debate which has continued ever since about the merits of universality or targeting of state aid:

A compassionate policy, as at present defined, is one which recommends that the State should take upon itself to provide all the fundamental necessities of life – medical care, housing and the like. If you oppose that view, you become an enemy of compassion. But...State provision, in the form in which we know it is lamentably failing to provide medical care, education and housing in anything like an adequate manner...State aid is not directed sensitively and powerfully enough to those who really need it and...it is provided in a form which stunts quality and quantity and eschews the beneficent effects of even the mildest doses of the market.⁴⁵

⁴⁴ CPA KJ 30/2, No.17.

⁴⁵ CPA KJ 30/2, No.13.

The struggle which Joseph had to present Conservatism as more caring and humane than it was generally seen to be at the time is illustrated by the fact that more than ten years later – just before a third election victory in a row for the Thatcher government – Michael Biddis was still able to write that ‘Thatcherism needs to be seen as adopting (even beyond the pre-election period when market theory gets most directly applied to vote-buying) a less unsympathetic approach to the funding of those areas where adequate public provision is still generally expected by the nation. Its members have proved readier to tolerate the downgrading of Keynes’s economic abstractions than the disfigurement of what they view as the more human face of Beveridge’s achievement’.⁴⁶ Joseph had implied in December 1975 that it was essentially a matter of perception. ‘Perhaps we were bound to lose ground when we had to oppose the socialist shining utopian ideal with arguments based on our shop-soiled reality’.⁴⁷ He did not, however, do a great deal to soften the somewhat hard-nosed image he was seen by many to be presenting, when he said in the same speech:

We have been misled into forgetting the distinction between maintaining minimum standards and making everything uniform. We...[should] not let ourselves be confused by muddled talk of ‘welfare’ and ‘equality’, which is not the same as providing for ‘minimum standards’.⁴⁸

The implication of what Joseph told his audience of newspaper editors on 11 April 1975, was that he wanted Britain to be a country ‘in which people to a greater extent than now choose to devote their resources first to providing the essentials and only secondly to supplying the trivia – less extravagance’. He thought these might be regarded as ‘Puritan ideals...They certainly look to a great revival of family

⁴⁶ M. Biddis, ‘Thatcherism: Concept and Interpretations’ in K. Minogue and M. Biddis, (eds.), *Thatcherism: Personality and Politics* (Macmillan Press, Basingstoke, 1987), p. 13.

⁴⁷ Joseph in *Stranded on the Middle Ground?*, p. 33.

⁴⁸ *Ibid.*, p. 32.

responsibility and of public conscience’. But they surely could not, he believed, ‘be described as deficient in compassion’.⁴⁹

He had set the context for all this three months earlier when he had addressed the Economic Research Council:

Our objective is the good life...Our attention is focused at present on... national solvency. But this is not so much an objective as a *conditio sine qua non* for the attainment of any objectives. The objective for our lifetime, as I have come to see it, is *embourgeoisement*...We lack a native English word for *embourgeoisement*. We tend to translate *bourgeois* as middle class, but the words are not identical. A middle class implies that there must be a class or classes above and below. If one could say that ‘we are all middle class now’, one would strictly be saying that we have a classless society. To say that we are all bourgeois now – provided it were to be made true – would be to proclaim a common value system...a willingness to defer gratification, to work hard for years, study, save, look after the family future’.⁵⁰

If Joseph could urge as ‘the objective for our lifetime’ that we should all strive to become *bourgeois* in the sense in which he had defined it for the Economic Research Council, he had no intention that anyone should confuse that with the idea that we should all seek to be equal. To this end, he went to great lengths to draw a distinction between doing what might be done to reduce inequalities of opportunity and adopting the pursuit of egalitarianism *per se* as a policy aim. In 1979, he described equality of opportunity as a ‘neutral concept [which] does not set up any particular social arrangement as a desirable goal but merely requires the absence of artificial constraints on individual achievement’ but went on to emphasise that ‘anyone who accepts that all individuals are not capable of the same achievements, must also agree that perfect equality of opportunity will give rise to very striking inequalities of results’.⁵¹ He believed that a system in which everybody gets what he deserves partly

⁴⁹ CPA, KJ 30/2, No.13.

⁵⁰ Joseph, ‘The Politics of Political Economy’ in *Reversing the Trend*, pp. 55 and 56.

⁵¹ K. Joseph and J. Sumption, *Equality* (John Murray, London, 1979), pp. 29 and 30.

according to his ability and enterprise and partly depending on unforeseeable circumstances, was infinitely preferable to a system where it is the will of a few persons that decides who is to get what. He challenged both the 'route' to equality and its 'destination', if once arrived at. He thought it extraordinary that anyone could propose 'the construction of a great bureaucratic machine' dedicated to 'the sole end of suppressing by law an ambition' – to make money – 'which is common to almost everyone and harmless to none'. And he was convinced that a 'society which had achieved a high degree of economic equality would not only be horrible to live in... but would be economically backward...and culturally stagnant'.

He appreciated the appeal of the ideas of 'equality' and 'fairness', but believed the case for them was based on an untruth – 'that men will always find it in their interest to be uncharitable to each other, so that self-interest must be stamped out if civilised behaviour is to be encouraged'. To him, however, 'personal enrichment and genuine altruism [were] not the differing products of incompatible economic principles... [but were] both products of man's most fundamental trait, his self-interest'.⁵²

If this was difficult ground to traverse in his quest to convince people about the morality of Conservatism, the issues which he tackled in his famous, or notorious, 'cycle of deprivation' speech at Birmingham on 19 October 1974 saw him attempting to cross an even more hostile terrain. The speech was intended to demonstrate that his 'conversion' to Conservatism, announced some three months earlier, embraced far more than monetary rectitude. He had of course been Secretary of State at the Department of Health and Social Security in the Heath government after 1970 where his focus of attention had been the health and welfare of the

⁵² Ibid., pp. 119-126.

collective community, but he now wanted to look at the individual and the family in the context of a consideration of the moral and spiritual state of the nation.

Given that he had an audience of the Party faithful – which some have dubbed a gathering of the ‘moral majority’ – the speech, with its linking of the collectivised society and the permissive society, ought to have caused no fuss at all. But when (against the advice of his speechwriter, Alfred Sherman, of the Centre for Policy Studies) he insisted on referring to an article he had come across in the magazine of the Child Poverty Action Group about how poorer families produced larger families, implying that the middle classes were more skilful and responsible at using birth control, and drew from it the conclusion that ‘the balance of our population, our human stock is threatened’, he brought forth, from what Halcrow designates ‘the professional opinion-makers’, a positive torrent of vitriolic comment, including accusations that he was preaching eugenics.⁵³ Some regarded his proposal to extend birth-control facilities to young unmarried women as immoral; Labour MP Frank Field accused him of attempting to ‘unleash a national backlash against the poor’ – just one of many attacks by his political opponents; many advised him to stick to economics.⁵⁴ The larger moral message which Joseph intended to convey was lost in this welter of accusations and a little time afterwards, after a half-apology had harmed him as much as the original speech had done and claims that his speech had

⁵³ CPA KJ 30/2.

⁵⁴ There was history between Joseph and Field. Joseph had attended CPAG meetings since the mid-1960s, some years before Field became Director in 1969. Bovis Holdings had provided the organization with funding, though Joseph himself may not have been a benefactor. One notable speech by Joseph at the time of the Vietnam war had predicted that ‘if one tenth of the moral energy generated by members of Parliament about Vietnam’ was redirected, poverty could be conquered. When, therefore, he became Secretary of State for Social Services in 1970, he was looked on as a likely supporter of CPAG’s campaign for an increase in family allowances, which they believed had been promised in the Conservative election manifesto. But when Chancellor Iain Macleod introduced instead a means-tested Family Income Supplement scheme, with Joseph’s approval, the latter came to be regarded by Field as a broken reed. Denham and Garnett, *Keith Joseph*, pp. 162 and 200-203.

been intended as a leadership bid, he more or less acknowledged in a television interview that his clumsiness and lack of judgement had effectively destroyed any ambitions he had had to succeed Heath, for whose replacement as Party Leader there had been a growing clamour.

The Economist understood what Joseph was trying to do but saw too the trap into which he had fallen:

Sir Keith's contribution is to argue that the Tories lost [the last election] partly because [it] was an economic auction [and] that the party should now appeal to the whole man, with a re-emphasis on liberties, traditions and morals. The difficulty is that specific policies fit less than comfortably into such general frameworks, and Sir Keith lapsed in his speech whenever he tried to make them do so. He is too intelligent to miss the paradox in advocating moral discipline and economic permissiveness.⁵⁵

Taken in their entirety, Joseph's speeches from 1974 (when Heath was still Leader of the Opposition) to 1979 (when Thatcher had been Leader for just over four years) can with complete justification be regarded as having prescribed the core ideological content of what came to be called 'Thatcherism' and were consistent with the more general prescription of New Right thinking. Indeed, but for the ill-judged 'cycle of deprivation' speech, they might, in the view of Anthony Seldon and Stuart Ball, have come to be seen as the components of a doctrine which would have warranted the name 'Josephism'.⁵⁶ At the very least, however, as Halcrow put it, Joseph provided 'a pair of spectacles through which the phenomenon of Thatcherism may be examined more clearly'.⁵⁷ Despite what they may disagree about, most commentators agree that the era of Thatcherism was a period in which ideas played a central role; it was, therefore, a period in which Joseph could play the part for which he was best

⁵⁵ 'Tory messiah as social engineer', *The Economist*, 26 October 1974, pp. 13-14.

⁵⁶ S. Ball and A. Seldon (eds.), *The Conservatives in Opposition Since 1867* (Palgrave Macmillan, Basingstoke, 2005), p. 232.

⁵⁷ Halcrow, *A Single Mind*, p. 189.

fitted and, 'with a remarkable integrity', make 'a mark on the public stage' in a manner which distinguished him from most of his contemporaries.⁵⁸

⁵⁸ P. Osborne, 'The Problem of Integrity in Modern Politics', The 2009 Keith Joseph Memorial Lecture, delivered on 4 March 2009 at the Centre for Policy Studies.
http://www.cps.org.uk/cps_catalog/Catalogue_The_2009_Keith_Joseph_Memorial_Lecture_684.html

Chapter 3: Conservative Party Policy-Making

This chapter deals with the policy-making processes of the Conservative Party when in opposition. It concentrates particularly on the dynamics and mechanics of policy-making during the 1974 to 1979 period of opposition, compares them with the traditional policy-making processes of the Party and draws some contrasts with the approach taken by the Party between 1965 and 1970.

In 1972, Robert Rhodes James observed that ‘The Conservative Party in Opposition resembles some unhappy creature of the deep that has been suddenly and tragically removed from its natural environment and is thrashing around desperately in its bewildered anguish’.⁵⁹ When he made his observation, James could not have known how deep the anguish would be two years later when the Party had to make way for a minority Labour government after failing to secure an overall majority in an election called to settle the question ‘Who Governs Britain?’ Such was the state of turmoil in the Party between that defeat and the subsequent heavier defeat eight months later, that it had to postpone consideration of the question which any party wishing to regain power after losing office has to ask itself – the question of why it lost. And when an opportunity finally presented itself to rake through the ruins, a new Leader was in place.

Though a rational explanation of the reasons for a defeat is often obscured by an irrational rush to apportion blame for it, sooner or later a sometimes orderly, sometimes disorderly, process aimed at equipping the Party to win the next election is usually put in place, though agreement on a process does not guarantee easy agreement on what needs to be done. Indeed, it is more common than not for there to be divergences of opinion within a losing Party as to the reasons for its defeat, divergences which may turn into continuing internal dissent about the direction which the Party ought to take in opposition. At a meeting of the Leader’s Consultative Committee (the Shadow Cabinet) on 11 April 1975, for example – two months after Margaret Thatcher had been elected leader of the Conservative Party, but ten months after Sir Keith Joseph’s famous Upminster speech when he advocated the need for the Party to abandon consensus politics, a theme to which, as we have

⁵⁹ R.R. James, *Ambitions and Realities* (Weidenfeld and Nicolson, London, 1972), pp. 87 and 91.

seen, he had returned endlessly in the following months and with which Thatcher was known to be in sympathy – the reaction of ‘several members’ to a paper by Joseph urging a complete break with ‘recent Conservative policies’ was that ‘the Party should not repudiate its previous attempts to reach a national consensus and to hold the middle ground of opinion, as this was the key to electoral success... Government policy should be evolutionary, and build on the past, not revolutionary, rejecting the past’. The future battleground between the ‘Wet’ and ‘Dry’ factions could not have been more clearly sketched out than by these comments.⁶⁰

There is often a gap too between the conclusions an opposition party may draw about its future policy direction and its willingness to expose its thinking, certainly in other than the broadest terms, to the party at large and/or to the general public. As Winston Churchill told R.A Butler during the Conservatives’ period in opposition after the Second World War: ‘When an Opposition spells out its policy in detail, the Government becomes the Opposition and attacks the Opposition, which becomes the Government. So, having failed to win the sweets of office, it fails equally to enjoy the benefits of being out of office’.⁶¹ Nevertheless, an opposition has to oppose the policies of the government and it is difficult to do so without spelling out alternative policies, though in the early days at least of a new government this has to be done with care to avoid giving unnecessary hostages to fortune.

⁶⁰ CCA, Thatcher MSS (2/6/1/156); The majority Shadow Cabinet view reflected the thinking captured in the October election manifesto *Putting Britain First* about which Christopher Patten has written: ‘Turning to this document...today, any reader with a sense of what was to come is struck by the extent to which it reflected the contemporary mood of resigned and weary acceptance of the existing economic order...Did we simply settle for managing a country in decline as best we could, with as much comradely bonhomie as was possible?’ C. Patten, ‘The Thatcher Years’ in A. Cooke (ed.), *Tory Policy-Making; The Conservative Research Department 1929-2009* (Manor Creative, Eastbourne, 2009), p. 81.

⁶¹ J. Ramsden, *The Age of Churchill and Eden 1940-1957* (Longman, London, 1995), p. 142.

So how does a party in opposition start to equip itself to face a future out of power and to regain power? First of all, as was noted above, it generally conducts a post-mortem in some form or another. A list of the sort of questions which a party should be asking itself, compiled from an examination by Anthony Seldon and others of the occasions on which Tory governments have lost elections since 1783 (though the conclusions drawn might apply to parties of any political persuasion), contains nine factors which should be considered, simply because, according to Seldon, election defeats can normally be attributed to one or more of them. The factors are: ‘a negative image of the party leader; confusion over policy direction; manifest internal disunity; organisation in the country in disarray; depleted party finance; hostile intellectual and press climate; loss of confidence by the electorate in economic management; strength of feeling of “time for a change”; a revived and credible opposition’.⁶² Few Conservative Oppositions have undertaken such a formal, rigorous self-examination after being ejected from office. After Labour’s victory in 1945, for example, there is no evidence, apart from a five-hour conference of defeated candidates presided over by Party Chairman, Ralph Assheton, that any formal assessment of why the election had been lost was undertaken or even contemplated, though everybody had his own opinion of why there had been such a mass flight from the Party. Interestingly, in the light of the divisions in the Party in the 1970s which I shall be considering later, extreme views were expressed at the conference by, amongst others, Flight-Lieutenant Reginald Maudling and Captain Aubrey Jones, the former believing that the Party had lost the trust of the British people, who felt that the Conservative leaders were only interested in calculating how ‘little they [could] give away from the previous position’, and the latter excoriating the ‘Tory reformers’ for believing that the Party was ‘old and crusted’

⁶² A. Seldon (ed.), *How Tory Governments Fail* (Fontana Press, London, 1996), p. 453.

and that far from being too Conservative, the election campaign had not been ‘Conservative enough’.⁶³ In essence, restated in one form or another, such reasoning – that the Party had departed too far or not far enough from its roots – could be applied to any defeated Conservative government.

After the February 1974 election defeat, a post-mortem was promised by the CRD Chairman, Michael Fraser, though the fact that the incoming government was a minority government and likely to be short-lived obviously militated against a measured approach to learning lessons. Fraser did, however, warn the Leader’s Strategy Committee of the difficulty of opposing a minority government. The longer it was allowed to go on, he said, the more likely it was that it could improve its position. He urged, therefore, that ‘in the immediate future’, opposition should be concentrated in the form of speeches and, to a lesser degree, should be in the form of amendments, divisions etc. He thought the Party would be worried that the government would produce a mass of ‘goodies’ to please the public and then go for an early election at the most favourable moment.⁶⁴

But there was little opportunity to consider in detail and in a measured way the reasons for the election defeat and to assimilate whatever lessons could be learned from them. The CRD files contain two post-election reports, or what were probably intended to be two parts of a single report. The difficulty of uniting them comes from the fact that the first, on how the election effort had been organised, was signed off by James Douglas on 18 March 1974; the second report on ‘Why we lost the election’ appears to have been received by somebody on 12 March 1974 but bears no

⁶³ Conference note prepared for Winston Churchill by Ralph Assheton, CCA, CHUR 2/1 A/144, 164 and 166.

⁶⁴ CPA, LSC (74), Second Meeting, 25 March 1974.

mark of authorship, though from its style it was most likely another Douglas compilation. There is no indication of how widely the documents were circulated (if at all) or whether they received any formal consideration. Nevertheless they do appear to complement one another and are broadly similar in tone. There is also a much shorter note by Douglas on 'What Went Wrong', which was sent to Fraser and others on 8 March 1974.

The two reports were critical, in some fairly direct ways, about how and why the campaign went wrong but without accepting that the defeat was too great a defeat. The report on 'Why We Lost The Election' offered the somewhat cold comfort that 'we have not been rejected by the nation', and pointed out that 'we got more votes than the Labour Party, which...received their lowest share of the vote since 1931 and their lowest total vote since 1935. The clearest message of all from the electorate was the rejection of socialism. [Mr Wilson] is living on borrowed time. He can easily be toppled when the moment is ripe'. In much the same vein, the report urged that, 'we need to steer away from any idea that the Conservatives need a period out of power to rethink their policies...There was nothing wrong with the policies we were pursuing, and events have since proved – even in the short time since the election – that they represented the only realistic approach to the nation's problems and to inflation in particular'. What Joseph thought of these conclusions is nowhere recorded. The real reason for the defeat was seen as being essentially one of timing. 'We began the campaign in an atmosphere of crisis and potential civil disorder... which gave credibility to the idea that our very way of life was being challenged,' the report said. 'The miners defused the situation, however, by avoiding violent picketing: it was an astute move...The whole setting for the campaign was thus

changed...and the nation was to all outward appearances its normal sensible self.’ This made it difficult ‘to maintain a full head of steam for the “Who governs Britain” element in the campaign.’ In overall terms, the introductory paragraphs concluded, ‘We may have got our timing marginally wrong. Had we gone a couple of weeks earlier, the level of public feeling about the miners and the industrial situation generally might have held up better.’

The writer of this report concluded that ‘it was a singularly well-run campaign and... with a little luck we would have won’.⁶⁵ This sits oddly with the report on the way the campaign was organised written by Douglas (which may argue against common authorship of the two documents). The Douglas report concluded uncompromisingly that:

This was the seventh campaign I had been through for the Research Department, but the first I had seen from near the centre. Commentators are inclined to speak of the ‘central campaign management’ or the ‘central tactical apparatus’...implying an integrated campaign strategy centrally managed. It was a surprise to me to see how little there was of anything of this sort. The impression I got was of several ill-coordinated decision-making centres...Relatively little attempt seems to have been made to bring these different elements together into a coherent campaign strategy.⁶⁶

Fraser’s fears about how to handle a minority government were more specifically addressed in a letter which Maurice Macmillan, who had been present at the first post-election meeting of the Shadow Cabinet on 11 March 1974, sent to Edward Heath on the day following the meeting:

If Wilson were to be returned with a working majority in (say) October 1974, he could move to a programme of full blooded socialism without damage to the economy owing to the increasing flow of oil from the North Sea. Because of the power of the Unions, because the constituencies are dominated by the Left and because the Parliamentary Labour Party is moving steadily to the left, this would mean the end of

⁶⁵ CPA, CRD (Uncatalogued Papers), Box 50.

⁶⁶ CPA, CRD (Uncatalogued Papers), Box 39.

the Social-Democrat element in the Labour Party and establish the dominance of the more extreme Left. Even such a Labour government cannot prevent us becoming a rich country by the early 1980s, so we could well see another Labour win in an election in (say) June 1979... Our own Party will never forgive us if we allow Wilson to hold the initiative as a minority government and appear to be maintaining him in office. The country voted for moderation.⁶⁷

Thus, after February 1974, the emphasis, for understandable reasons, was on the need for an effective and immediate response rather than longer-term strategic positioning. That this was the order of priorities is well captured by Chris Patten, newly appointed CRD Director. 'We knew that another election must be imminent and that there was neither the time nor the inclination to set up an elaborate policy-making exercise' – which would have been based, one must assume, on a carefully carried out assessment of the reasons for defeat. 'The main strategic objective was to contain the scale of Labour's advance in an early second election.'⁶⁸

As part of its post-mortem, a party in opposition should not simply be looking to learn from the mistakes of its defeated predecessors, but should also be prepared to acknowledge whatever successes they may be thought to have had. In this respect, the Thatcher Opposition showed a somewhat surprising degree of open-mindedness, a good example of which was contained in a memorandum of 28 October 1975 by David Howell, who was not in the Shadow Cabinet at the time, to the Public Sector Working Group, setting out the lessons which he thought could be learned from the work of the team of businessmen assembled by the Heath government in 1970 to help it come to grips with the bureaucratic machine. Notwithstanding his positive

⁶⁷ CPA, LCC (74) 12 March 1974.

⁶⁸ Patten, 'The Thatcher Years' in A. Cooke (ed.), *Tory Policy-Making; The Conservative Research Department 1929-2009*, pp. 80-81. Keith Middlemas put things more starkly. 'Stunned by defeat, followed by Heath's attempt at what his critics considered was a corrupt bargain with the Liberal Party, the party was granted no immediate chance of a post-mortem.' It was 'at odds with itself', new thinking being 'blocked by the refusal of its leadership to submit to an open post-mortem.'. K. Middlemas, *Power, Competition and the State, Volume 3. The End of the Postwar Era: Britain since 1974* (Macmillan, London, 1991), pp. 20 and 21.

assessment of the value of recruiting outside experts, however, Howell acknowledged ruefully that despite their good work, Heath's businessmen had 'been allowed to go without being replaced...after political interest was lost in cutting government'.⁶⁹ In the course of the next four years, the Party, principally in the shape of Joseph, took advice from a whole range of like-minded outsiders, including some who were defectors from Labour. The part played by these outsiders, who came to be called 'irregulars', and the nature of the contributions they made or were called upon to make, is dealt with in the next chapter.

Whatever reasons might be entered on a party's death certificate to account for its departure from the real world into the shadow world, a key factor in determining its future direction and in achieving as great an appearance of unity as possible, will be the balance of power which emerges between the Leader of the Party, the group assembled as a Shadow Cabinet, the rest of the Parliamentary Party and the wider Party in the country. Though it has always been the Conservative Party tradition to leave the last word on policy-making to the Leader, 'in practice', according to Patten, 'the Leader [works] in consultation with her or his chosen colleagues in the Cabinet or Shadow Cabinet, and with members of the parliamentary party [and] must also take account of the views of the party outside parliament, as expressed for example at the party Conference'.⁷⁰ A variation on this view, however, is offered by John Ramsden who observed that, 'The [Conservative] Party is more oriented towards leadership than other British parties and...the Leader can usually get his way on an issue if determined to do so'.⁷¹ This difference, though apparently only one of

⁶⁹ CPA, KJ 8/25, memorandum by D. Howell, 28 October 1975.

⁷⁰ C. Patten, 'Policy-making in Opposition' in Z. Layton-Henry, (ed.), *Conservative Party Politics* (Macmillan, 1980), p. 10.

⁷¹ J. Ramsden, *The Making of Conservative Party Policy: The Conservative Research Department Since 1929* (Longman, London, 1980), p. 2.

emphasis, was more than ordinarily significant, as we shall see, during the years of the Thatcher Opposition when the newly elected Leader had to contend with a Shadow Cabinet and a Party in which were represented widely divergent shades of opinion about the best way forward.

Excepting, therefore, the influence of the Leader, it is obvious that the Shadow Cabinet is of central significance as a policy-making forum when a party is in opposition, though its emergence in its present form, with its leading members allocated to shadow specific government posts and thus taking on responsibility for policy formulation in those defined areas, is a fairly recent development. Certainly before the 1960s, the tendency was for opposition leaders not to let the shape of their Shadow Cabinets be dictated by whatever Cabinet dispositions governments chose to make. Churchill did not, for example, replicate Attlee's Cabinet appointments between 1945 and 1951, preferring not to tie his colleagues to particular portfolios. Present shadowing arrangements, however, were forced by 'the need to have an authoritative spokesman to define the opposition stance in each area, and to do so with regard to the media-imposed need for instantaneous comment'.⁷² The advantage which this brings, presentationally at least, is that it gives the impression of an opposition team ready and equipped to step into office. It also, of course, allows for the development of real expertise by opposition spokesmen in particular policy areas. And yet oppositions cannot be effective, other than in the negative sense of offering criticism of government policies, until a positive opposition platform has been worked out. Oppositions are said to prepare themselves for government; governments do not prepare themselves for opposition, and those who have vacated

⁷² J. Barnes and R. Cockett, 'The Making of Party Policy', in A. Seldon and S. Ball, *Conservative Century* (Oxford University Press, 1994), p. 354.

office will almost certainly not be disposed to continue promoting the full raft of policies which the electorate has just rejected. There is therefore always a hiatus after a general election while an opposition determines its new or revised direction of travel.

The contents and tone of an opposition policy portfolio, when eventually assembled, will, as I have already noted, have been greatly influenced by the convictions of those whom the leader of the party appoints to the Shadow Cabinet. Whatever panoply of committees, working groups, research bodies etc. underpin the Shadow Cabinet, the bringing forward of papers for consideration will be controlled by Shadow Ministers and approval of them (or not) will reflect the balance of political opinion in the Shadow Cabinet itself. If the Shadow Cabinet, therefore, is to act cohesively and be prepared to travel in the direction in which the leader of the opposition would wish to lead it, appointments to it will have required careful consideration. The difficulty of achieving a balance acceptable to the Party as a whole but providing clear support for the leader is very well illustrated by the account in Margaret Thatcher's *The Path to Power* of the problems she had in 1975 in selecting a Shadow Cabinet which served both purposes. Her first meeting was with the Shadow Cabinet which had served her predecessor, Heath, but the complexion of which she was clearly going to want to change. Because of his standing in the Party, she appointed Lord Whitelaw as Deputy Leader – despite the fact that he had himself stood against her as a leadership candidate – and subsequently felt constrained to offer a post to the deposed Leader himself who, to her relief, was not prepared to serve under her. Thereafter, it was a matter of placing her closest allies, such as Joseph and Geoffrey Howe, in the key economic positions

and marginalizing the possible influence of those, such as Reginald Maudling and Ian Gilmour – who had been Heath supporters, who had a significant following in the Party and whom she knew would be likely to oppose her economic liberalism inclinations – by appointing them to roles where they would have least direct influence on the formulation of economic policies. Speaking for herself and Joseph, she wrote that ‘I was under no illusion that my victory in the leadership election represented a wholesale conversion [to free-enterprise economics]. Our ability to change Party policy as the first step towards making changes in government, depended upon using our positions to change minds’. New appointees could only be accommodated by ousting some members of her predecessor’s Shadow Cabinet, and the services of such as Peter Walker and Robert Carr were dispensed with. Thatcher acknowledged that ‘the published Shadow Cabinet list was...seen as a compromise, [annoying] the left of the Party and [disappointing] the right’ but was satisfied that it nevertheless shifted the balance in her direction.⁷³

Thatcher had been a Member of Parliament for sixteen years when she became Leader and had been appointed to her first Ministerial post exactly a year after first being elected. She was given a place in Heath’s Shadow Cabinet in 1967 and was brought into the Cabinet after the Conservative election victory in 1970. But having had, throughout her political career up to that point, to concentrate on a variety of Departmental duties, she had not had the opportunity to familiarise herself to any great degree with the wider range of talent in the Party. The choice of her Shadow Cabinet was, therefore, constrained not only by the nature of her rise in the Party and the circumstances of her election, but by the fact that she took over a Shadow Cabinet newly chosen by her predecessor and of which she had been a member.

⁷³ M. Thatcher, *The Path to Power* (HarperCollins, London, 1995), p. 290.

Heath had been in the same position in this latter respect when he had taken over from Sir Alec Douglas Home in July 1965, but had had the great advantage of knowing a great deal about the membership of the Parliamentary Party as a whole due to his lengthy service as the Party's Chief Whip, both in opposition and in government. Heath believed that future Ministers must specialise long before they came to office and he was concerned, therefore, to build up a team of specialised individuals rather than a team of generalists. Some who had served in relatively minor roles in opposition were brought into government in 1970, not in order to provide balance, but because 'they had caught Heath's eye and won his respect' as political professionals.⁷⁴ Heath's Shadow Cabinet, therefore, was essentially a group of technocrats which he handled at something of a businesslike distance. It operated as a collective and produced political compromises which, over the course of time, were to produce a sense of irresolution.

As well as the need to strike a careful balance in making Shadow Cabinet appointments, the question of determining exactly how policy-making should be approached is of fundamental importance, in which respect the differences between the approaches adopted by Thatcher and Heath are striking.

After the 1964 Conservative election defeat, Heath had taken direct charge of policy preparation. He established a number of specialist bodies, which included some industrialists, businessmen and academics (who were permitted to remain anonymous). The result of their work was a policy document *Putting Britain Right Ahead* published in 1965. The work had been rushed, however, and the completion of the work programme had been complicated by the change of Party leadership in

⁷⁴ James, *Ambitions and Realities*, p. 134.

July 1965 when Heath succeeded Sir Alec Douglas Home. After the expected election defeat in 1966, it was felt, however, that the work done in 1964 and 1965 had been sufficiently well founded to warrant its being carried forward and built upon in a more considered way. The policy groups which Heath had set up were expanded until nearly 400 individuals were involved, of whom only about a half were MPs. The work continued until the next election. Indeed, two weeks before the election the Conservative Public Sector Research Unit was still making major recommendations, in anticipation of victory, to the effect that 'How much is achieved in the next five years may well depend on how quickly it proves possible to release those economic resources which are at present used by government for purposes which you and your Cabinet will feel to be justified'. Two of their recommendations were 'the establishment of a separate ministry responsible for expenditure programmes and the establishment of a central capacity under the Prime Minister'.⁷⁵

Thatcher's approach to policy-making in opposition was entirely different from that of her predecessor. Heath had adopted a problem-solving approach to issues identified as requiring to be tackled once in office and had, in consequence, been 'over-prepared with policies for power, but under-prepared for the changing circumstances [which might be found] when [he] got there' – an approach to which Thatcher and Joseph, both members of Heath's Shadow Cabinet, had not been

⁷⁵ CPA, KJ 15/1, submission to Heath from Conservative Party Public Sector Research Unit, 3 June 1970. The frantic nature of the process is captured by the then Director of the Conservative Research Department, Brendon Sewill: 'The apogee of all our research was the legislative programme for the first year of the new Parliament. Typed on large sheets of paper (spread-sheets were unknown in those days) it showed, week by week: first, the dates of known events such as the day fixed for changing to a decimal currency; second, Parliamentary business – with proposed dates for introducing a score of Bills; third, suggested dates for government announcements; and fourth, the timetable for drafting legislation. I delivered the final version of this document to 10 Downing Street on the evening after polling day.' B. Sewill, 'Policy-Making for Heath' in Cooke (ed.), *Tory Policy-Making: The Conservative Research Department 1929-2009*, p. 69.

sympathetic. They believed that it was necessary to settle principles and a general direction of travel before policies were formulated in detail – in effect to take a more ideological approach, which was the method they adopted once Thatcher had succeeded to the Leadership. By the time of the 1979 election, this had given the Party a clear identity and, importantly, one which was easily distinguishable from that of the Labour government, though it emerged as such only in the months before the election. In practice, this meant that there were many fewer *ad hoc* policy groups than there had been between 1965 and 1970, and the first ‘strategy document’, *The Right Approach*, produced for the 1976 Party Conference, merely sought to spell out how a Thatcher government would approach problems and against what set of principles they would be prepared to be judged, rather than lay down what the solutions to them would be.⁷⁶

Whatever approach to policy-making is preferred, however, the pressure on a new Conservative Party Leader in opposition to respond at short notice to government initiatives and announcements, means that the need to address longer-term strategic objectives and to set a framework within which day-to-day decisions can be taken with some semblance of consistency, can be a long-drawn out and complicated business, particularly where, as with Thatcher’s first Shadow Cabinet, strongly differing views are held about what direction should be taken. As has already been noted, these difficulties emerged with startling clarity at the Shadow Cabinet meeting of 11 April 1975, two months after Thatcher’s election as Leader. A paper submitted by Joseph invited consideration of a range of particular issues within a suggested strategic framework and sought to ‘identify broad areas of agreement and

⁷⁶ Ramsden, *Making of Conservative Party Policy: the Conservative Research Department since 1929*, pp. 308-9.

disagreement'. In the event, little substantive agreement was possible and further discussion and study was recommended on almost all the issues put forward. For example, on 'Defence – External...it was agreed that there should be a presentation of all the issues involved'; on 'Defence – Internal...it was agreed to set up a small group which might investigate militant activities and foreign experience of terrorism and how all this could be combated'; on 'Immigration...it was agreed that this subject required further study'; on 'The Economy...Mr Prior was organising a group to examine the wider questions of unemployment, over-manning, retraining, redundancy and redeployment, and European practice in their fields'. And so on.

In the event, this led to an extended exercise which, in many respects, matched the complexity of the one undertaken by the 1966-70 Heath Opposition. That exercise had been led by ex-civil servant James Douglas, assistant director of the CRD, who, according to his *Times* obituary in 2004, had 'presided over it with a combination of impartial academic analysis and political nous'. It had been Douglas who, in 1964, at the request of Sir Alec Douglas-Home, had drafted a new set of rules for electing the leader of the Party and it was he too who redrafted them 10 years later to allow for an annual challenge to Heath. Having been promoted to be Director of the CRD in 1970, he failed to establish a personal rapport with Heath and after advocating the calling of an early election in 1974 – not on a 'Who Governs?' platform but because of the adverse international situation – he made way for Chris Patten, though remaining as consultant director until 1977.⁷⁷

⁷⁷ *The Times*, 28 September 2004. Interestingly, in 1994 Douglas reviewed Richard Cockett's *Thinking the Unthinkable: Think-Tanks and the Economic Counter-Revolution, 1931-1983* (Fontana, 1995). His chief criticism was that Cockett's history was 'almost exclusively intellectual' and that he had had 'virtually nothing [to say about] about the events that cleared the pitch for the triumph of liberal economic policies', such as 'the oil shocks created by the establishment of OPEC that dealt fatal blows to Keynesian policies all over the world.' As he put it, 'A revolution in policy requires more than people prepared to think the unthinkable'. J. Douglas, 'Book Review - Thinking the Unthinkable: Think-Tanks and the Economic Counter Revolution', *Journal of Public Policy*, Vol.14,

Therefore, despite the intentions of Thatcher and Joseph not to tie themselves too tightly to policies devised in opposition but to leave themselves, once in government, with sufficient flexibility to adapt policies to emerging circumstances, by early 1976 Douglas, on his return from an academic half year's leave in America, was moved to observe that 'there are seventy Policy Groups being serviced by the Research Department compared to thirty-five at the peak of activity in the 1964-70 period'. He could not see that broad lines were emerging in any policy area 'with the one exception of our policy on public expenditure'. He offered a number of reasons for the situation as he found it:

'After 1964, the predominant impression was that, after thirteen years of Office, the Conservative Party had run out of ideas and had been marking time for some years under an ageing leadership of elegant aristocratic lassitude. The need was to convince the electorate that the Party was still, as it had been seen to be in 1951, a live intellectual force with something to offer towards the solution of the country's problems...Today the public does not need convincing that the Party is capable of embarking on a programme of dynamic action, but rather that the dynamism will not capsize the boat.'⁷⁸

He bemoaned the absence of a sufficient number of outside experts on the Policy Groups. MPs, he believed, were naturally more concerned with day-to-day matters and not given to strategic thinking. 'For the most part', he wrote on a separate occasion, 'they are unconcerned to grasp a policy stance or political theory unless they can stub their toes on the concrete minutiae of its application, and yet few of them have the time or in many cases the technical ability to master the details of the more complicated subjects'.⁷⁹ He thought the work done thus far had not put the Party 'in a position to appear as a credible alternative government'. 'The policy group work', he argued, 'need[ed] to be adjusted to provide conditions in which

Issue 2, (1994), pp. 243-246.

⁷⁸ CPA, KJ 26/4, 1 February 1976.

⁷⁹ Ibid., 28 July 1975.

serious thought [could] be given to the...posture of the Party at the next election'. Work should be 'concentrated on a narrow front...rather than spread thinly over a wide area'.⁸⁰ CRD Director Patten sent the paper on to Angus Maude, CRD Chairman who, perhaps irritated by its somewhat critical tone, refused to circulate it to the Shadow Cabinet's Policy Sub-Committee, chaired by Joseph, progenitor of the Policy Group exercise. Tensions, which I shall deal with in more detail later, were already arising over the way Joseph was approaching policy-making, not just within the Party apparatus, but by involving outside advisers. The tensions were most evident in the Department's relations with the CPS and later with the team which was set to work under John Hoskyns on strategic development, focusing principally on the need to tackle the trade union problem.

To be fair to Douglas, he had voiced his misgivings in a memorandum which he had sent to Joseph, Maude and Patten on 28 July 1975 before he went on his academic leave. Recognising, perhaps, the hackles he would cause to rise, he described his comments as 'deliberately provocative'. And so they were. 'At the last count', he wrote, 'there were 36 policy study groups already set up or being set up. I can already see the ghost of "Selsdon man" walking. He may be a rather different man... and on the basis of the reports I have seen so far, more clumsily built. But he is still an artificial man created from a poorly articulated collection of divers solutions to a myriad different problems'.⁸¹ It was still early days of course. Thatcher had been leader for only four months, but Douglas's irritation, fuelled no doubt by the decision not to give control of the exercise to the CRD and by the limitation of the

⁸⁰ Ibid., 1 February 1976.

⁸¹ CPA, KJ 26/4, 28 July 1975. Selsdon Man had been invented by Harold Wilson, as a pejorative expression, after the Selsdon Park Conference held shortly before the 1970 election. Douglas is not referring to the myth, however, but to the disinclination to be selective in terms of policy prioritization. B. Sewill, 'Policy-Making for Heath' in Cooke, *Tory Policy-Making: The Conservative Research Department 1929-2009*, p. 68.

Department's role to little more than providing secretariat services for the Policy Groups, was all too evident.

The Policy Group approach had been agreed at the inconclusive Shadow Cabinet meeting of 11 April mentioned above, and a mid-July deadline had been set for reports. Two weeks after the meeting, Douglas had warned of the dangers of overlap, of putting some individuals on too many groups and of what he called 'the sterility ratio' – that, for a range of reasons, some groups would produce nothing or little of value.⁸² He clearly believed on his return from America that his warnings had not been heeded.

Apart from the Shadow Cabinet, the 'commanding heights' of policy formulation when the Conservative Party is in opposition have traditionally been the Central Office, the Advisory Committee on Policy and the Conservative Research Department.

The Central Office is, constitutionally, the Leader of the Party's Office and the relationship between the Leader and the Party Chairman, who presides over the Central Office, is therefore a vital one. The Party Chairman is the link between the Party in the country and the Party in Parliament and has a key role to play in gaining acceptance for Party policy among the Party at large, which he attempts to do by exhortation and persuasion in the absence of any formal powers of direction over constituency associations. As Thatcher frankly acknowledged when elected Leader, most of the Party in the country accepted her leadership only on sufferance. It was vital, therefore, for the Party Chairman to share her policy instincts as well as to have

⁸² CPA, KJ 26/4, 25 April 1975.

the stature to command a hearing in the constituencies. She had also become convinced during the leadership campaign that it would be difficult for some of the other senior staff in the Central Office to demonstrate the required degree of loyalty to her should she be elected. To kill two birds with one stone, she appointed Peter Thorneycroft, a known supporter and seen, at the time, as an economic ‘Dry’ – who had resigned as Chancellor of the Exchequer in 1958 over the Macmillan Cabinet’s refusal to accept his recommendations for Budgetary measures to control the money supply – as a Chairman on whose loyalty she knew she could rely and in the knowledge that he would sift out those staff not committed to her.⁸³ This he did over a period, though some forms of the sort of obstruction she had foreseen endured for a considerable time. One of those whose services were dispensed with was the Director-General, Michael Wolff, a committed ‘Heathite’.

The Advisory Committee on Policy (ACP), which was split off from the Advisory Committee on Policy and Political Education four years after the latter’s creation in 1945, has lain at the heart of Conservative Party policy-making from its creation until the present day. Its most famous Chairman was R.A. Butler who, between 1945 and 1951, used it as an instrument for reconciling the Party to the need, as he saw it,

⁸³ In his memoir written in 1992, Nigel Lawson, Chancellor of the Exchequer from June 1983 to October 1989 took a different view: ‘Peter Thorneycroft owed this reputation to his courageous resignation as Chancellor at the beginning of 1958 after a clash with the then Prime Minister, Harold Macmillan, over public expenditure. The episode gave a false impression, however, of his degree of commitment to the sound money approach.’ N. Lawson, *The View From No.11: Memoirs of a Tory Radical* (Corgi Books, London, 1993), fn. to p. 33. At a more fundamental level, John Hoskyns was also critical of Thorneycroft after he met him in January 1978 for a discussion of the Stepping Stones exercise (dealt with in detail in Chapter 6 below): ‘talk to Thorneycroft...on Stepping Stones. He produced a completely meaningless critique of Stepping Stones on two sheets of paper, which at least served to show that he had totally missed the point of its thesis...We got on fairly well, but he probably managed not to hear my fairly effortless demolition of the really half-baked comments he made’. CCA, HOSK 1/65, 25 January 1978. ‘The party chairman, Peter Thorneycroft, erstwhile super-dry, aligned himself with Teddy Taylor [in pressing Thatcher to concede an open-ended Clegg commitment to pay comparability between the public and private sectors, which would run counter to] our declared policy...to contain public sector pay increases within increasingly strict cash limits on public spending’. G. Howe, *Conflict of Loyalty* (Macmillan, London, 1994), pp. 114-5.

for a consensual approach to the political realities of the post-war world. Its function is wider than simple policy formulation, as indicated by its membership which incorporates representatives nominated by the National Union, the 1922 Committee, peers and Party managers. The Committee reports directly to the Leader and has no formal powers other than to advise the Leader on how the Party at large is likely to react to a particular proposal. Though its role is limited in this way, the fact that Joseph was appointed Chairman in 1975 not only enhanced his own role as the Party's policy 'overlord', but ensured that another of the key policy-making mechanisms was under the direction of someone of a similar mind to the Leader. Joseph's appointment also helped to damp down – though no more than that – conflicts between the Party machine and the newly-formed Centre for Policy Studies (CPS), whose influence increasingly extended into all areas of the Party's policy-making function (see Chapter 4).

The high-profile role adopted by the CPS under Joseph's patronage, impinged most, and not surprisingly, upon the role of the Conservative Research Department (CRD). Since it was set up in 1929, the CRD had been seen as the main source of policy advice for the Leader when in opposition and a continuing important source of advice when in power. It had generally had as Chairman a politician of Cabinet rank and senior staff appointed with the Leader's approval. It had been directly responsible to the Leader through its Chairman. Its principal functions had been the provision of policy advice and administrative support to the Shadow Cabinet, Parliamentary Committees, other policy groups and individual MPs, and it had had a major hand in drafting election manifestos. It had naturally played a less central role when the Party had been in power, when it had had limited access to the Party Leader

and had had to compete as a provider of policy advice with the civil service. During the period in office of the 1970 Heath government, for example, the Department, without a politician as its Chairman (the position being filled by Michael Fraser, Deputy Chairman of the Party), had been less able to influence government policy-making than it had been between 1965 and 1970. Its post-1970 role was also adversely affected by the remit of the Central Policy Review Staff – which had been set up as a ‘think tank’ in 1970 to foster forward-thinking – and further weakened by the appointment of political advisers to Ministers. The uncertainty about the CRD’s role after the February election in 1974 mirrored the uncertainty about the future felt by the Party as a whole, a condition which was compounded, so far as the Department was concerned, by the October defeat. Though the appointment of a Senior Shadow Cabinet figure, Angus Maude (another Thatcher supporter), to be Chairman of the Department after Thatcher became Leader of the Party cleared up one form of uncertainty, his closeness to Joseph, proponent of the need to concentrate on themes rather than details in policy-making and, more particularly, the setting up by Joseph of the Centre for Policy Studies, created new anxieties. The CPS not only sought to break the CRD’s monopoly of providing research and policy advice to Shadow Ministers, in which respect it had only limited and indirect success, but left the Department feeling that its generally progressive approach to Conservatism was now out of alignment with the new leadership. On joining the Department in 1979, Matthew Parris described it as ‘a low-lying island of old-fashioned Toryism waiting for the tsunami of Thatcherism, a faint perturbation on the horizon, to wash over and obliterate it’.⁸⁴ Its reaction to its loss of influence is colourfully described by John Ranelagh:

⁸⁴ M. Parris, *Chance Witness: An Outsider’s Life in Politics* (Viking, London, 2002), p. 169.

Within the Party bureaucracy it was felt essential to hold on to the respect of the media by indicating privately to journalists that the new leader was an aberration on the part of the MPs who elected her, that she would soon be out and Willie Whitelaw would replace her. In pursuit of these objectives, the Research Department acted as unofficial custodian of the Heath/Whitelaw flame, arguing against such Thatcherite ideas as free collective bargaining in industrial relations or education vouchers or the replacement of the rating system with a poll tax...Because of this resistance, CRD, traditionally the party's Think-Tank, gave way in important respects to the independent, Thatcherite Centre for Policy Studies.⁸⁵

Thatcher herself offered a somewhat more charitable though qualified view about the CRD's role after 1975:

The CRD...because of its intellectually distinguished past...had a specially important role, particularly in Opposition. In a sense, the Centre for Policy Studies had been set up as an alternative to the Research Department. Now that I was Leader, however, the CRD and the CPS would have to work together. The Director of the Research Department, Chris Patten, I knew to be on the left of the Party. Much bitterness and rivalry had grown up between the CRD and the CPS. In the eyes of many on the right it was precisely the consensus-oriented, generalist approach epitomised by the CRD which had left us directionless and – in the words of Keith Joseph – ‘stranded on the middle ground’. I decided to replace Ian Gilmour with Angus Maude as Chairman of the Research Department, who would work with Keith on policy, but leave Chris Patten as Director...These were good decisions. I came to have a high regard for the work of the department, *particularly when it was fulfilling its role as Secretariat to the Shadow Cabinet rather than devising policy* (my italics).⁸⁶

One might be forgiven for thinking that this is a sophisticated example of damning with faint praise.

As we have seen, the Centre for Policy Studies was set up as a research unit after Heath's grudging approval that Joseph should make comparative studies of other European economies, particularly the so-called ‘social market economy’ as practised in Ludwig Erhard's West Germany. In a letter of 18 April 1974 to Sir Ernest Woodroffe, Chairman of Unilever, Joseph wrote:

⁸⁵ J. Ranelagh, *Thatcher's People* (HarperCollins, London, 1991), p. x.

⁸⁶ Thatcher, *The Path to Power*, p. 292.

I have been entrusted by Ted Heath within the Shadow Cabinet with a remit to study the lessons for government in this country of the greater success that some neighbouring countries, such as Holland, West Germany and France seem to have had in releasing the potential of a social market economy. I am proposing to set up a small Institute which will gather the necessary information. I have used the phrase 'social market economy' because that was the phrase used by Erhard, indicating an economy geared above all to the wishes of consumers, though always conscious of and creative in meeting social needs and the legitimate requirements of procedures.⁸⁷

Though one of the CPS's early pamphlets, with a Foreword by Joseph himself, was called *Why Britain Needs a Social Market Economy*, the social market concept itself was soon shelved, in large part because it was thought to signal a market with an unhealthily high degree of social protection.

Whatever its origins and however much it changed its objectives after Thatcher became directly involved with it in May 1974 and, more particularly, after Heath gave way to her as Leader in February 1975, the central importance of the Centre for Policy Studies to the development of Conservative Party thinking and policy formulation during the remainder of the Party's period in opposition cannot be doubted. It was, though formally independent, an integral part of the Party's policy-making machinery, unlike, for example, the more detached and independent Institute of Economic Affairs. Any influence it acquired, however, was not wholly at the expense of CRD. What it offered in effect was a parallel stream of advice which, if anything, complicated rather than simplified the policy-making process during the opposition years. The ways in which the tensions which arose between the two bodies manifested themselves is dealt with in the next chapter. Despite its arms' length position from the traditional centres of power, the CPS – with whose deliberations Thatcher kept closely in touch and who received from it continuing

⁸⁷ CPA, KJ 10/8.

direct assistance, particularly with speech-writing – was influential in helping to mark out the new non-socialist economic and social path for Britain which Thatcher, Joseph and some like-minded supporters were intent on delineating. It performed a role which the CRD was both temperamentally and from conviction ill-equipped to perform and which the latter continually sought to undermine and derail by a variety of clever manoeuvrings and by engaging the support of those at senior levels who were antipathetic to the Joseph line.

What the contents of this chapter reveal, therefore, is that, to surface appearances, all the parts of the traditional policy-making machine, as detailed by Ramsden, Alistair Cooke [now Lord Lexden], Patten and others, were in place during the period 1974-79 and fully functional. Two features, however, gave the period a distinctive flavour in relation to how they exercised their functions, or were enabled to do so. The first was the determination of Thatcher, taking over the leadership of the Party only a year into the period, not only to shape its thinking to accord with her own beliefs and instincts by placing like-minded colleagues in key positions within the policy-making apparatus, but to abandon the over-prescriptive and minutely planned approach of her predecessor to preparing for government in favour of simply indicating the direction in which a new Conservative government, if and when elected, would be seeking to travel. Given the strength of the pull which those of her colleagues who would have preferred to travel in a different direction could exert, however, she showed herself willing to rely more than would normally have been expected on those whom Joseph, her trailblazer, assembled as his ‘irregulars’ – intellectuals, journalists and others who had been attracted by the messages he had been preaching since the early days of opposition and who, as he and she were

looking to do, were anxious to find an alternative to the post-war pattern of politics and an answer to the economic decline which had resulted from it. As Joseph and Thatcher realised, the defences of the old regime would be unlikely to be breached from within and what was needed was pressure exerted on the system from outside. This was to come from the CPS, both directly and indirectly: directly from the assistance given by Sherman and others in the form of speech-writing and pamphleteering, and indirectly by the recruitment of supporters, not least from elsewhere in the political spectrum, who would spread the message by other means and who would make themselves available to work on projects in a manner which by-passed the normal policy-making processes. Thus, Joseph and Thatcher nurtured a cuckoo in the Party policy-making nest to the huge discomfort of its traditional inhabitants. The effect which its presence had on those who had to co-habit with it and what resulted from this enforced partnership is the subject of the next chapter.

Chapter 4: Insiders and Outsiders

The last chapter described the framework for policy-making within the Conservative Party, as it had taken shape by the time Thatcher assumed the Leadership of the Party in February 1975. We saw how Joseph with Thatcher's overt approval had grafted onto the normal policy-making apparatus, conditioned as it was to the production of policies reflecting an Oakeshottian view of Conservatism – pragmatic and accommodating to change in a measured and somewhat reluctant way, a new body dedicated to the formulation and acceptance of what, with a few exceptions, the traditional policy-makers regarded as a foreign – in all senses of the word – ideology. It also brought an urgency to the pursuit of radical change of a nature which they believed could lead only to electoral disaster. That this ideological approach reflected the instincts of a Leader who had, as many felt, been elected by default, merely served to enhance the suspicions of those who felt their established roles and attitudes being unaccustomedly challenged.¹ It presaged a continuing conflict as each body or group sought to influence the direction which it believed the Party ought to be taking. This chapter and the two which follow, therefore, examine the various forms of dysfunctionality which existed between the bodies and groups involved in the policy-making process. This chapter concentrates on the relationship between the CPS and the CRD and considers how it affected what finally emerged by 1979 as the platform upon which the election was going to be fought.

The first issue which invites attention is why Joseph saw the need for the CPS, or for a study centre of any sort, given his ready access to the thinking of Ralph Harris and

¹ '[Patten, for example] did not just dissent from Thatcher's tone (to which his pained reaction was very obvious) but from some of the core of what she was aiming to do.' M. Parris, *Chance Witness* (Viking, London, 2002), p. 175.

Arthur Seldon at the Institute of Economic Affairs (IEA) and their readiness, even anxiety, to keep him abreast of the views of Hayek and Friedman; his ability to rely on the support of Thatcher and a few other key colleagues, of whom Geoffrey Howe was the most important and influential (and who also had strong links with the IEA); and the vital help of Alfred Sherman in preparing the material he used in his 'third crusade'. Indeed, it is by no means evident that, when it was set up, he had any clear view about its future role, beyond that somewhat spuriously agreed with Heath.

The origins of the Centre are shrouded in a thin veil of mystery. It has been suggested in some quarters, though not verifiably, that it was Heath who proposed the establishment of a separate office to support the roving policy role which Joseph had persuaded him would be the best way of using his talents, the implication being that this was his way of getting Joseph out from under his feet. This was, in essence, the view which Sherman took:

The idea was...floated that Joseph [having been overlooked for the post of Shadow Chancellor] should establish a think tank. It was not clear who mooted its creation, but on balance it seems likely to have been Heath, keen to keep Joseph busy and to avoid a repetition of his heretical statements in 1969-70.²

Nigel (now Lord) Vinson believes that the idea actually originated with Sherman, that Joseph then persuaded Thatcher of the need for what he heard being referred to as an 'Institute for Alternative Policies' and that the idea was then put to Heath, who had little choice, given his failure to appoint Joseph as his Shadow Chancellor, but to accept what was proposed. Vinson believes that if Heath had demurred, Joseph would have proceeded anyway. But however the idea originated, Heath and Joseph certainly agreed, as we have seen, for public consumption at least, on an initial

² A. Sherman, *Paradoxes of Power* (imprint-academic. com., Exeter, 2005), p. 48.

agenda – to study the use of market economics in European states and, in particular, the successful market economy of West Germany.

Whether either had a deeper motive than surface appearances suggest cannot be definitively established at this distance in time, though evidence that Joseph could have had such a motive might be found in the lengths to which he went to set up the CPS as a body independent of the Party hierarchy and to solicit funds for its support which, it has been suggested, might otherwise have gone to the Party itself. Vinson, in effect the first Chief Executive of the CPS and a key fundraiser, is adamant that funding was never diverted away from the Party.³ When soliciting support from firms or individuals, he was always scrupulous, he claims, to make it clear that any donations to the CPS had to be in addition to any monies which were already being given to the Party.⁴ The early accounts of the CPS which, according to Vinson, always operated on a shoestring, no longer exist, so the case cannot be proved one way or another, but that this was a possibility which bothered Heath is clear from views expressed at the time and afterwards.⁵ If nothing else, it was taken as a sign by

³ 'Thatcher is very keen on businessmen...she likes people who've done well in big efficient firms...but she also believes that successful small businessmen are great men. Hoskyns...was one...Nigel Vinson is another; he mainly financed the CPS. Was successful by exploiting some kind of invention (plastic boxes)'. Adam Rowe, Conservative Central Office to Hugo Young, 13 September 1979 in H. Young, *The Hugo Young Papers* (Penguin Books, London, 2009), pp. 131-2.

⁴ It was not only the Party which was concerned about the 'new gravitational force on...financial goodwill' which the CPS represented. The Bow Group was also concerned. 'The issue of future funding was serious since the CPS, like the Bow Group, had to maintain the impression that it was not poaching money which might otherwise have gone to the Party: both organisations were...reliant on similar sources'. J. Barr, *The Bow Group* (Politico's, London, 2001), p. 153.

⁵ As one Heath supporter claimed at the time, 'It was a fraud. Keith Joseph went to Ted and asked his permission to set up a fund to see how private enterprise worked in other countries. He then went round the City saying that he had Heath's permission to raise money. Then it became the Joseph/Thatcher power base for attacking everything that Ted stood for'. W. Keegan, *Mrs Thatcher's Economic Experiment* (Allen Lane, London, 1984), p. 47. The 'Heath supporter' is not named. When the question of funding cropped up again in 1977, however, Sherman set out the position of the CPS, as he saw it, in uncompromising terms. In a memo to Joseph on 18 October 1977, he wrote that, 'We could not accept money from Conservative Central Office for several reasons. 1. From the outset we have done our best to avoid competing with the Party for funds. Our sources are different. Were we to accept central office money, we should be seen to be taking away money which could be used for meeting perceived needs, not least improvements in salaries. 2. Money entails accountability and standardised procedures. We are so different an organism from the party organisation that we could

many of an intention on Joseph's part to distance himself from Heath and Heathite policies and not to have the edge taken off his developing thinking by having to seek clearance for it through normal Party channels. A further sign of 'distancing' was that Joseph in effect worked from the Wilfred Street offices which Vinson had obtained for the CPS. Vinson describes Joseph's intention as being 'to tread on Heath's toes'. If not deliberately treacherous or positively guileful in terms of the loyalty which the Party Leader might have expected from someone who had recently held high office under him, such a move can certainly be seen as ingenuously misleading. That Heath smelt something of a rat is probably borne out by his insistence on the appointment of his own special economics adviser, Adam [now Sir Adam] Ridley, as one of the CPS's three Directors, though according to Vinson, Ridley was never regarded with undue suspicion but seen rather as a 'symbol of probity', validating the position of the CPS within the Party.⁶ Vinson's view, however, was clearly not shared by Sherman who, writing to CPS Chairman, Hugh Thomas, in June 1979, expressed the view that 'Patten's attacks [on the CPS] were backed by several shadows (including Gilmour, Prior and Willie), front and back-benchers, and people inside the apparat, including Adam Ridley, who made use of his position as director [at CPS] since KJ refused to get rid of him'.⁷

Before Heath's suspicions could harden, however, he had been replaced as Leader of the Party by Thatcher, a real bonus for Joseph who had already persuaded her to be the Centre's Deputy Chairman. Joseph himself was Chairman. He could not have anticipated, of course, when he decided to set up the CPS, that the Conservatives

not work satisfactorily within such a framework. 3. We function as political economists, not party politicians. Financial dependence on the party could only impinge adversely on our intellectual independence and on our standing with the non-party world'. Sherman Papers, AC105/B1-3-50 Box 3.

⁶ Lord Vinson, private interview, 11 March 2010.

⁷ Sherman Papers, letter Sherman to Thomas, 11 June 1979, AR CPS/LMPC/6 Box 5.

would lose a second general election within a few months or that Heath would not only be deprived of the Leadership almost immediately thereafter but would have to surrender it, in a most unexpected and unlikely manner, to Thatcher. Indeed, it seemed at least a possibility in the summer of 1974, albeit for a short time, that he himself might come out on top in any Leadership contest which might be held. All of which indicates that in mid-1974 nobody, Joseph included, could have foreseen what sort of possibilities would open up just a few months later for the CPS to play the part it was to do in the development of Conservative thinking.

So how did the CPS, in the admittedly favourable circumstances which presented themselves after Thatcher's election as Leader, come to occupy the influential position it did in the years leading up to the 1979 election? Like most new organisations, the CPS produced a 'Draft Statement of Goals'. In it, it committed itself to what it called the creation of 'compassionate Capitalism', the production of a surplus by 'a vigorous, efficient and well-motivated private sector', a proportion of which would be devoted to sustaining and developing welfare services in their widest sense.⁸ Despite such a positive declaration, however, it rarely stopped agonising about its role. Much of the agonising in its early days was about its credo, how it might best organise itself internally and what external activities might most profitably be pursued with a view to serving what was collectively regarded as its prime function of seeking 'to change the climate of opinion to make possible policies not now feasible' – principally market economy policies. Sherman had strong views on where the Centre should locate itself, which he stated in a memorandum to Joseph in April 1975, when the Centre was nearing its first birthday, in the following terms:

⁸ Draft by Simon Webley, 'Statement of Aims' for CPS, 7 June 1974, Sherman Papers, ARCP/A80/1/2.

I argued [when we began our discussions] that since the party is a large bureaucratic apparatus one needed organisations on the edge of and outside the party to catalyse this. In other words even with the best possible conservative government in the best of all conservative parties we should need something like the Centre.

And setting a pattern for the future, he could not resist a dig at the CRD:

In practice, leaving aside for the moment the Shadow Cabinet, we do not have the best of all conservative parties and are not likely to have one for a long time to come. The Parliamentary party is with us for years to come. Whether the Research Department will be improved is anybody's guess; but I certainly do not envisage this improvement to a level where it could perform the functions that I would like us to perform, for years to come. At present its influence is wholly harmful: at present the most I could hope for would be to neutralise the effect of the Research Department. This leaves us with the job of the Centre to do long-term thinking and thinking in depth and active efforts to shake the climate of opinion by studies, polemics and other active means in hand.⁹

Sherman did not believe that the Centre needed a credo:

My view is that we should be better off without a credo...We shall be judged at the outset...by what we produce. If our first publications and activities show patent relevance and originality, and carry conviction, then our path will be easier. If, by contrast, we carry a standard liberal-economic credo which could have been written by the great and moderately great – say Hayek, von Mises, Acton (IEA) – we shall start off on the wrong foot. Our critics will jump on it, our friends will be embarrassed. We shall be written off as another Aims of Industry.

Publication of credos...will not help us batter down the walls of Jericho which, remember, include Conservative Central Office and the Shadow Cabinet among their bastions together with the Treasury, a good part of the universities and the 'new establishment' which includes much of the communications media.¹⁰

It is one thing, however, to draft goals but quite another to determine how they might be realised, in which respect the role of Sherman, whom Joseph appointed Director of Studies, should not be underestimated. Sherman's elaboration and, it has to be said, narrowing of the goals of the Centre appear, at first sight, to have produced a replication of the goals of the IEA – 'to moot new ideas and policies without committing the Party leadership'. The difference was, of course, that the Centre was

⁹ Sherman Papers, AR CPS/AS O/2/6 Box 7, 17 April 1975.

¹⁰ Sherman Papers, AR CPS/A80/1/16 Box 7, 18 November 1974.

a tool of the Party, albeit at arm's length from the formal Party hierarchy, and was very definitely not non-party as was the IEA. As Sherman made clear, the hope was that 'when sufficient headway had been made with public opinion and inside the Party, the leadership could move forward'. While it would perhaps be going too far to call it a fifth column within the Party, the Centre, as seen by Sherman, was certainly dedicated to 'trail-blazing' and 'skirmishing' outside the formal party apparatus. With more than a touch of naiveté, Sherman protested, on the second anniversary of the Centre's foundation in 1976, that 'there [was] no substance in the picture of the Centre presented here and there as a party within a party or private army. The Centre has its place in the scheme of things'.¹¹ The sense of resentment which the Centre roused in many quarters of the Party did much to belie the assertion. Writing in 2000, John Hoskyns, adviser to Thatcher from 1976 and Head of the No. 10 Policy Unit from 1979 to 1982 (and a Sherman acolyte), observed that 'It [was] clear that no one outside the Joseph-Thatcher-Sherman circle had any idea that [the CPS] would be more than a new intellectual toy for Keith Joseph. In fact, it was to become the base from which would shortly be mounted a revolutionary challenge to the entire post-war Conservative consensus'.¹²

Joseph and Sherman were unlikely collaborators. Joseph was the painfully shy, scrupulously polite, impatient son of a wealthy Baronet and a fellow of All Souls.¹³

After his death in August 2006, Sherman was described by Bruce Anderson as 'an

¹¹ Sherman Papers, AR CPS/A80/3/3 Box 7, 20 May 1976.

¹² J. Hoskyns, *Just in Time: Inside the Thatcher Revolution* (Aurum Press, London, 2000), p. 17.

¹³ 'Keith was as brave as a lion when facing the real enemy – militant union members or Marxist university students...But he shrank from internal battles and hostility. He found real disagreement or game-playing by his colleagues deeply distasteful and distressing, perhaps because it reminded him how many of them were driven only by ambition and vanity, and how few by an interest in what was happening to the country. But of course, to save the country, it was first necessary to defeat, totally, the defeatists and intriguers in our own camp'. Hoskyns, *Just in Time*, p. 54. 'Keith was almost too good a man for politics, except that without a few good men, politics would be intolerable'. M. Thatcher, *The Path to Power* (HarperCollins, London, 1995), p. 251.

impossible man. Mean-spirited, spiteful, envious and resentful [who] never had a good word to say about anybody else's intellect and overvalued his own...He thought that a firing squad was too good for anyone who disagreed with him'.¹⁴ Geoffrey Howe put it rather more delicately when he said that Sherman 'was never understated'.¹⁵ The son of Jewish immigrants from Russia who had settled in the East End of London, Sherman's political development had taken him from the millenarian Marxist Left to the political Right, in the course of which journey he had, as a result of his imbibed skill in Marxist dialectic, become a formidable logician and debater. His clear thinking and willingness to say the unsayable provided the stimulus which Joseph needed as he set himself to proclaim his free-market vision. Joseph once described him as the Tory Party's 'hair shirt'. Sherman had been the main author of Joseph's 'second crusade' speeches in 1969-70 and Joseph particularly valued his ability to think in headlines. As Thatcher recalled in her memoir, 'I understand that Keith and Alfred first met in 1962 when Keith was Housing Minister and Alfred covered local government matters at *The Daily Telegraph*. From time to time they were in touch and then, after a discussion at the Reform Club, Keith asked Alfred's thoughts about a speech draft he had with him. From then on Keith took to asking for Alfred's suggestions'.¹⁶ In 1969 and 1970, while the Party was in opposition, Sherman helped Joseph by first editing and later, as has been noted above, writing his speeches, but after the 1970 election victory, they lost touch. As Sherman told Michael Todd in an interview in September 1988, 'When he [Joseph] got back into government, the Civil Service ate him alive and I lost him'. After encountering one another again in 1973, however, there was, from February 1974, as Sherman put it, 'a

¹⁴ Sherman obituary by Bruce Anderson, *The Times*, 31 August 2006.

¹⁵ Lord Howe, private interview, 30 November 2009.

¹⁶ Thatcher, *The Path to Power*, p. 251.

[further] meeting of minds'.¹⁷ It was Sherman who prepared Joseph's Preston speech, 'Inflation is Caused by Governments', which attracted such massive press attention in September 1974, including an approving *Times* editorial, 'The Sharp Shock of Truth'.¹⁸ To Hoskyns, 'Sherman, a born fighter and a real thinker, [deserved] much of the credit for the intellectual convictions Keith [drew] courage from.'¹⁹

Many of those, like Sherman, who were drawn into the Joseph circle, were free-market converts, their conversion being one of the factors which added to the resentment directed at Joseph by many of his Party colleagues and led to their being referred to slightly as his 'irregulars'. In 1959, Arthur Seldon had told that year's Mont Pelerin Conference that the IEA was 'seeking authors with Fabian or similar origins whose basic love of liberty enables them to come most of the way with us on particular subjects', a process he referred to as 'infiltration in reverse'.²⁰ Sixteen years later, the CPS was attempting a similar exercise, as a note which Sherman wrote to Joseph on 17 February 1976 reveals. 'We are endeavouring to find common ground with thinking people in or associated with the labour movement. I enclose a short paper on our concept of the common ground. We hope to work through seminars and publications. Our first seminar will be based on an article by Professor John Vaisey, "The Roulette of Public Spending" in the *New Statesman* of February 13th'.²¹ It was more than a year later that Sherman floated the same idea to Thatcher

¹⁷ M.J. Todd, 'The Centre for Policy Studies: Its Birth and Early Days', *Essex Papers in Politics and Government*, No. 81, July 1991, p. 9.

¹⁸ But *The Times* leader writer also said that, 'By the standards of post-war politics, Sir Keith Joseph has handed a blunderbuss loaded with duck shot to Mr Wilson and invited him to blow the Conservative Party's head off'. *The Times*, 6 September 1974.

¹⁹ Hoskyns, *Just in Time*, p. 71.

²⁰ A. Seldon and R. Harris, 'The Tactics and Strategy of the Advance to a Free Society', MPSA, Box 14, quoted in R. Cockett, *Thinking the Unthinkable* (Fontana, London, 1995), p. 144.

²¹ Sherman Papers, AC 5-42 Box 3 (Folder 2).

as an integral component of what he described as ‘a new initiative in the evolution of our political philosophy...[the need] to differentiate sharply between social democracy and socialism, recognising social democracy as a legitimate element in the British political heritage’. To adopt this position:

would need strong and soundly-based argument. But it can be done, and we can expect help from many academics and writers who would argue that it is not so much a matter of their leaving the Labour Party as its leaving them. We do not try to tell them that they have been wholly wrong all the time and that we were wholly right. They are now seeking to extricate themselves from a false position. If we forge such a position, we open a path to our door for many who are disgusted at Labour...We can offer them a bridge without compromising our principles or overall politico-economic strategy. Some of them e.g. both Hugh Thomas and his group of ex-Labour friends and Paul Johnson have forcefully pointed out that they do not want a Conservative Party which is being dragged along leftward behind Labour...If the idea in general appeals to you, I shall begin to do some of the work to prepare for a substantial lecture-cum-speech for about the end of the year’.²²

Thatcher’s response is not known but later events suggest it must have been positive – at least in relation to the recruitment of outsiders to the cause. Certainly, Sherman was still proselytising about it in 1979, when he wrote to Thatcher, in a somewhat more discriminating tone, that:

Our appeal to disillusioned Labour people contains no element of appeasement or compromise. Almost invariably, those who are ready for dialogue with us are, if anything, already more militant and radical in our sense than many Tories, who still have one foot in Butskellism and the traditional Tory view that Labour and trade union chappies – whom they rarely know closely – can’t be all that bad. By contrast, your refugee from the Labour Party knows all too well that they can be. Fashions depend on quantity as well as quality. One Paul Johnson, one Prentice, one Woodrow Wyatt, one Lord George Brown in the wilderness, can achieve a certain *succès de scandale* but they are seen as eccentrics. But when their numbers grow beyond a certain point, they can set a trend, make it respectable for members of professions who have their doubts about all the intellectual fashions they absorbed, but fear becoming isolated and dubbed ‘reactionaries’. Let us create a bandwagon for them to jump on; that is human nature.²³

²² Sherman Papers, AR MT/M/1/5 Box 8, 25 October 1975.

²³ Sherman Papers, AR MT/5/2/4/ Box 6, 7 March 1979.

Joseph was still harping on the same theme as late as April 1979, when he told an audience during the election campaign that, ‘We are aware of our shortcomings. We believe that ex-socialists have a contribution to make from their experience. We respect the ideals which made them turn to Labour in the first place. They now know what they are against’. Of course, at the time – just days before the General Election – Joseph was targeting Labour voters *en masse* rather than influential and high-profile individuals. In typically Joseph fashion, he ended his appeal with a quotation from *Midsummer Night’s Dream*: ‘the heresies that men do leave, Are hated most of those they did deceive’. Whether his use of the Bard to underscore his message would have cut much ice with his audience at the Talbot County Primary School in Leeds must be doubtful.²⁴

Among those who travelled in Seldon’s ‘reverse direction’ at various times were, most notably, Douglas Houghton, who wrote an IEA Occasional Paper on *Paying for Social Services* in 1976, only six months after being replaced as Harold Wilson’s Minister with responsibility for co-ordinating Labour policy on pensions, health and education; Dr Rhodes Boyson, one-time Headmaster of Highbury Grove School and Labour activist, who later became a Conservative MP and inspired the publication of the so-called ‘Black Papers’ on the politics of education; and Desmond Donnelly, expelled from the Labour Party for his criticisms of the Wilson government’s economic policies and his expressions of admiration for Enoch Powell and Joseph. Donnelly afterwards formed a new Party, the Democratic Party, which foundered after he fought an unsuccessful 1970 election campaign under its colours. Others who took the same ‘reverse direction’, though in a variety of different ways, were Brian Walden, Reg Prentice, both MPs, and, among the non-Parliamentarians,

²⁴ Speech by Joseph at the Talbot County Primary School, Leeds, 30 April 1979, CPA, PUB 176/6.

journalists such as Paul Johnson and Bernard Levin and left-wing academics such as Robert Conquest, John Vaisey, Hugh Thomas and Max Beloff. All these converts had much in common with Sherman, their value being enhanced by the fact that they were in the main ideologues not party politicians, attracted by ‘the idea of economic liberalism’, support for which was in short supply in the Conservative Party both before and after the election victory of 1979, as a solution to Britain’s economic decline.²⁵ As Thatcher observed of Sherman, ‘[Alfred] was [himself] more interested, it seemed to me, in the philosophy behind policies than the policies themselves’.²⁶ Though Joseph had direct contact with many of these converts, Sherman was to all intents and purposes the filter through which their views flowed to him.

These ‘conversions’ and some others were ‘celebrated’ in 1978 in a volume of essays edited by Patrick Cormack, Conservative MP for South-West Staffordshire, entitled *Right Turn*.²⁷ It was subtitled *Eight men who changed their minds* and was dedicated to Thatcher. In the introductory essay, Cormack wrote that ‘The authors of these essays have turned right because they believe there is a real risk that our society will be the sort of materially, intellectually and spiritually impoverished tyranny that so many millions suffer under, and seek to escape from, in eastern Europe, if the Labour Party prevails at the polls’.²⁸ In his essay, Reg Prentice gave as his principal reason for his defection the change in the nature of the Labour Party. ‘The old-fashioned left-wingers were starry-eyed idealists, who were frequently Christian pacifists...The new ones are hardline, dogmatic Marxists. They are fighting the class war. It is the difference between Fenner Brockway and Dennis Skinner and their local equivalents

²⁵ R. Cockett, *Thinking The Unthinkable* (Fontana, London, 1995), p.258.

²⁶ Thatcher, *The Path to Power*, p. 251.

²⁷ P. Cormack, *Right Turn* (Leo Cooper, London, 1978).

²⁸ *Ibid.*, p. ix.

in hundreds of constituency parties and union branches'.²⁹ Max Beloff, principal of the independent University College at Buckingham, explained that he had realised 'in retrospect that [his] main reason for leaving the Liberal party...was [his] growing conviction that it was being increasingly influenced by ideas that owed more to socialism than to traditional liberalism', particularly in the field of foreign affairs, in which respect he instanced the party's insistence on giving a platform to members of the Palestinian Liberation Organisation.³⁰ Beloff was later to deliver a rebuttal to Friedman's view, expressed in a lecture in April 1978 at Strathclyde University, that Healey's 1978 Budget had demonstrated a genuine change of heart in relation to the need to control government spending. Friedman, he told a CPC audience at an Oxford Summer School, had underestimated the power of the trade unions to 'massively affect not the level of income but its overall distribution between different groups of workers, whether or not there is something called incomes policy'. Trade unionism distorted the democratic system by the weight given to the views of individuals 'who have not had to compete for votes and whose representative capacity is difficult to estimate.'³¹

Among the other contributors to *Right Turn* were Hugh Thomas and Paul Johnson. Thomas, later to become Chairman of the CPS, addressed his essay to a 'Social Democrat' and told him that 'Many trade unionists, like yourself, would claim firmly, of course, to believe in the Rule of Law. But actually they (and you?) don't practise it.'³² Johnson thought that it had all gone wrong for the Labour party after *In Place of Strife* in 1969 when the Wilson government and Wilson himself had been

²⁹ Ibid., p. 3.

³⁰ Ibid., p. 27.

³¹ M. Beloff, 'The Tide of Collectivism – can it be turned?', CPA, PUB 177/30.

³² Cormack, *Right Turn*, p. 89.

‘broken on the wheel of trade union power’ and the projected Industrial Relations Bill had been ‘destroyed by a conspiracy of cynics, defeatists and trade union authoritarianism, inside and outside the Cabinet’. In one of his typical bursts of hyperbole, he ended his essay by suggesting that ‘in a system of belief where conscience is collectivised, there is no dependable barrier along the highway which ultimately may lead to Auschwitz and Gulag’. He did not intend, he said, ‘to travel even one miserable inch along that fearful road’.³³ Later in the year, he revisited the British road to serfdom in a speech for the CPC at a fringe meeting at the Conservative Party Conference when he was accused by Peter Jenkins of *The Guardian* of ‘exaggeration on a monstrous scale’ and described as ‘the fattest rat to have left the sinking ship’ of the Labour party, and ‘for the moment...the patron saint of the Tory faithful’.³⁴

If the CPS was an ‘irregular’ appendage to the Conservative policy-making machine, the CRD, as we have seen, had since 1929 been its core component when it was in opposition. Because it had occupied such a central position in the affairs of the Party, it had always attracted and been a breeding ground for aspiring Conservative politicians whose inclinations were to avoid being seen to be too radical and not to get at cross purposes with those at higher levels in the Party who could, if they felt that an individual had a propensity to ‘rock the boat’, thwart his political ambitions. Those who were recruited to it were, collectively, the antithesis of those who rallied round Sherman at the CPS, which meant that the two organisations were never going to be easy bedfellows within the Party. As Vinson put it bluntly, the CPS regarded the CRD as ‘the enemy’.³⁵

³³ Ibid., pp. 77 and 87.

³⁴ *The Guardian*, 13 October 1978.

³⁵ Lord Vinson, private interview, 11 March 2010.

In the aftermath of the 1974 elections, the CRD, having been shaped by many years of Conservative acceptance of social democracy and the ‘mixed’ economy, was almost uniformly Heathite. As Thatcher put it, ‘In the eyes of many on the right it was precisely the consensus-oriented, generalist approach epitomised by the CRD which had left us directionless [and] stranded on the middle ground’.³⁶ In consequence, in Sherman’s view at least, it actively worked against the Thatcher-led Opposition. As we have already seen, when Heath had agreed that Joseph should set up his research unit, he had appointed Adam Ridley, Deputy Director of the CRD, to keep him informed of its activities, which Ridley did on a regular basis.³⁷

When Thatcher took over the Leadership of the Party, Sherman urged her to purge the Department and in particular to get rid of Christopher Patten, its Director, whom he saw as exercising his influence, (on behalf of James Prior, who had unsuccessfully stood for the leadership against Thatcher), to exclude or restrain radical thinking. Realising, however, that she was still being tolerated rather than embraced by many of her colleagues as well as by many in the wider Party, Thatcher chose to act more indirectly and appointed Angus Maude, long associated with the free-market wing of the Party, as CRD Chairman, looking to him to work closely with Joseph, to whom she gave the Chairmanship of the Advisory Committee on Policy. Joseph, not wanting to jeopardise the CPS’s *raison d’être* by having it indulge in open warfare with the CRD, did his best to minimise friction between the two. That he was not successful, however, was suggested by an article in *The Economist* in April 1978 which claimed that there was much ‘inner-party conflict’ and mentioned the CPS as

³⁶ Thatcher, *The Path to Power*, p. 251.

³⁷ Sir Adam Ridley, private interview, 16 February 2010.

enjoying virtually no contact or collaboration with the CRD. Thatcher's own position was that despite the fact that 'much bitterness and rivalry had built up' between the two bodies, she wanted them to work together. Her comment, which we have previously noted, that she had a high regard for the work of the Department as the Shadow Cabinet Secretariat but not as the vehicle for devising policy, seems to me, however, to be very revealing of her true feelings about it.³⁸

Before discounting in any way the policy-making function of the CRD during the 1974-79 period, however, one has to clear about what is meant by 'policy-making', a term which is used somewhat profligately on occasions in some of the literature. In its essence, as representing the formulation of new approaches to problems, it is probably best encountered in some of the papers which were prepared for the Policy Study Groups – the Party's device for reorienting itself when in opposition – the substance of which was in varying degrees incorporated in publications and pamphlets. In the period under study, *The Right Approach* and *The Right Approach to the Economy* were the main outcomes of this process. The origins of draft papers for the Study Groups are not always clear, but it is doubtful whether, with some notable exceptions, the CRD had either the intellectual or resource capacity to provide more than a modicum of the required new thinking and the papers reflecting it. Ridley spoke frankly about this in an interview with Hugo Young in September 1976. 'Moving from the Civil Service to the Conservative Research Department [had] revealed to [him]', he told Young, 'how pathetically inadequate the Research Department [was]. In this age of big issues, politicians need[ed] far more backup than they [could] get. It [was] becoming almost impossible to insert radical and

³⁸ Thatcher, *The Path to Power*, p. 292-3.

speculative thinking into the agenda, even in opposition’, he said.³⁹ He also told Young that ‘it became hard to distinguish a policy group from a couple of Tories who sit down and write a paper about water metering’.⁴⁰ The exceptions amid this state of disarray were Patten, Ridley himself and Douglas, all of whom were concerned with delineating the direction the Party should be taking either to ensure victory at the next election or to handle matters effectively when it found itself once again in office – though even they, as Patten told Young in April 1976, were ‘being drawn more and more into writing speeches’.⁴¹ Patten and Douglas’ papers focussed more often than not on the former; they were about positioning and presentation, based not infrequently on assessments of what would appeal to the electorate, but also betraying their underlying convictions about what Conservatism meant. They were also concerned with shaping up the manifesto for the next election. Ridley’s papers were more deliberately concerned with formulating new lines of approach, particularly in relation to the development of economic policies, and his relationship with Howe and his Economic Reconstruction Group was very fruitful in this respect. That apart, evidence that the CRD was not as well equipped as it might have been to participate in genuine policy-making, is to be found in a draft Research Department Annual Report for 1975 submitted to Patten – but for whatever reason never distributed – by a Mr Dear. The draft Report revealed that ‘Briefing for Parliamentary debates represent[ed] the main work of the Department. Most officers spen[t] well over half their time on briefing, mainly for members of the Shadow Cabinet and other front-bench spokesmen...Research Department officers continue[d] to act as Secretaries to some twenty-six back-bench parliamentary Committees and Sub-Committees’. More telling, however, [was] the assessment of

³⁹ Young, *The Hugo Young Papers*, pp. 97-98.

⁴⁰ *Ibid.*, p. 97.

⁴¹ *Ibid.*, p. 94.

the position in relation to staffing – this at a time, through 1975, when the policy-making process was just getting into full swing:

1975 saw an unusually large movement of staff both into and within the Department. Losses incurred during the year of two General Elections had to be made good...to meet increased demands by a Party in Opposition. All this meant that at the end of the year at least two-thirds of desk officers had been in the Department for less than two years and roughly half had been with us for less than a year. There is inevitably a shortage of officers in the middle of the hierarchy with the background of thought and experience which only time can bring. This throws added responsibility on the Heads of Departments.⁴²

All that Thatcher says about Patten in *The Path to Power* is that ‘I knew him to be on the left of the Party’, and she later admits to being unimpressed with the draft manifesto for the 1979 election which Patten and the Research Department had masterminded. ‘The large simple themes had become obscured by lists of costly promises designed to appeal to interest groups’.⁴³ Hoskyns is much more direct. He saw Patten as the ‘chief whip’ of the anti-Thatcher faction, and as having no sense of strategy at all, though he did record at the end of 1978 that ‘Alan [Howarth – the Party Chairman’s PA at the time] says even Chris Patten is moving now because he senses the wind is changing’.⁴⁴

It can be argued that, by allowing the CPS to work in the way it did and encouraging Sherman to cultivate so many ‘outsiders’ and ‘converts’, Joseph deliberately set out to sideline or undermine the CRD and by so doing denied himself the opportunity to use it as another channel for infiltrating his thinking into the mainstream of the Party.

⁴² CPA, CRD Box 49 (Uncatalogued Papers), 11 February 1976.

⁴³ Thatcher, *The Path to Power*, pp. 292-3.

⁴⁴ Hoskyns, *Just in Time*, pp. 52, 78, and 177. In the Epilogue to *Just in Time* (p. 393) Hoskyns expressed himself somewhat more colourfully: ‘Can anyone imagine anything like the Blue Chips (a group of new Tory MPs, including William Waldegrave, Chris Patten, Richard Needham and others, who had entered the House of Commons at the 1979 election) occurring in the world of business? A group of well-spoken young men becoming MPs for the first time to form a dining club and commission an oil painting of themselves as a group, all no doubt confident that, barring accidents or scandals, in five or ten years, they will all be ministers’.

But such was the animosity which existed between Sherman and Patten and so confident was the CRD that the flow of ideas emanating from Joseph and Sherman would never come to anything and could be safely disregarded, that this was never a realistic possibility. As a 'well-placed moderate' told Philip Whitehead, 'Keith was always dashing off into the woods and coming back with a new stick between his teeth, but I don't think he had any practical effect on what went into documents or became party policy, except that he kept pushing back the shrubbery'.⁴⁵ Patten was equally dismissive of Joseph's contribution to policy discussions within the Shadow Cabinet. As he told Hugo Young, 'Joseph always homes in on the divisive point as well as being obsessively *ad hominem* in style ("Ten years ago X was in favour of an incomes policy therefore he is a bad man")'.⁴⁶ And John Campbell records that, 'If he did not invent it, Patten certainly popularised *Private Eye*'s nickname for Joseph – the "Mad Monk" – which cruelly encapsulated the derision with which his intellectual agonies were regarded in the sensible centre of the Party. Patten remembers the mixture of horror and incomprehension in the Research Department the first time Mrs Thatcher called herself a "radical". Looking at it from the other end, Campbell observes that, 'For their part, Sherman's "Wilfred Street irregulars" were equally scornful of the CRD, who embodied exactly the sort of woolly and discredited corporatism they were bent on replacing.'⁴⁷

Campbell's view is more than borne out by a series of memoranda which passed between Gerry Frost of the CPS, Sherman and Joseph soon after Thatcher's election as Leader. On 10 July 1975, Frost reported to Sherman the outcome of a meeting

⁴⁵ P. Whitehead, *The Writing on the Wall: Britain in the Seventies* (Channel 4, Michael Joseph, 1985), p. 332.

⁴⁶ Young, *The Hugo Young Papers*, p. 95.

⁴⁷ J. Campbell, *Margaret Thatcher, Volume One: The Grocer's Daughter* (Jonathan Cape, London, 2000), p. 385.

with Alan Haselhurst of the CRD about a speech which Joseph was intending to make on unemployment. In the speech he was proposing to challenge the integrity of the government's unemployment figures and claim that there was a stage army of unemployed. Haselhurst warned Frost that publication of the CPS' views could provide the press with evidence of a split in the ranks of the Shadow Cabinet, that 'though [the CPS'] figures were probably more accurate than the official ones...the approval of the Shadow Cabinet' should have been obtained before they were publicised, that unemployment was a big stick with which the opposition might legitimately beat the incumbent government and that to argue that official figures exaggerated unemployment would reduce the size of the stick. 'He [also] impertinently suggested', reported Frost, 'that [release of the figures] would have a bad effect on Sir Keith's standing in the Shadow Cabinet.' Sending Frost's note on to Joseph on 24 July, Sherman described Haselhurst's attitude as:

irresponsible, opportunistic, short-sighted and wholly self-defeating. He assumes in essence that we should not be concerned with the truth or national interest but only regard every issue as a stick with which to beat the government. This attitude, which I am afraid exemplifies the CRD, ignores the fact that sticks with which to beat the government are a commodity with which we are over-supplied, whereas policies are in short supply.⁴⁸

It was not until the end of 1977 that Joseph called off his campaign. In a letter to Prior of 23 November 1977 he wrote that 'As you will know, I have repeatedly criticised the Department of Employment's figures for unemployment and vacancies as guides to unused labour reserves and to labour demand. Many of these criticisms, he continued, 'were elaborated in the monthly press releases of the Centre for Policy Studies...The CPS exercise has recently been wound up – at least for the time being – because in the present dire circumstances hardly anyone now calls for an overt reflationary package and because there is a feeling that the Centre should not

⁴⁸ Sherman Papers, AC2/B1-1-2a and AC2.2/B1-1-2, both in Box 3.

indefinitely persist in doing something which might help the government to live with problems which are now of its own making'.⁴⁹ Haselhurst might have felt a measure of vindication when he heard the news.

Despite his 'irregular' inclinations, Joseph was, of course, as a senior member of the Shadow Cabinet, inescapably tied to the formal policy-making processes of the Party and unavoidably a user of the services which the CRD provided as part of those processes. It is not difficult to imagine the discomfort which this may have caused him on occasions. In a paper on 'Inflation', for example, which he put to the Shadow Cabinet in May 1974 after the first election defeat of that year and with Heath still in post as Leader of the Opposition (but only days after he had obtained his agreement to set up 'his small Institute'), Joseph found himself having to accept that his thinking should be taken forward by those whose own thinking he was seeking to reject. Proposing that 'if the country is to return to sound money by gradual steps, then consistent policies, involving some bankruptcies and very tight control on public spending, will be needed for at least five years', he nevertheless had to agree that the CRD be asked to master the subject of 'how to tread a narrow path between hyperinflation on the one side, and intolerable employment on the other' and that it was for them to keep the Shadow Cabinet informed.⁵⁰ What faith he would have had that this process would produce the sort of proposals he would find acceptable, can only be guessed at. But he also had to take into account, and to urge on Sherman, Thatcher's expressed concern, whether genuine or tactical, that warfare between the CPS and the CRD should be avoided. Sherman responded to his urgings in studied and consciously stilted terms. 'The gratification with which we welcome Margaret's

⁴⁹ Howe Papers, Howe S55.

⁵⁰ CPA LCC1/3/1, LCC (74)11 taken at LCC (74) 10th meeting, 3 May 1974.

invitation to collaborate more closely with the party “regulars” needs no elaborate (*sic*): we regard her invitation as an accolade. Hence we are honour bound to invest hard thinking into finding the most fruitful modes of collaboration’. He did, however, also plead that they lacked the resources to enable them to provide a ‘traditional research capacity for the CRD’ and there is little evidence that anything much came of the Leader’s request.⁵¹ But Sherman also recognised that Joseph was genuinely upset by the ‘continued war between the CRD and the CPS’. He believed, according to Sherman, that ‘the conflict raised the question of the CPS’ identity, *raison d’être*, role and function. Joseph was reluctant to discuss these issues comprehensively or even casuistically. He tried to keep the CPS as far as possible from the Conservative policy-making and presentational system, in order to minimise friction with the CRD’. All of which seems to indicate that Joseph was well aware of the tensions which his initiatives were creating but realised the additional difficulties which would arise from his being seen to tackle questions of policy-making precedence head-on and the vulnerability to which he would expose himself if he were to attempt to do so. In this respect, Sherman claims to have observed a ‘tendency [on Joseph’s part] to wilt under pressure’, a tendency which became particularly marked after his Edgbaston speech.⁵²

In an article, ‘Policy-Making in Opposition’, written in 1980 shortly after he had ceased to be Director of the CRD and had been elected as MP for Bath, Patten described the functions and relationship of the ACP and the CRD and discussed how policy-making had been handled during the three periods of Conservative opposition since the Second World War. What is surprising is that in dealing with the 1974-79

⁵¹ Sherman Papers, AC2/B1-1-3a, Box 3.

⁵² Sherman, *Paradoxes of Power*, p. 96.

period, Patten made no mention of the CPS and, though some methodological differences between the approaches to policy-making adopted both before and after the 1974-79 period of government were commented on, the emphasis was on continuity in the operation of the overall mechanism. The major differences noted were that in the later period there was a greater concentration on formulating coherent general principles of action rather than a detailed blueprint for office, as had happened pre-1970, and that policy work was 'less tightly' controlled after 1974 than it had been before 1970. These changed approaches were rather casually put down as '[owing] something to the change in the style of leadership'. In much the same manner, the article went on to say that 'Policy making throughout [the 1974-79] period consciously drew on the experiences of 1945-51 and 1964-70. Before work began, the Research Department undertook a review of the earlier periods...[and] as things have turned out the exercise [during this later] period clearly reflects some of the different strengths of the earlier periods'. If it were not for what followed, this could quite easily be represented either as a 'head in the sand' or at least a 'tongue in cheek' posture. Patten showed a somewhat better, though grudging, understanding of what was actually happening between 1974 and 1979, however, when he wryly finished this particular section of his article with the sentence, 'Whether the work since 1975 also repeats earlier mistakes, or has managed to produce new ones, will be for others in time to argue'.⁵³

In support of his argument that policy-making after 1974 carried through the 'general approach followed in earlier periods of Conservative opposition', though with a more 'intellectually rigorous argument on the problems of economic reform', Patten

⁵³ C. Patten, 'Policy Making in Opposition' in Z. Layton-Henry, *Conservative Party Politics* (Macmillan, London, 1980), pp. 19 and 20.

pointed to the two published Party policy documents *The Right Approach* (1976) and *The Right Approach to the Economy* (1977), claiming that the former, in particular, ‘owe[d] much of its style and sweep’ to the Butler *Charters* produced in 1947 and 1948, generally regarded as the key documents leading to the acceptance of the ‘Attlee consensus’ by the 1951 and later Conservative governments.⁵⁴ If the former was indeed representative of the predominant view of a still largely Heathite-leaning Shadow Cabinet in 1976, the same could surely not be said of the latter. One could not imagine, for example, such statements as, ‘We believe that government knows less about business than businessmen, less about investment than investors, and less about pay bargaining than trade union negotiators and employers. We think we understand the limitations on what government alone can do. This is surely the beginning of wisdom and common sense,’ and ‘If the management of money is handled wrongly, everything goes wrong’ (a typical Josephism), appearing in such a direct, unqualified manner in any policy document issued by the party since 1945.⁵⁵ This is not to deny that all post-war Conservative policy documents have made a virtue, in one way or another, of stressing individual responsibility and freedom, the need to oppose the disciplines of the market to the interference of the state, to reduce levels of taxation and public expenditure and to fight the extension of state ownership and state intervention. But the tone which was beginning to be evident in policy pronouncements in the latter half of the 1970s indicated a move away from the doctrine that the Conservatives had always governed according to circumstances rather than ideologies and towards the view that what was required in government was not pragmatism but a set of clearly defined principles which could help Conservative governments reverse the ‘ratchet’ effect of socialism.

⁵⁴ Ibid., p. 20. P. Addison, *The Road to 1945* (Cape, 1975), p. 270.

⁵⁵ *The Right Approach to the Economy* (Conservative Political Centre, London, 1977).

Andrew Gamble stated the nature of the shift in clear terms. 'The dispute [between the Tory wing of the leadership and the social market Conservatives, was] not simply about whether the Conservatives [could] and should govern within the institutional constraints of social democracy, [but] whether [they] should seek to alter those constraints by changing the balance of forces on which they ultimately rest[ed]'.⁵⁶ If Patten saw things in these terms, as he surely must have done, he seems to have been more than a little reluctant to acknowledge what was happening. In this respect, Patrick Cosgrave, Thatcher's Special Adviser and attached to the Leader's Private Office from 1975 to 1979, probably got near the reality. 'I may perhaps mention that during my time as a special adviser attached to the [Leader's] Private Office, I never once consulted the Research Department...I spent much time on the other hand with the CPS. In part this reflects my own sympathies, but there were occasions when I was actually discouraged from making use of the CRD's resources'.⁵⁷ To be fair, CRD's view of Cosgrave is equally dismissive. Patten told Hugo Young on 21 April 1976, for example, that '[Thatcher] has too many second-raters working for her. Some of them she knows to be second rate or worse. The others she does not quite see as inadequate e.g. Patrick Cosgrave, whose speech-writing efforts so far have come to grief and been rewritten'.⁵⁸

However much the CRD, the majority of the Shadow Cabinet and many other influential Conservatives and ordinary Party Members did not want to acknowledge what the economic liberals were saying, they could not have been unaware, because

⁵⁶ A. Gamble, 'Economic Policy', in Drucker, H., *et al.* (eds.), *Developments in British Politics* (Macmillan, London, 1983).

⁵⁷ P. Cosgrave, *Thatcher, the First Term* (Bodley Head, London, 1985), p. 33.

⁵⁸ Young, *The Hugo Young Papers*, p. 94.

of the press coverage they attracted, of the stream of publications issuing from the CPS, underpinning and expanding the content of Joseph's speeches in both broadsheets and tabloids, as well as in the political journals. *The Times* leading article which followed Joseph's Preston speech in September 1974 spelled out in no uncertain terms the challenge which he was issuing:

Coming just before a general election such new policy thinking does create a difficulty for the Conservative Party...Mr Heath...would not go along with the whole of Sir Keith Joseph's speech and indeed obviously shares the responsibility for the truly monumental monetary misjudgements of Mr Barber's Chancellorship. No doubt, at the first press conference of the election campaign, if not earlier, Mr Heath will be asked whether he agrees with Sir Keith Joseph's views and whether these views are in fact compatible with the Conservative Party's official position.⁵⁹

At the same time too, there was impossible-to-ignore public discussion of the foundations and origins of the new policies which Joseph was promoting. In a *Spectator* article in October 1974, Ralph Harris, Director of the IEA wrote that:

If ideas have legs, some may run into the sands and thereby make way for better ideas to take over. Thus, ten years ago, Milton Friedman and his monetarists were mocked – in *The Times* I seem to recall – as 'Friedmaniacs'; yet anyone who saw his recent BBC *Controversy* programme must have observed that he made mincemeat of the pseudo-Keynesians from Cambridge and the NIESR. Likewise throughout the post-war period, Hayek has been ignored as the outmoded philosopher of the free market order; yet this very month he was elevated to the unexpected eminence of Nobel prizewinner. Evidence that such unorthodox ideas were winning the intellectual ascendancy has for some time been visible in their impressive advocacy by such leading journalists as Samuel Brittan, Peter Jay, Patrick Hutter. Now we have Sir Keith Joseph following Enoch Powell in retailing them for wider consumption in the Tory party and beyond.⁶⁰

As well as giving publicity to the ideas which the CPS and Joseph were putting forward, such intense press coverage did of course stoke the resentment felt by those who regarded what was happening as an assault on what the Party had traditionally stood for. Nor did the passage of time serve to reduce the venom directed at Joseph

⁵⁹ *The Times*, 6 September 1974.

⁶⁰ R. Harris, 'The end is in sight', *The Spectator*, 26 October 1974.

and his followers. In an article in *The Sunday Times* in early 1977, Hugo Young, advocating the inclusion of Lord Hailsham as Lord Chancellor in any future Conservative Cabinet, argued that his presence, in the political rather than the legal dimension, would provide a ‘voice of unambitious sanity among the ideologues howling for blood’. Although Mrs Thatcher, wrote Young, ‘is the soul of caution, not all her closest advisers or her party are similarly restrained’.⁶¹ And when Joe Rogaly of the *Financial Times* headed an article ‘Who needs the Tory Party?’ after reading a CPS booklet by John Biffen (but without mentioning Biffen or the CPS) and claimed that ‘liberal economics’ was not ‘a strong feature of *The Right Approach to the Economy*’, Sherman prepared a reply for Joseph, which appeared in a later edition of the newspaper, accusing Rogaly of *suppressio vero* and of not having read the booklet, and suggesting that if he had done so, he would have found it ‘a highly liberal document and a most encouraging evolution in Conservative economic thinking’. Sherman suggested that Joseph’s riposte should be headed ‘What is the purpose of the *Financial Times*?’⁶²

None of which is to suggest, however, that getting their message across was ever easy for Joseph and Sherman. When, for example, in June 1975, Joseph hired the ballroom of St Ermin’s Hotel for the launch of the CPS pamphlet *Why Britain Needs a Social Market Economy* and had a hundred seats set out for the expected throng, only nine journalists turned up, an episode which must have caused much amusement to Patten and his colleagues. But the speechmaking and pamphleteering continued unabated. For example, Joseph’s key Stockton Lecture of January 1976 – ‘*Monetarism is Not Enough*’ – was issued almost immediately after its delivery as a

⁶¹ *The Sunday Times*, 13 February 1977.

⁶² Sherman Papers, ACL9 B1-3-6, Box 3.

CPS pamphlet, with a foreword by Thatcher commending it ‘not only to Conservatives but to all who wish to grasp this critical element in our complex social equation’. The speech, both when delivered and when published by the CPS, received widespread attention in the dailies and weeklies – though the quality of the reporting naturally varied – but other CPS publications received little notice outside political and intellectual circles. Some of them did, however, demonstrate Joseph’s and Sherman’s determination not to let any aspect of the case they were trying to make go by default.

A typical example of a pamphlet which attracted little comment was Sir Frank McFadzean’s 1977 counterblast to a series of television programmes introduced by J.K.Galbraith. Entitled ‘The Economics of John Kenneth Galbraith: A Study in Fantasy’, it was a serious and well-researched piece of work with a foreword by Joseph which revealed the concern which Galbraith’s programmes had caused him. Describing the series as ‘long and costly’, Joseph, after claiming that ‘No other economist, so far as I know, has supported [his view]’, condemned Galbraith as ‘the current mentor of how to condemn the market without actually studying it’. McFadzean himself compared Galbraith to Hegel of whom, he wrote, it was once said that ‘he sets out his philosophy with such obscurity that people finished by thinking it profound’. The polemical tone is continued throughout the lengthy booklet – ‘Galbraith is one of the more articulate and vocal of the attackers [of the market economy] but when his rhetoric is stripped away the emperor seems to have little else in the way of clothes. We are left with a series of intemperate generalisations’.⁶³ Such a tone might have been relished by academics and perhaps

⁶³ F. McFadzean, *The Economics of John Kenneth Galbraith* (Centre for Policy Studies, London 1977).

by some politicians but it could have held little appeal – nor be believed to have had much appeal - for the general public.

It was not only intellectual challenges to which the CPS was always ready to respond, as an internal note from Patricia Kirwan to Sherman in December 1975 reveals. Concerned about the relationship ‘that seems to have developed between Sir Keith and *The Sun*’, Kirwan observed that:

it is obvious that Sir Keith is, at present, filling the role of the Conservative politician they love to hate...I believe it is advisable to take steps to minimise any damage if at all possible. The *Sun* does after all have a circulation of 3½ million and a readership of nearly 12 million...Obvious to me that anyone so inclined could and would have put J.Akass’ interpretation on Sir Keith’s Paddington speech. The popular press is not in the business of provoking philosophical debate... It is vital, therefore, that a verbatim report of this nature should be accompanied by a short release, highlighting the points Sir Keith wishes to emphasise.⁶⁴

Given such examples of the tenacity and fecundity with which Joseph and the CPS carried forward their campaign between 1974 and 1979, it difficult to agree with Patten that policy-making during that period was conducted in the way it had been during the Party’s previous spells in opposition, certainly since the Second World War, and that the CRD’s function remained relatively unaffected by the activities of Joseph and his circle. The CPS’ attempts to bypass the Department from an early stage cannot have gone unnoticed. As Sherman wrote to Joseph, soon after the Leadership election in 1975:

There is little need for me to tell you that the CRD has not changed substantially for the better; it is still staffed by a group of low-calibre opportunists whose ideas are fundamentally at variance with our own. Barring a great reshuffle of the whole of Central Office, with the induction of high-grade intellectually courageous staff into the CRD and CPC...we shall need the Centre as much as ever, with the added

⁶⁴ Sherman Papers, AC 5-42, Box 3, (Folder 2).

inducement of additional channels in CO and CPC through which to distribute our product, and probably more committees to service.⁶⁵

For his part, thirty-five years later Patten was still able to discount the role of the CPS and to demonstrate the sort of contempt he had clearly felt for it at the time.

The CPS was soon seen as the focus for intellectual dissent to the official Party view, especially on inflation and the unions. But what was its position when the Party leadership changed?...[Its] position was clear. It was not a free-thinking quasi-academic organisation, roaming the highways and byways of intellectual debate with or without publicity and returning from time to time with a fresh idea clenched between its teeth. It was the back office of the leader and her (or his) chosen cabinet colleagues...Sir Keith Joseph...appeared to use the CPS as a sort of private office, a source of ideas and ideological comfort... The Research Department worked for the leader and her team. We had similarly worked for her predecessor and his team. This made us suspect to those who saw past policy-making through the prism of dogmatic certainty, whose ideological drive...was...occasionally infused with conspiracy theory...We had to avoid being dragged into the sometimes exaggerated and acrid debates that raged around Thatcher over economic policy.⁶⁶

Patten's overall assessment of the respective positions and functions of the CPS and the CRD as described in the above passage strikes the same note:

given the passage of more than thirty years, I take this opportunity to record how [the Research Department's relationship with the Centre for Policy Studies] looked from Old Queen Street [HQ of the CRD]. The existence of the CPS was an important part of the way Margaret Thatcher managed the Party. In addition to contributing to a change in political debate and to feeding some of her own enthusiasms, it also satisfied the more ideologically-minded of her supporters that she had not surrendered the flame first lit by Keith Joseph. But the traditional functions and purposes of the Research Department were not changed, and we carefully avoided being drawn into any public scrap with the CPS...we were never seriously limited or bothered by the CPS. It did not see itself as a friend; and we did not see it as a serious rival.⁶⁷

Speaking less formally in a private interview in February 2010, Patten said that for Sherman and Hoskyns, their involvement with the CPS represented the 'great moment of their lives'. The people recruited by Sherman were, for the most part,

⁶⁵ Sherman Papers, AR CPS/AS 0/2/6 Box 7, dated 22 April 1975.

⁶⁶ C. Patten, 'The Thatcher Years' in *Tory Policy-Making: The Conservative Research Department 1929-2009* (Manor Creative, Eastbourne, 2009), pp. 83-84.

⁶⁷ *Ibid.*, p. 85.

‘drifters’, in and out of politics, who brought with them large amounts of useless baggage. He, Patten, regarded them as beyond the pale and they probably regarded him as a ‘bit of a thug’. They saw themselves as an elite corps who had rediscovered the true nature of Conservatism, a view which has benefited from and been underpinned by much subsequent rewriting of history. Their claim never made much real sense. The CPS’ most significant and constructive role was in enthusing Thatcher to see herself as the intellectual leader of a crusade to change British politics at a time when politicians seemed bereft of ideas about how to stop Britain’s economic decline. Thatcher liked ideas but was not an intellectual, though she thought of herself as one, in which respect she was flattered by the learned references and quotations which Sherman fed her continuously and put forward for inclusion in her speeches. It is doubtful, for example, whether she had ever read Hayek, whom she was led to quote from time to time. That apart, she would not let CPS near anything which might have any bearing on day-to-day tactics or electoral strategy. Hoskyns, though a man with an impressive track record of achievement in the Army and in business, had little political sense and his systems-based approach to strategy formulation was far too theoretical and mechanistic, not to say too complicated, for most members of the Shadow Cabinet. It was particularly unappealing to Willie Whitelaw.⁶⁸

Unfortunately, Sherman is no longer with us to offer his counterblast to Patten’s assessment though he had pulled no punches in a paper sent to Thomas in June 1979 on the subject of what he called ‘The CRD-CPS Myth’:

When we began to operate and received substantial press publicity, particularly for our ‘monetarist’ and ‘right-wing’ views and self-criticism, explicit or implicit, which implied criticisms of the party’s

⁶⁸ Lord Patten, private interview, 16 February 2010.

policies...Patten, head of CRD, began his offensive. He coined the term, 'mad monk', for KJ, and began to tell his familiars in press and party that we were a dangerous band of right-wing fanatics out to overthrow Heath, undermine the CRD, and turn the party into a small southern minority. Of Patten it must be said that he is pathologically jealous, not only of me and the CRD, but of his own associates. I can only ascribe this to insecurity. He is a limited man, promoted far beyond his ability, thanks particularly to Gilmour, for whom he acted as research assistant and in fact ghost-writer (since Gilmour's books are little more than masses of quotations held together by non-sequiturs. Patten may be said to be the creator of Gilmour's reputation as a Tory intellectual). The idea that Patten, with his three dozen executives, two mansions, files, funds, access to shadows, should fear competition from what was virtually a one-man unit with less regular access to anyone, while I did not fear his 'competition', tells us a great deal about his personality and his unconscious assessment of his own performance. Patten was wholly Heathite and believes that the sum of political wisdom is to bribe the public with its own money.⁶⁹

He also expressed himself in typical Sherman style in an interview he gave to Andy Beckett four weeks before he died in August 2006. 'The Conservative Party in the Seventies was unimpressive...The whole point about being a conservative was that you didn't ask questions...Margaret's Shadow Cabinet – the last thing they wanted was change...Keith was all over the place. He wanted change but he was frightened of change And he didn't want to annoy his friends...Geoffrey swum with the tide.' His only allies were Friedman and Hayek. 'That was all...Thatcher came from Grantham with her mind made up...I doubt whether she ever read Hayek'. Her rise 'was chance'.

Despite the fact that Sherman did not mention Patten, the tensions between two leaders with such decided opinions cannot be doubted and from the evidence presented earlier in this chapter it was transmitted throughout their respective organisations. Each had a clear view of the function of his organisation. Sherman, by arranging 'carefully staged attacks' by Joseph on the post-war consensus, wanted to

⁶⁹ Sherman Papers, letter Sherman to Thomas, 6 June 1979, AR CPS/LMPC/6 Box 5.

transform the national economic debate and, he told Beckett unashamedly, to ‘attract attention and funds to the CPS’.⁷⁰ According to Patten, the Research Department served as Thatcher’s ‘back office’ and supported her in achieving the delicate balance which she knew she had to achieve between the two factions in her Shadow Cabinet, though it is hard to believe that their support was not principally designed to incline her towards consensus than towards change.

Overall it is, in my view, easier to see the contributions which the two organisations made to the formulation of the policies which the Party carried through into government, through different time frames and at different levels. The CPS was Joseph’s creature and knew it had Thatcher’s support. It could pursue its campaign in public, using Joseph as its principal mouthpiece, without any fear that it would be disowned, though at the same time it laid itself open to public criticism. And yet, despite Joseph’s influential presence in Shadow Cabinet and as policy coordinator, its influence on the formulation of Party policy via these mechanisms during almost the whole of the 1974-79 period, was strictly limited owing, in large part, to the care which Thatcher took not to be seen to be offending her opponents in the Party and a relatively unsympathetic public. Howe, though instinctively attuned to the messages which the CPS was purveying, played a key role, as we shall see in Chapter 5, in protecting Thatcher’s position. This meant that he had to take account of the inclinations of CRD for a less radical approach to policy-making, in which respect it served as the promoter of the anti-Joseph faction in the Party. For almost the entire time after Thatcher’s election as Leader, therefore, CRD was able to exploit its insider role and play an important part in enabling the Party not to give what might have turned out to be damaging hostages to fortune by appearing too extreme and

⁷⁰ A. Beckett, *When the Lights Went Out* (Faber & Faber, London, 2009), pp. 279-280.

confrontational, an approach which matched its instincts and represented its values. In so doing it constrained, to some degree at least, the influence of the CPS and Joseph, though it certainly did not succeed in stilling their voices.

The Winter of Discontent changed matters, however, largely because Thatcher seized the opportunity to start to shape policies which matched her true instincts and reflected the positions which CPS had continued to promote over four years. Because of this and contrary to most received opinion, the CPS emerged in a stronger position at the end of the period of Conservative Opposition, most particularly in the field of industrial relations, than had seemed likely at any time since its formation in support of Joseph's challenge to Heath. Allowing for his penchant for self-promotion, therefore, and taking with the required pinch of salt Sherman's assessment that 'he was the dominant influence on Thatcher', it is probably fair to conclude that over the longer term – which takes us beyond the confines of this dissertation – the CPS' influence on the thinking of the Conservative Party exceeded that of the CRD and was a critical factor, even in the shorter-term, in making the Party electable.

Chapter 5: In Search of an Economic Policy

The last chapter traced the emergence and development of a dysfunctional working relationship – or the failure to establish a working relationship – between the CRD and CPS. This meant that in broad terms there were two approaches being promoted of how key economic and industrial relations policies ought to be shaped by Shadow Ministers. The CPS' approach was, at one and the same time, focussed on creating a body of external opinion amongst the so-called thinking members of society, through proselytising by Joseph and his supporters – principally in the media – and through pamphleteering, and of feeding the same opinions into the formal Shadow Cabinet policy-making processes, through Joseph and, to a lesser extent, Howe. The CRD, for its part, did not seek to influence outside opinion but to fulfil its traditional role of servicing the Shadow Cabinet and backbench committees and, in particular, the Study Groups set up by Joseph, though there were some attempts to limit its ability to influence the substance of policy-making in the light of its evident predisposition to favour the policy position espoused by Thatcher's predecessor. Against that background, this chapter examines the deliberations and outcomes of the Shadow Ministerial policy-making processes and the stresses imported into them by the fundamental differences which existed throughout the period between opposed factions and by external events. It seeks to bring out the difficulties arising from this in relation to the preparation of a set of coherent and practical policies designed to allow a prospective government to present a convincing case to the electorate and a new government to take office with a clear sense of purpose and direction.

The situation facing the country when Thatcher was elected Leader in February 1975, and in relation to which the policies to be adopted by a future Conservative government would have to be shaped, was clearly desperate. The ‘social contract’ with the trade unions, which had helped Labour win its four-seat majority in the February 1974 election had proved to be an albatross round its neck. The unions had promised responsibility in pay bargaining in return for government commitments to a fairer society and full employment and though, as a result of ‘the Barber boom’, unemployment had almost halved from close on a million in early 1972 to just over half a million in late 1973, it had started to rise again in early 1974. Despite, therefore, an escalating inflation rate which was to average almost 16% in 1974 rising to over 24% in 1975, Labour had first of all to act on unemployment. In consequence, in the 1974 Budget Healey raised taxes in order to boost public spending and later mini-Budgets in 1974 and 1975 injected extra public spending into the economy. In the financial year 1974/75, public spending rose by no less than 35% in cash terms and there was to be a further rise of almost 25% in 1975/76, a figure which almost exactly matched the inflation rate. By 1975/76, the PSBR, which the Barber boom had pushed to £4.5 billion in 1973/74, had reached £10.6 billion.

For their part, the trade unions’ promise to influence more responsible wage bargaining proved to be an empty one. The February 1974 OPEC oil increase had led directly to higher wages and pressure continued to increase to such an extent that by the middle of 1975, the government had to resort to a statutory incomes policy. Average earnings rose by nearly 18% in 1974 and by 26.5% in 1975. In every respect, Britain’s attempt to reflate out of the oil crisis had failed.⁷¹ The flavour of the times was well caught by Keith Middlemas who, writing more than a decade later,

⁷¹ D. Smith, *The Rise and Fall of Monetarism: The theory and politics of an economic experiment* (Penguin Books, Harmondsworth, 1991) pp. 60-63.

said that ‘individuals who lived through [the years 1974-76] recall a dangerous, disorienting time when what counted most was to survive. To recapture the feeling of being without landmarks, somewhere between panic and exaltation, requires an effort of imagination comparable to understanding the consequences of an immense natural disaster, eruption or earthquake’.⁷²

How Britain was seen from abroad at the time is nowhere better exemplified than in a series of memoranda circulating at high levels in the United States government at the time. A month before Thatcher’s elevation, for example, Henry Kissinger was telling President Ford that Britain was ‘a tragedy’ and had ‘sunk to begging, borrowing and stealing until north sea oil comes in’. It was a ‘disgrace’, in his view, that she had ‘become such a scrounger’.⁷³ Less colourfully, three months later, Alan Greenspan, Chairman of the Council of Economic Advisers, drew the President’s attention to an article in the *‘London Economist’* which described in ‘stark outline... the crumbling financial and fiscal condition of the United Kingdom...with a budgeted level of total governmental expenditures [approaching] 60 percent of the GNP, up from 57 percent in this fiscal year’. What he wanted to do was to give a warning to the President. ‘This is clearly a very dangerous situation. The frightening parallels, with a lag, between the fiscal policies of the U.S. and those of the U.K. should give us considerable pause’.⁷⁴ If these were realistic views of Britain’s plight, a memorandum to the President from Lieutenant General Brent Scowcroft at the Department of State about Thatcher’s election was somewhat misleading – at least when assessed with the benefit of hindsight. ‘Mrs Thatcher’s decisive victory’, wrote

⁷² K. Middlemas, *Power, Competition and the State: The End of the Postwar Era: Britain since 1974*, (Macmillan, London, 1991), p. 3.

⁷³ CCA, Thatcher MSS; Ford Library (NSC NSA Memcons Box 8), 8 January 1975.

⁷⁴ CCA, Thatcher MSS: Ford Library (CO 160 Box 56), 23 April 1975.

Scowcroft, 'shows a degree of unity within the Conservative Party that had not been visible since Heath's defeat by Harold Wilson last March'. But 'to win a future election', he surmised, 'she will have to move an appreciable distance from her position on the right wing of her party'.⁷⁵

How she would move was regarded by most commentators as an open question in the immediate aftermath of her election. *The Guardian* drew two comparisons, which she would almost certainly have discounted. She was compared first of all with George McGovern of the American Democratic Party, who had brought off an 'organisational coup' by taking 'advantage...of new rules' to win the Presidential nomination in 1972, 'but lacked a broad enough base in the country to have any chance of winning the presidency', from which the conclusion was drawn that 'that may be Mrs Thatcher's problem when the euphoria of victory dies away'. The other comparison was with Harold Wilson, whom the Left liked to believe, when he was first elected, 'was their man, one of them at heart [and] owed his power to them', who 'plays on their sentimentality and this aspect of his past when it suits him', but has not let it prevent him 'from pursuing a centrist policy and endeavouring to establish the Labour Party as a moderate party of government'. Thatcher, it was surmised, might well try to use her right-wing credentials to the same end, 'holding her party together while steering a more moderate course than her ardent backers would wish'.⁷⁶

Five days later, however, after the appointment of Joseph as 'chief policy adviser', the same newspaper was a little more circumspect. Joseph and Howe being both

⁷⁵ CCA, Thatcher MSS: Ford Library (NSC Country File Box 15), 11 February 1975.

⁷⁶ *The Guardian*, 14 February 1975.

monetarists, it would be left to Mr Maudling to have to ‘try to provide [a] balance... He has experience and authority...and sensitivity to public opinion... superior to that of any of his colleagues. He is less likely than any of the others to forget that people live north of the Trent’.⁷⁷

That Thatcher’s victory was not a sign that there was a new degree of unity in the Conservative party, nor that she intended to move an ‘appreciable’ distance from her right-wing position, as Scowcroft had forecast, soon became evident. The first signals, however ambiguous they might prove to be, were demonstrations that she was prepared to entrust oversight of future policy to Joseph, about whose views, particularly on the management of the economy, nobody could by that time have been mistaken. There had been what might be described without too much difficulty as pre-emptive strikes by the CRD against such a move. In a CRD paper entitled ‘Making Policy Today’, written at the end of February 1975 by Patten and Douglas, it had been suggested, in not very coded language, that ‘we must face the fact that there will be opposition to any approach which insists on a total break with the past. Few people want to go on fighting old battles in the same old way; on the other hand, many old campaigners do not want to be told, and would not accept, that the old battles were lost causes from the start’. This of course was exactly what Joseph was telling them in his public speeches. In much the same vein, the paper went on to say that:

The 1964-70 policy exercise was largely free – at least in the public eye – from ideological skirmishing. This is unlikely to be quite the position over the next year or so...More important than detailed blue-prints is a coherent approach to policies, which must be thrashed out to the point where the party is substantially united behind them beyond any question

⁷⁷ Ibid., 19 February 1975.

of doubt. The policies themselves must of course be seen as unifying the nation.⁷⁸

At the time, it was difficult to see how the Party, let alone the country, was going to be unified. But CRD returned to the charge in March when Douglas sent a note to Thatcher asking whether she would be taking the chairmanship of the ACP herself or appointing a chairman.⁷⁹

At a Shadow Cabinet meeting on 26 February 1975, Joseph and Maude had already been set the task of preparing a paper on 'Future Policy' for discussion at an all-day meeting on 11 April and on 4 March Joseph had confirmed with the new Leader that she had agreed that he should chair an Economic and Social Strategy Committee (ESSC), which they both envisaged being 'at the centre of the policy-making operation'.⁸⁰ Though Douglas' note referred specifically to the ACP, it must have been evident to him when he wrote it that Joseph was to be Thatcher's policy supremo and it seems disingenuous, to say the least, that he should not simply have asked her whether she really wanted Joseph to take the chair.

In a note of 13 May, Joseph informed all members of the Shadow Cabinet that the ESSC, whose principal function was to be oversight of the work of the Policy Study Groups – see below – was being replaced by a Policy Sub-Committee of the Shadow Cabinet to avoid the operation becoming too 'unwieldy'. The same members of the Shadow Cabinet who would have been invited to serve on the strategy committee were to be invited to serve on the Policy Sub-Committee.⁸¹ Much of the work of the

⁷⁸ CPA, CRD (Uncatalogued Papers), Box 1, 28 February 1975.

⁷⁹ CCA, Thatcher MSS (2/6/1/156), 21 March 1975.

⁸⁰ CCA, Thatcher MSS, LCC (75) 51st Meeting, 26 February 1975: CCA, Thatcher MSS (2/1/1/37), 4 March 1975.

⁸¹ CPA, CRD, (Uncatalogued Papers), Box 2, note by Joseph to 'All members of the Shadow Cabinet', 13 May 1975.

Sub-Committee subsequently came to be carried out at working lunches, where discussion was focussed on single issues linked to papers submitted by members. Joseph chaired both formal Sub-Committee meetings and the working lunches.

In pursuit of the remit given to him by the Shadow Cabinet on 26 February, Joseph circulated a paper on 10 March indicating the approach he intended to take, and how it would differ from the exercises conducted in 1945 and 1965. 'We shall not ...be expected to spell out answers in a massive manifesto. What we shall be expected to have is a clear and understandable set of attitudes – practical and humane – and specific policies on some issues' In the paper, he also described what he saw as the future role of the CRD. 'With the present severe financial constraints, CRD will have far less staff than would be ideal. It will have to give priority to the day-to-day needs of Party Committees in connection with the business of the House'.⁸² It was not to be given any sort of lead role in policy-formulation. What was envisaged was that the policy working groups which were to be set up were to have a 'quota of volunteer experts' and would be helped by 'known allies in universities, industry and professions'. Joseph said that the 'time-scale to which we are working' could be assumed as 'about four years till the next election'. And while all this was going on, Joseph was arranging for Thatcher to attend a discussion on inflation at which Brian Griffiths, a colleague of Professor Alan Walters at the London School of Economics, would act as devil's advocate against the views expressed in a paper written by Walters in 1972.⁸³ Walters, whose interest in monetary policy had been stimulated by

contacts with the IEA, had been a contributor, together with Sherman and Sam

⁸² CCA, Thatcher MSS (2/6/1/156), 10 March 1975.

⁸³ CCA, Thatcher MSS, note from Joseph to Thatcher, 13 March 1975. In 1974, Walters had witnessed Joseph's failed attempts 'to persuade Heath to re-examine [his economic] policies' when he addressed a seminar arranged by Joseph and attended, *inter alia*, by Heath, Howe and Thatcher, which ended with Heath 'absolutely refusing to concede that his economic policies had been wrong'. J. Ranelagh, *Thatcher's People* (HarperCollins, London, 1991), pp. 126-7.

Brittan, to Joseph's Preston speech in 1974. On the basis of work which he had helped pioneer in the University of Birmingham in the 1960s he would later claim that he was 'a natural candidate for the vanguard of the monetarist revolution in Britain'.⁸⁴

The four-hour discussion took place on 17 March 1975 and was attended by those who could already be regarded as monetarists as well as by Gilmour, who was most definitely not in the same camp. It dealt mostly with the practical problems which applying a monetarist policy would raise rather than the theoretical question of whether such a policy should be adopted at all. Griffiths' 'Devil's Advocacy' was not so much a criticism of monetarism *per se* as a series of warnings about the likely opposition to it, of which Joseph and others of course needed no reminding. 'The power of the trade unions could not be so easily brushed aside', he said, 'as the so-called monetarists were inclined to do'. In circumstances where the unions used their bargaining position to compel inflationary wage increases, 'an increase in the money supply could well be the only alternative to rising unemployment and an unacceptable redistribution of wealth within the society to those who happen to have powerful unions behind them'. He wondered whether the real political objection to exclusive reliance on the 'monetary weapon' was that 'in the last analysis people were more frightened of high unemployment than they were of inflation'. Joseph asked whether there was any real choice between inflation and unemployment to which Griffiths responded that 'in many people's view the social cost of inflation was less than the social cost of unemployment'. Walters believed that inflationary pressure would continue if the target level for unemployment were set too low and that, except in the short-term, 'there was no trade-off between inflation and

⁸⁴ A. Walters, 'A Life in Philosophy', in *The American Economist*, Vol. XXXIII, No. 2, 1989.

unemployment'. Walters had set out the purist position in his opening statement. 'The correct approach', in his view, 'was to allow the money supply to grow at a slow and steady rate of about 3%-6% per annum. Attempts to "fine-tune" the economy were misconceived partly because forecasting trends was inherently difficult and partly because fiscal policies took time to take effect'.

Thatcher's request for clarification of the mechanisms of monetary control led to a discussion of what monetary index should be chosen for measuring changes in the money supply and how long it would take for restrictions in the supply of money to have an effect on inflation. In this latter respect, John Nott thought that if the time lag was too long there could be a major crisis in the economy, with great damage being done to the private sector. Walters said that the hard reality was that 'if governments gave groups of workers "loaded pistols" then they could hardly be surprised if they were occasionally threatened by them', though it would be possible, he thought, to adjust public sector pay increases for groups with less bargaining power than, say, the miners, to compensate for pay increases in the public sector which could not be resisted, thereby reducing pressure on the private sector. He pointed out that the questions of the money supply and the public sector financial deficit were closely related. Gilmour was sceptical about this. He believed that all the evidence suggested that 'an inflationary wage settlement for miners would be followed by similar settlements for other groups of workers in the public sector' and that 'monetary restraints in these circumstances would hit small businessmen particularly hard'. Anticipating both internal and external future criticisms, Walters ended by arguing that 'those who attached importance to the monetary weapon were not dogmatists; indeed, their approach was a good deal more flexible than that of the so-called

Keynesians’.⁸⁵ What is striking about this discussion is that at both a conceptual and a practical level, and despite Labour’s forced embrace of monetary policies at the behest of the International Monetary Fund a year and a half later, the debate over the issues covered at the meeting was still raging towards the end of the government’s period in office. In particular, a series of high-level public speeches in the Spring of 1978 – which will be dealt with later in this chapter – were to reveal how little progress had been made in the intervening period towards resolving the problems about whether and how monetarism could be adopted as an effective policy.⁸⁶

The events of these initial weeks of Thatcher’s stewardship can, in my view, be interpreted without any difficulty whatsoever as nothing less than a calculated attempt at a take-over by Joseph and his ‘irregulars’ of the policy-making processes of the Party – a take-over, moreover, acquiesced in, if not openly endorsed by, Thatcher. This view was underscored by Lord Lawson in the course of an interview in December 2009. In the face of ‘real opposition’ from the ‘Wets’ within the Shadow Cabinet, the Party had been ‘hijacked’, he claimed, by a small group, the principal members of which were Joseph, Howe and himself, with support from Nott and David Howell.⁸⁷ There had been a lack of interest in ideas amongst the Heathites

⁸⁵ Howe Papers, Howe S50.

⁸⁶ Much of the discussion at the meeting on 17 March had been foreshadowed in an article by Robert Skidelsky in the December 1974 issue of *Crossbow*. Skidelsky had asked why excessive money was created in the first place and had suggested that there were two generally accepted reasons. ‘The first is that new money has been created to finance inflationary wage settlements. The second is the commitment to full employment which arose directly out of electoral competition between parties against the background of depression. Sir Keith’s analysis’, he believed, ‘simply ignores the first reason...he frankly aims to abandon the full employment commitment – at least for the time being... The object of this is to reduce demand through the lever of mass unemployment...How far the unemployment necessary to achieve [this] will have to go is unknown. How do you carry such a policy to success without being defeated by a general strike and/or suffering an electoral debacle?’, R. Skidelsky, ‘No Way Out’, *Crossbow*, December 1974, CPA, PUB 195/8.

⁸⁷ Lord Lawson, private interview, 16 December 2009. David Howell had been a reforming member of Heath’s Cabinet but had seemingly transferred his allegiance to the Thatcher camp at the time of the leadership election in February 1975 – at least if a scribbled exchange on the back of a paper discussed at Heath’s last Steering Committee on 27 January 1975 is to be believed. Which Steering Committee members were involved in the exchange cannot be identified but, if true, it reflects on Howell’s behaviour at the time. The initiator of the exchange asked his colleague, ‘Is it true that David

and ‘the time had been ripe for new thinking’. Joseph and Howe had combined effectively. The former had been ‘fired up intellectually’ and Howe had been the ‘ultimate safe pair of hands’. Thatcher, who was not an intellectual and had been on a ‘sticky wicket’ with ‘people out to get her’, had been carried along by their thinking, certainly in the early period of Opposition.⁸⁸

The first serious attempt to derail Joseph came at the Shadow Cabinet meeting on 11 April 1975 at which the principal item of business was the Joseph and Maude paper commissioned on 26 February. In an interview given two days before the meeting to Hugo Young of *The Sunday Times*, Gilmour had anticipated dissension. ‘Meeting of the Shadow Cabinet on Friday will launch a research programme which must get off in the right non-Joseph direction’, Young summarised him as saying. ‘SC is majority for Joseph, but with enough weight on other side probably stop it’.⁸⁹

Entitled ‘Notes Towards the Definition of Policy’, Joseph and Maude’s paper was, in its first three sections, as near a restatement of Joseph’s ‘third crusade’ messages as it was possible to get. It was a direct challenge to a Shadow Cabinet comprised mainly of those who had served as Ministers under Thatcher’s predecessor. In its first long section, Joseph set out the background to his thinking. It harked back to his Preston speech of ten months before. ‘We were simply rejected by habitual supporters... because many found it difficult to know what we actually stood for, or whether it represented Conservative ideals and approaches as they knew them’. He dismissed consensus politics out of hand. ‘The trouble began probably over a century ago when

Howell has ratted? That’s king-size ratting’, to which the reply was offered, ‘It’s also very stupid; no-one who benefited from such ratting would ever want to promote him; you promote the loyal ones afterward’, CPA, SC/24/29-31, handwritten comments on back of Copy 25 of Steering Committee paper LSC/75/26.

⁸⁸ Lord Lawson, private interview, 16 December 2009.

⁸⁹ H. Young, *The Hugo Young Papers* (Penguin Books, London, 2009), p. 49.

our lead and our national initiative began to falter. We made things worse when, after the war, we chose the path of consensus. It seems to me that on a number of subjects, we have reached the end of the road'. He called for a new start under a new leader; the creation of 'a healthy economy...in a healthy body politic'. Coming to the crux of his message, he suggested that 'we [had] competed with the Socialists in the pursuit of full employment in the sense of a job for everyone of the kind, location and reward he broadly considers right'. This he believed was a task which it lay beyond the power of government to fulfil. Nor did he simply stick to questions of economic strategy but expressed the opinion that 'In matters of behaviour [too], we have gone along with what claimed to be the progressive views', particularly on immigration and education. 'For fear of being considered intolerant', he concluded, the Conservative government had adopted policies which could only lead to 'the economic morality of the pig trough'.⁹⁰

The Shadow Cabinet gave the paper polite but short shrift, regarding Joseph's proposals as 'revolutionary'. Many members probably remembered that the initial drafts of the Manifesto for the February 1974 election had talked of 'A Britain united in moderation, not divided by extremism. A society in which there is change without revolution'.⁹¹ The minutes of the meeting recorded a general feeling that Conservative policy should be evolutionary and should build on the past, not reject it. Moreover, the paper was seen as being 'too critical of the recent past' and, in particular, of 'recent Conservative policy'. The Party should concentrate on seeking a national consensus and on holding the middle ground, which was regarded not only

⁹⁰ CCA, Thatcher MSS (2/6/1/156), 4 April 1975.

⁹¹ CPA, SC/24/75/29-31. By the time the manifesto was finalised, the sentence, which survived five redraftings, had become 'A united people, prepared to resolve our differences in a spirit of reason and moderation'.

as the key to electoral success but to staying in power after it had been achieved. It was accepted that, since the early Sixties, there had been a general movement of ideas and policies towards ‘the Left’ and a move away from ‘traditional Conservatism’, but though such a move had also occurred in most European countries it had not prevented them from achieving ‘remarkable economic success’. Tepidly, it was concluded that ‘the Conservative government of 1970-74 had, on the whole, tried to do the right things, but had failed to explain its intentions adequately’.⁹²

If the tone and temper of the discussion was somewhat hidden by the Shadow Cabinet minutes – such minutes are written non-attributably – they are certainly revealed by Lord Hailsham’s diary entry later the same day. The entry was in fact his scribbled notes taken during the meeting. With copious underlinings and capital letters for emphasis, he recorded Reggie [Maudling], Shadow Foreign Secretary and erstwhile Chancellor of the Exchequer as having fired the opening salvo by saying that ‘I do not agree with ONE little bit [of the Joseph diagnosis and prognosis]’; [Timothy] Raison, Shadow Environment Spokesman as believing that there was ‘too much misery in Keith’s paper; [Francis] Pym, Shadow Agriculture spokesman as seeing ‘Keith’s paper as a recipe for disaster’; and [Michael] Heseltine claiming not being able to find anybody ‘who would identify with the paper’ and calling for a deeper analysis. ‘On TV’, Hailsham quoted him as saying, ‘we don’t look like anyone people know’. Humphrey Atkins, Chief Whip, was blunt in alleging that ‘The HAIRSHIRTS have gone too far’. The need for consensus and continuity was pressed by many. In offering the view that ‘Up to 1970, the consensus was a Conservative consensus...not a Labour one’, [Ian] Gilmour provoked Thatcher into

⁹² CCA, Thatcher MSS, LCC (75) 57th Meeting, 11 April 1975.

asking whether he actually believed in capitalism, a question which he said he regarded as ‘almost blasphemy’. Joseph insisted that ‘there was not a Conservative consensus before 1970’. Geoffrey Howe made the point that the ‘1970 manifesto was a departure from consensus and...did not differ from the present [Joseph] document’, the clear implication being that if there had been no U-turn in 1972, the Joseph ‘crusade’ would have been unnecessary. Hailsham’s final comment was that ‘there was hardly a dull moment’.⁹³

Thatcher claimed that in putting her Shadow Cabinet together, and recognising the need to ensure that it represented ‘a balance of opinion’, she had created a team that ‘shared my and Keith’s view on the free-market economy’ and would support her ‘within limits’.⁹⁴ If Hailsham’s notes are at all an accurate representation of the individual views expressed, she can only have been left feeling after the meeting that neither of her aims had been achieved. Indeed, in a chapter in her first volume of memoirs headed ‘A Bumpy Ride’, she acknowledged that:

the root of all our problems...lay in the unresolved contradictions of policy. With Keith Joseph and Angus Maude having overall responsibility, I could have confidence that the policy-making process would now be organised along lines which I approved. But the decisive influences would never be theoretical or technical but rather personal and political. However long we argued about the rights and wrongs of public expenditure, incomes policy and industrial subsidies, some of us (probably a minority) in the Shadow Cabinet firmly believed that the free-market approach would work, while the others were equally convinced that it would not – or at least that it would work only at a political and social cost that would be unsustainable.⁹⁵

The Shadow Cabinet meeting of 11 April 1975 was a seminal meeting in that it mapped out with painful clarity the deep divisions between what came to be known

⁹³ CCA, Hailsham MSS (1/1/10), 11 April 1975; Lord Howe repeated the view he had expressed at the Shadow Cabinet meeting in the private interview he afforded me on 30 November 2009.

⁹⁴ M. Thatcher, *The Path to Power*, (HarperCollins, London, 1995), pp. 290-291.

⁹⁵ *Ibid.*, pp. 297-298.

as the ‘Dries’ and the ‘Wets’ in the Shadow Cabinet as well as in the Parliamentary Party and the wider Party in the country, divisions which, at the time, it was beyond Thatcher’s powers to heal. In the October 1975 issue of *Crossbow*, Ronald Butt felt compelled to write that:

Expecting leadership, the Conservative Party is not happy when coherent leadership seems not to be available – and for this reason it is not happy now. For this, Mrs Thatcher, rightly, is not to blame. If clear leadership is lacking, it is because she heads a too divided team which is still suffering from the self-inflicted wounds of the leadership election and, which being still of two minds in respect of attitudes to economic policy, has not made possible the evolution of a new clear and determined Conservative position.

Butt went on to suggest that Thatcher was ‘unable to give full expression to the impulses behind the Conservative revolt which made her leader [because she was dependent] on a Conservative shadow cabinet team which still largely reflected the old establishment, with its hankering for an incomes policy and industrial interventionism’. The truth was, Butt continued, that ‘apart from Sir Keith Joseph (whose handicap is a tendency to express himself too doctrinally and provocatively) and (up to a point only) Sir Geoffrey Howe, the balance of the Shadow cabinet has tended to stand for policy attitudes closer to the position of Mr Heath than to the instinctive posture of Mrs Thatcher’.⁹⁶ Despite Butt’s urgings that Thatcher should contrive a clean break with the past and be ruthless in reshaping her team, the situation continued unchanged, each faction continuing to fight its corner persistently and committedly until much-delayed Shadow Cabinet reshuffles and significant external developments, most particularly the policy changes required of the Labour government by the IMF in 1976, the Grunwick dispute of 1977 and, later, the events of the Winter of Discontent in 1978/79 (all of which are dealt with in detail later in this chapter and in the next chapter), enabled the Party to go into the 1979 general

⁹⁶ R. Butt, ‘Looking for Leadership’, *Crossbow*, October 1975, CPA, PUB 195/8.

election on somewhat firmer ground than had for a considerable period of time seemed attainable.

After the Shadow Cabinet's apparent rebuff for Joseph's broader thinking, work on the development of future policies moved to the special Study Groups, involving both backbench committees and sympathetic outside experts, as delineated by Joseph and Maude. The groups were usually chaired by the relevant front-bench spokesman and their work was co-ordinated by the Policy Sub-Committee, the genesis of which has already been described. Joseph circulated a note giving guidance on the approach the Study Groups should take. Apart from questions of mechanics, such as how to associate backbenchers with the work of the Groups, Joseph set out some 'guiding principles'. The Groups should bear in mind, he told Chairmen, the paramount need to cut public spending in order to reduce over-government, to devise policies designed to reduce inflation with the minimum damage to individual liberty and to find alternative ways of reconciling legitimate trade union behaviour with the broader needs of the community as a whole. Among the guiding themes he suggested was the need to defend 'free enterprise and the system of economic freedom against further doctrinal attack from the left'.⁹⁷ The note was a shorter version of a draft submitted on 7 July by James Douglas of CRD, whom Chris Patten had appointed in May 'to look after the policy-making exercise in its initial stages'. Douglas suggested that the aim should be to complete the initial stage 'by the end of the present parliamentary session...both to provide some contingency planning for the possibility of an early snap election and to provide some first preliminary ideas on policy which may be presented at the next Party Conference'.⁹⁸ (The fruits of this

⁹⁷ CPA, CRD, (Uncatalogued Papers), Box 2, undated memorandum.

⁹⁸ CPA, CRD, (Uncatalogued Papers), Box 2, 7 July 1975.

initial stage were to be seen in a document entitled *The Right Approach*, which was put to the Party Conference in October 1976).

Though there were separate groups dealing with Public Sector policy and Taxation policy, they came under the aegis of the most important Policy Group, which had already started work by the time Douglas wrote his note. This was the Economic Reconstruction Group chaired by Shadow Chancellor Howe. Adam Ridley was designated secretary and organiser but his role was in practice much wider than that. As Howe told Joseph, he was confident that Ridley and Griffiths (the monetarist economist from the London School of Economics and a full member of the Group) would 'be able between them to represent the differing academic points of view on the economy', though at the Group's first meeting anxiety was expressed about whether it 'had access to adequate economic knowledge on various technical matters'. Joseph in particular was concerned lest an 'oversight should lead to some fundamental weakness or omission in the proposals put forward and suggested that the Group's work should be submitted to business economists and a housing finance expert'.⁹⁹ In the event, as Howe had anticipated, Ridley bore the brunt of providing the expert advice which the Group needed, though Griffiths made important contributions from time to time. Like Howe, Ridley's commission permitted his attendance at meetings of the other two economic Groups whenever this was thought to be necessary or helpful. Joseph was a member of the Economic Reconstruction Group. Prior commented in his memoirs that 'Margaret had appointed Geoffrey Howe', whom she saw as 'stodgy and dull, with no fire in his belly, as her Shadow Chancellor rather than Keith Joseph who was considered politically unstable'.¹⁰⁰

⁹⁹ Howe Papers, Howe S47. Minutes of 1st meeting of Economic Reconstruction Group, 20 June 1975.

¹⁰⁰ J. Prior, *A Balance of Power* (Hamish Hamilton, London, 1986), p. 108.

Others on the Group were Nott, Howell and Nicholas Ridley from the ‘Dry’ camp and Prior and Gilmour from the ‘Wets’.¹⁰¹ As might have been anticipated from its composition and as events were to prove, the Group was sharply divided on two policy issues – how to tackle inflation and how to deal with industrial relations.

The Group’s work had been launched at an all-day meeting at Howe’s home in Fentiman Road on 18 May 1975, attended by Parliamentary colleagues Howell and Nott together with Ridley, Michael Niblock and Anne Bulloch from the CRD. The preliminary conclusions drawn at the meeting were put to Thatcher in a note by Howe of 29 May.¹⁰² The note emphasised that the basic problem to be tackled was how to alter the effective balance of power as between government and collective organised labour, though this was an issue, it was recognised, which had been remitted to Prior’s Employment Policy Group. At this early stage it was already clear that, so far as Howe was concerned, his and Prior’s briefs unavoidably overlapped. It followed, therefore, that from the very beginning of the policy-making exercise, Howe’s task was to be one of keeping Prior onside throughout the process of formulating a coherent strategy to address the problem of how to tackle inflation, a strategy which could not but pose challenges for the conduct of industrial relations. These were challenges, however, which Prior was to show himself not disposed to face up to – certainly in the early stages of the Policy Group exercise.

With regard to counter-inflation policy *per se*, however, Howe was determined to confront the issues with a sense of urgency and to do so by ‘renounc[ing] political

¹⁰¹ ‘Keith Joseph and Jim Prior were the most consistent protagonists there. Ian Gilmour, possibly the most committed champion of the incomes policy, yet always somehow semi-detached from the fray, was less regular in his attendance’, G. Howe, *Conflict of Loyalty* (Macmillan, London, 1994), pp. 100-101. Prior’s view, as the work proceeded, was that, ‘At times, I thought the monetarists were spouting the most dreadful nonsense, and used to say as much’, Prior, *A Balance of Power*, p. 108.

¹⁰² CCA,Thatcher MSS (2/6/1/92), 29 May 1975.

theology and...find[ing] a way of describing a practical approach that everyone could accept'.¹⁰³ (In a later speech he similarly claimed to eschew the views of those who saw the answer to the country's economic plight in 'theological absolutes', a reference which might be taken as pointing the finger at Joseph, but which might also be seen, in the light of the policies which he sought to urge upon his Study Group, as necessary cover for his own true instincts). He saw it as 'the duty of government to convince "both sides" of the labour market of the "consequences and realities of monetary and fiscal policy"'.¹⁰⁴

The path which Howe had followed between 1970 and 1975, when he found himself as Shadow Chancellor and Chairman of the Economic Reconstruction Group in charge of formulating the Opposition's economic strategy, had not been a smooth one. As Heath's Solicitor General between 1970 and the end of 1972, he had been 'the prime political force and certainly the crucial legal force in the attempt to tame the unions'. Thereafter, between November 1972 and February 1974, as Trade and Consumer Affairs Minister, he had been the 'joint architect of the attempt to control the surge of inflation by quasi-legal controls on prices'. In the former role, Howe had been determined to bring the trade unions within the normal laws of contract and the Industrial Relations Bill, published in December 1972, aimed to make agreements between employers and the unions enforceable at law. As Stephen Abbott, Howe's special adviser at the time, wrote shortly before his death in 1987, 'Geoffrey's calm, ponderous style hid from no one that he was out for the trade unions' balls'. Howe had expected the Parliamentary process and what he regarded as the 'sheer reasonableness' of the reforms to take the edge off the unions' antagonism to the

¹⁰³ Howe, *Conflict of Loyalty* pp. 99-100.

¹⁰⁴ *Ibid.*, p. 100.

measure once it had become law, but the continuing vehemence of the opposition to it had taken him by surprise and he had had to recognise, as bitter challenges to it persisted, that the government had neither the support nor the will to fight a protracted war with the TUC and the Labour Party. To all intents and purposes, the dissolution of the coherence of the Industrial Relations Act had marked the end of the Selsdon phase of the Heath government. The repeal of the legislation by the Wilson government in 1974 wounded Howe, who objected particularly to the fact that his legislation, which he had regarded as being based on equitable principles, was being described at the time as ‘divisive’ and ‘anti-union’.¹⁰⁵

In his role as Trade and Consumer Affairs Minister, where he worked under Secretary of State for Trade and Industry Peter Walker, he was at the centre of the economic debate on the administration of prices and incomes policies. Though a believer in free collective bargaining within a market framework, he loyally played his part in attempting to enforce what amounted to an attempt at a form of state-controlled economic management. One free market colleague remembers telling Howe at the time that he was allowing himself ‘to be detached from his roots, that [prices and incomes] control had never worked and would not work this time and that he was being made the super instrument of Heath’s folly’.¹⁰⁶ His continued praise of the mirage of price controls at this time is thought by many to represent the low point in his abandonment of his liberal ideals, and his association with these ultimately futile policies, together with the failure of his attempt at industrial relations reform, could, it might be easily surmised, have inclined Thatcher not to appoint him to such a sensitive position as Shadow Chancellor of the Exchequer.

¹⁰⁵ J. Hillman and P. Clarke, *Geoffrey Howe: A Quiet Revolutionary* (Weidenfeld and Nicolson, London, 1988), pp. 100-102 and 119.

¹⁰⁶ *Ibid.*, p. 113.

They might indeed have tarnished his reputation irredeemably, given that he never publicly repudiated the part he played during the Heath years. What he did, however, was quickly demonstrate that he had learned from his unhappy experiences, in which respect he was assisted by a renewed relationship with the Institute of Economic Affairs. Ralph Harris bombarded him with its publications and found him eager to absorb ‘the relevant texts of liberal thinking’. During the Heath years, which he had regarded as catastrophic, Harris had claimed to have seen Howe as something of a lost soul but soon came to regard him as a key proponent of the market economy.¹⁰⁷

The intellectual journey which Howe made between 1970 and 1975 can be traced in the speeches he gave during the period, particularly in the final months of the Heath government, when he was still speaking as a Minister, and the early months in Opposition when, before Thatcher appointed him as Shadow Chancellor, he was Heath’s Shadow Secretary of State for Social Services, following in the footsteps of Joseph who had held the Social Services portfolio in government between 1970 and 1974. Early in January 1974, in a message to his Reigate constituents, he said that:

one thing is surely clear. Any modern industrial society, in present conditions, needs some kind of acceptable guidelines for the conduct of collective bargaining. And any such guidelines can, and must if necessary, derive additional strength from the authority of Parliament. This much must be admitted, at least for the publicly-owned industries, even by those who believe that the government should seek only to determine the supply of money. Even those who criticise the government from the right – if that is where they are – must agree on that.¹⁰⁸

And later in the month, with a slight shift of emphasis, he told a *Financial Times* conference on Pay, Prices and the Economy that:

Before I turn to consider the effectiveness or desirability, in principle or in practice, of any such machinery [of statutory controls] for direct intervention in either half of the market [prices and pay], I believe it is

¹⁰⁷ Ibid., p. 125.

¹⁰⁸ Howe Papers, Howe SP4, message to Reigate constituents, 13 January 1974.

possible for us all to agree on one proposition. Whether we side with the Chicago school of monetarists or with those who think that some form of explicit prices and/or incomes policy is a necessary political instrument, it is at least common ground that the government cannot escape its central responsibility for creating the conditions for the proper functioning of the market.¹⁰⁹

In a speech to the Selsdon Group in June 1974, when in Opposition and between the two General Elections of that year, he showed how far he had moved towards the acceptance of monetarism, though he made a distinction, as he had previously done and was to continue to do, between the means necessary for controlling private sector wage inflation and pay settlements in the public sector. He also introduced what was to become a persistent theme in his speeches – the need to explain economic policies in terms which the public could understand:

Management of the money supply is critically important, certainly...It is also very difficult. And difficult to explain. And by itself it will not lead to the disappearance of all our economic and social problems. Conservatives should be more alert than others not to argue that there is a magic cure for all economic evil...and as we seek to avoid the rigidities of a policy for incomes, let us not overlook the need for acceptable institutions to consider the pattern of rewards in the public sector.¹¹⁰

His new-found enthusiasm for monetarism led him to attempt an awkward explanation for the failures of the Heath government in a speech which he delivered in September 1974. 'I believe that, even if belatedly and with less conviction than necessary, we would have pursued those (and other strands of the 1970 programme) with success, had we not been defeated – like every other post-war government – by inflation. Answer? Monetary policy? Yes: we all agree. I always did.'¹¹¹ Two months later, he attempted a lengthier defence of what he called the '1970 prescription':

In retrospect, it can perhaps be suggested that we misunderstood the basis on which we had won the 1970 Election. The main reason for our

¹⁰⁹ Ibid., speech to *Financial Times* Conference on 'Pay, Prices and the Economy in 1974', 31 January 1974.

¹¹⁰ Ibid., speech to Selsdon Group, 18 June 1974.

¹¹¹ Ibid., speech in Birmingham, 13 September 1974.

success was the extent of public disenchantment with the Wilson government. But we allowed ourselves to believe that we had received a popular and intellectual mandate for counter-revolution....We neglected to counter the ‘Selsdon Man’ caricature...there can be no doubt we were right, throughout the last two election campaigns, to place over-riding emphasis on the battle against inflation – and on the risks of economic disaster. But if we are clear about our objective, we must be equally clear about our methods. As we made clear in our October manifesto, monetary policy is an essential long-term strategic weapon in the fight against inflation. If that is wrong, then nothing else will come right.

One might be forgiven for believing that this was a justification tempered by a measure of hindsight, though he then went on to deliver a message which became a staple of his speeches over the coming months and years in Opposition:

It is unwise to ignore the ways in which monetary policy can be (and has been) misrepresented. ‘The deliberate creation of unemployment’ is the most usual basis of the attack, the very last thing any Conservative would wish to see as an end in itself. The dominant risk of large-scale unemployment comes today from the prospect of continuing (or even escalating) inflation on the present scale. If that outcome is to be avoided, then there may well be no chance of escaping a more modest rise in the numbers out of work.¹¹²

Echoes of Joseph became ever more apparent in his speeches during this period. For example, he told the members of the Exeter University Conservative Association just before the leadership election in February 1975 that ‘Since the war, a sort of ‘ratchet’ mechanism has operated...we have for far too long allowed the Socialists to maintain the initiative in the battle of ideas’, and he frequently repeated Joseph’s adage that if monetary policy was wrong, nothing would come right.¹¹³ But, as I have already noted, he warned with some regularity of the need to ‘avoid becoming absorbed in an arid theological debate about money supply’. ‘Some people’, he told an audience in March 1975, ‘are easily tempted to use the description “monetarist” as a simplistic label with which to denounce their opponents – or even to praise their friends, but I

¹¹² Ibid., speech to London University Conservative Association, 7 November 1974.

¹¹³ Howe Papers, Howe SP5, speech to Exeter University Conservative Association, 7 February 1975.

am advised that, even at an academic level, “monetarism” can be defined in at least three significantly different ways. That is why we should resist the temptation’.¹¹⁴

The other theme, to which he returned over and over again, was the need ‘As Lenin often said, [to] Explain, always explain’.¹¹⁵ This was what lay at the heart of the attraction for him of the West German Concerted Action system, which is dealt with in more detail in later paragraphs. But in relation to the basic issue, he explained himself most clearly when taking mildly to task his friends at the IEA. In a speech in Leicester in January 1977 he acknowledged the existence of:

a deep (and understandable) popular disbelief in the capacity of politicians – any politicians – to remedy our national ills. But people too must play their part. I am second to none in my admiration of the work of [Ralph Harris and Arthur Seldon] and regret that so little of it has as yet been turned into policy. But I notice in their twentieth birthday work (“Not from Benevolence”)...a repetition of a sentiment which has disturbed me in the past. They are inclined to denounce, as the most important obstacles to the right kind of reform, ‘the politicians and their dependants, the bureaucrats’. Yet they end with a question: ‘What else is required in addition to independent, authoritative...scholarship...to lift discussion of policy from short-run expedients...to the long-run requirements for stability and prosperity in a free society’.¹¹⁶

The answer, as he never tired of saying, was a willingness on the part of politicians to explain their policies tirelessly to the people. For his part, he never, once he had shed the trammels of the misconceived policies which he had loyally espoused during the Heath years, sought to conceal the fact that an effective policy to beat inflation must involve the risk of rising unemployment.

It was perhaps because of the memory and understanding of what had gone wrong during the Heath years that the role which Howe played as chairman of the

¹¹⁴ Ibid., speech to Conservative Central Council, 14 March 1975.

¹¹⁵ Howe Papers, Howe SP7, speech to CPC Summer School, Cambridge, 9 July 1977.

¹¹⁶ Ibid., speech to the Forty Club, Leicester, 5 January 1977.

Economic Reconstruction Group – in effect as a mediator between the ‘Dries’ and the ‘Wets’ – was such a vital one in keeping the Party together at a time when internal and external pressures could easily have torn it apart, and in enabling Thatcher not to be forced into taking up too extreme a public position on the related topics of economic affairs and industrial relations at too early a stage in her leadership. Like nobody else in the Shadow Cabinet he understood the strengths and weaknesses of the opposing ‘Wet’ and ‘Dry’ factions. There is no evidence that Howe ever upbraided Joseph for being a ‘political theologian’ and their collaboration was crucial in the production of *The Right Approach to the Economy* in October 1977, the pamphlet which represented the fruits – still however somewhat unripe – of two years work by the Howe Group. Howe was not unaware of the pamphlet’s limitations. ‘Taken as a whole’ he later wrote, ‘the booklet was a true concordat of all our views [but] the caution of the booklet’s subtitle [Outline of an Economic Strategy for the Next Conservative Government] was inescapable...the indefinite “an” was a deliberate disclaimer’.¹¹⁷ Nevertheless, the measure of agreement which Howe did manage to achieve by October 1977 served a vital purpose at the time and had far-reaching consequences in terms of future policy implementation. Though criticism was muted at the time, not everyone apparently saw it in such terms. Writing much later, Gilmour, perhaps unsurprisingly, described the economic policies set out in the booklet as having been produced by a ‘secretive monetarist clique’.¹¹⁸

As the note of the Fentiman Street meeting in May 1975 had also shown, Howe was acutely aware of the possible consequences of engineering too rapid a switch of ‘the

¹¹⁷ Howe, *Conflict of Loyalty*, p. 101.

¹¹⁸ Quoted in Howe, *Conflict of Loyalty*, p. 169.

resources currently being over-borrowed into essentially the corporate sector' and recognised, realistically, that the long-term reduction of the PSBR could be achieved only over a period of several years. 'A rapid reduction could be unacceptable unemployment'. But 'if the PSBR continued to grow, we [would] be moving further and further towards the Weimar mechanism of hyperinflation'.¹¹⁹ Such an analysis, realistic though it was intended to be, clearly portended that the Economic Reconstruction Group would be following a 'Dry' agenda on purely economic matters. As Bulloch told Patten on 23 May – before Howe had reported the outcome of his meeting to Thatcher – the terms of reference for the Group which Howe had dictated to her, were simply 'to secure the conquest of inflation and restore dynamic'.¹²⁰ In a paper circulated on 24 July 1975, Howe set down a firm agenda for his Group. The four major problems he identified were ones on which he and Joseph were in total agreement. They were:

(a) Inflation (b) Imbalances in the way national output is allocated, in particular the excessive size of the public sector and the consequent downward pressure on exports, investment and private spending and the rate of economic growth (c) Imbalances in monetary policy – above all stemming from the enormous public sector deficit (d) Defects of the labour market and collective bargaining.

The paper acknowledged that there would be immense problems involved in mastering inflation and that 'whatever approach was adopted, significant and by post-war standards unprecedented deflation [would be] inevitable in the short run'. Such policies would 'strain the bounds of consent to the limits and constitute a standing challenge and open invitation to attack from the militant left'.

¹¹⁹ CCA, Thatcher MSS (2/6/1/92), 29 May 1975. Even before Thatcher's election as Leader, Howe was issuing warnings about the dangers of hyperinflation. In a speech in early January 1975, he had said that 'Britain is posed today on the brink of...hyperinflation. It could destroy our society as it did in Germany in the 1920s. [There is no] effective substitute for controlling the growth of the money supply – gradually over a period of years, not rapidly over a period of months. A violent deceleration of money supply growth would create havoc on our economy. It would be a prescription for mass unemployment'. Howe Papers, Howe SP5, speech to Huddersfield and Spen Valley Incorporated Chamber of Commerce, 10 January 1975.

¹²⁰ CPA, CRD, (Uncatalogued Papers), Box 1, 23 May 1975.

As Howe saw it, there were three alternatives open to a new Conservative government. The first would be a 'gradualist monetary approach, as proposed by Professor Friedman and others', which would involve a steady reduction in the rate of growth of the money supply over a four or five year period and, as a concomitant, a very high level of unemployment for the whole of the period. To sustain such a policy throughout the life of a Parliament 'would raise obvious political difficulties'. The second alternative, a 'dramatic monetary approach', would require 'halting the growth of the money supply abruptly in order to get the necessarily messy approach of killing the inflation over quickly'. This would probably do 'lasting and unacceptable' damage to the economy and would therefore be 'politically impossible'. The third option, a system of indexation, as a means of making it possible to adjust the country's economic and social life to the continuation of high inflation rates, would be a device for restoring market confidence in a way which ought to bring inflation down. It might, however, actually make inflation worse rather than better and would almost certainly be too slow to meet the urgency of the current situation. All three possible solutions would involve the dampening of the growth of inflationary expectations through the indirect pressures of the market mechanism, be slow to take effect and be 'politically painful and economically costly'. What was needed was a way of operating directly on expectations, which might be found in a package of:

tighter monetary policy with the growth of the money supply reduced to a rate consistent with the growth in money wages, action to reduce the public sector's financial deficit in the short run, a scheme to ensure that the resources thus released would be channelled into profits, investment and private spending, abolition of price controls, a total wage freeze for at least one wage round and labour market reforms.¹²¹

¹²¹ CPA, CRD, (Uncatalogued Papers), Box 4, 24 July 1975.

Though Howe's paper accepted that no firm solutions to the challenges which any of the options he had mooted had yet been agreed, nobody was in any doubt, even at this early stage, that whatever option was eventually chosen and developed, nothing could be guaranteed to work unless a formula could be found for correcting the defects of the labour market and collective bargaining. Howe and Joseph both spoke of the 'gigantic economic millstone which could not forever be neglected'.¹²² A week after Howe's paper had gone round, however, Prior sent Joseph a note explaining that he was not in a position to be able to come forward with specific reports on policy in relation to employment and industrial relations and that what he thought would be most helpful, at that stage, would be for him to give Joseph 'a list of points from recent speeches' he had made.¹²³

As Shadow Employment Secretary, Prior had been determined from the start of the Policy Group exercise to keep the development of industrial relations policy under his control and Howe never felt, throughout the entire exercise, that the time was ripe to force the issue of how to redress the balance of power in Britain's labour market, so sensitive was Thatcher about the need to avoid the charge that a future Conservative government would seek confrontation with the trade unions. Economic policy and industrial relations policy impinged so closely on one another, however, that from time to time it was impossible to prevent discussion straying over the line which Howe had drawn. In a paper circulated at the end of October 1975, for example – somewhat disingenuously entitled 'Inflation and Investment (the Intellectual Problem)' – Ridley found himself unable to avoid dealing with the industrial relations dilemma in a passage on 'The Labour Market'. 'Optimists'

¹²² Howe, *Conflict of Loyalty*, p. 104.

¹²³ CPA, CRD, (Uncatalogued Papers), Box 4, 29 May 1975.

believed or hoped, he said, that the best way forward was by ‘commonsense, conciliation, discussion, piecemeal reforms and low profile’. For them, the priorities for any future government would be to ‘take the sting out of confrontation with the unions by leading the key negotiations away from the government and localising disputes at a politically undamaging level...Wherever possible, provocative legal or institutional changes [were] to be avoided’. ‘Pessimists’ on the other hand, believed that there had been ‘a fundamental and irreversible shift of power towards the trade union movement’ which had become ‘an unmanageable estate of the realm, unanswerable to anyone, subject to almost no legal restraint and dominated by undemocratic extremists...No government of the Centre or Right [could] hope to rule without facing up to the need to bring about a fairly fundamental and radical change in the position of the labour movement’.¹²⁴ Though he did not indicate who were the optimists and who were the pessimists – he did not need to, so self-evident were the divisions on the Economic Reconstruction Group and more broadly within the Party – he bowed to reality and Howe’s inclinations by conceding that the bulk of the work in developing ‘a strategy consistent with whatever [emerged] as the common philosophy for dealing with the labour market’ would fall to Mr Prior.¹²⁵

When another Ridley paper on ‘Economic developments over the coming year’ was considered at the ninth meeting of the Economic Reconstruction Group on 13

¹²⁴ In an article in *The Political Quarterly* in 1975, Robert Carr, then MP for Carshalton and former Secretary of State for Employment in the Heath government, challenged the logic of the ‘Pessimist’ position: ‘When viewed from the Right, collective bargaining as we know it is wholly inconsistent with the principles of a free market economy. In areas where trade unions are strong, which means all the key areas of the economy, there is no free labour market in the true sense of the term because of the monopoly power which the unions command and are nowadays only too ready to use. Where free competition is destroyed or seriously distorted by monopoly power, the theory of the market economy demands that the monopoly should be broken up or, if that is impracticable, that it should be supervised and controlled. Unless and until market economists advocate the abolition of trade unions at least in their present wage bargaining role, they should be driven in principle to accept an interventionist incomes policy of one kind or another’. R. Carr, ‘Incomes Policy’ in *The Political Quarterly*, October 1975, Vol. 46, Issue 4, pp. 403-4.

¹²⁵ Howe Papers, Howe S47, paper by Ridley for Economic Reconstruction Group, 30 October 1975.

November 1975, Howe said that of the two scenarios set out in the earlier paper he thought 'the pessimistic one was the more likely' and that although 'detailed consideration of trade union reform, pay limits and related subjects were the concern of Mr Prior's Group', such issues 'were central to the whole economic problem and the...Group should give a great deal of consideration to them'. The Group had to proceed, he opined 'on the hypothesis that a substantial part of the union leadership were bent on changing the entire economic system, and their attitude was one of profound and truculent hostility'. He questioned whether 'we had begun to devise ways to avoid being manoeuvred into a corner by militants in key positions'.¹²⁶ Prior, however, refused to be drawn. 'A period of time would be needed', he said, 'for old wounds to heal.' He believed that it was necessary to keep a low profile on industrial relations and not contemplate further major legislation and reform. He accepted that 'if we were returned to government...in conditions of national collapse it would be possible, on a doctor's mandate, to do many things that we could not otherwise dream of doing [but] that we should think rather in terms of the probable situation after five years of muddling through by the present government'. Joseph thought – presciently as it was to turn out nine years later at the time of the miners' strike in 1984-85 – that it would nevertheless be helpful 'to identify areas both geographical and industrial where ill-will and power seriously to disrupt occurred together and then consider how best to mobilise the well-disposed elements in those areas'.¹²⁷

Prior's view that continued muddling through by the government was more likely than the onset of a crisis which would force an election and a possible change of government, had been picked up from Ridley's paper on 'Economic developments

¹²⁶ CPA, CRD, (Uncatalogued papers), Box 1, Minutes of 9th meeting of Economic Reconstruction Group, 13 November 1975.

¹²⁷ Howe Papers, Howe S47.

over the coming year'. The paper had surmised that in the face of rising unemployment and with no latitude to embrace expansionary policies, it was difficult to see how the government could avoid trouble with the TUC when it was forced to implement a further programme of wage restraint. Ridley had asked whether the Labour government was behaving sinisterly by allowing things to get out of hand in order to 'justify a major lurch to the left', or pursuing policies 'based on ignorance or on an incomplete and hazy understanding of economic reality'. His conclusion, seized on by Prior, was that they were merely muddling through, relying on the 'rudderless pragmatism of the Prime Minister and the natural optimism of Harold Lever [Chancellor of the Duchy of Lancaster]'. This could lead to a 'definable crisis' or, more likely, simply result in an 'indefinite slither further down the slope'.¹²⁸ Such an analysis, while seemingly somewhat theoretical and speculative, was clearly an attempt to make the Howe Group aware of the need for urgency in bringing their work to a conclusion. The need to be able to display a set of firm policies could arise at any time. That the required sense of urgency was thought to be lacking is evidenced by a note which Ridley had sent to Howe on 7 November 1975 reminding him of his promise 'to stir up a little enthusiasm' for the Group 'amongst the non-attendees'.¹²⁹ One of the notable non-attendees had been Prior who had missed four of the first seven meetings of the Group.

Prior was, however, present at the tenth meeting of the Group on 20 November 1975 when, in a discussion of wage controls, against the continuation of which under a Conservative government Howe and Joseph had set their faces, he was still taking the view that radical industrial relations reform was not realistic and in particular that

¹²⁸ Ibid., paper by Ridley, 'Economic developments over the coming year', 5 November 1976.

¹²⁹ Ibid., note Ridley to Howe, 7 November 1975.

monetarism would not provide an answer to trade union militancy. He thought that 'political and industrial pressure by trade unions could persuade governments to abandon monetary continence'. When Joseph observed that 'the monetary policy of the Conservative government had been largely correct during 1970/72 prior to the miners' strike', Prior commented that the possibility of effectively repeating this would be much reduced 'when we faced a more antagonistic union movement'. He felt that 'a return to freedom from government interference immediately following the formation of the next Conservative government was unlikely to be realistic'. He was not certain whether a Conservative government could abandon incomes policy 'if one had existed for the previous two or three years'. Howell reminded the meeting that 'a major pre-election task was to gradually overthrow the popular view that the Conservatives could never work effectively in the face of union opposition'.¹³⁰ The continuing confusion resulting from the decision to handle economic and industrial relations policies as two separate strands of the policy study group initiative provoked a discussion at the meeting about the purpose of the Group. 'If [the] major function of [the Group] was to be deciding the form of an incomes policy, [which was the responsibility of another group], then it should not continue', suggested Nott. Howe defended the Group's role, rather weakly, by expressing the view that 'the differences in opinion within the group on the possible use of incomes policy should be seen as a reflection of the views of the intellectual community. The group's major function was to act as a "holding company" for other groups and to co-ordinate their work.'¹³¹

¹³⁰ Ibid., minutes of 10th meeting of the Economic Reconstruction Group, 20 November 1975.

¹³¹ Ibid.

The fact was that even as late as December 1975, Prior's Employment Policy Group had still to start work. In a Progress Report put to the Policy Sub-Committee on the 12 December 1975, Nigel Forman, Douglas' successor after the latter had left CRD on a half-year's sabbatical, commented that the Group, 'under the putative Chairmanship of Mr Prior, [had] not yet [even] been fully constituted'.¹³² The Policy Sub-Committee itself observed that 'there was an urgent need to get the Employment policy group off the ground'. Prior's dilatoriness might be accounted for by the fact that five months earlier he had told the Sub-Committee that 'his preference was for a study to be done by somebody outside the main stream of political discussion'.¹³³ It can only be surmised that Prior did not consider the later Stepping Stones exercise – dealt with in detail in the next chapter – as falling within this category, given its CPS-inspired leadership.

Further evidence of lack of any decisive movement on Prior's part in this area is provided in the note which Douglas himself wrote at the beginning of March 1976 on his return from his six month's absence. The main burden of his message, headed 'An Instant Impression', was covered in the previous chapter but in writing about the need for a credible alternative set of policies, he saw fit to mention industrial relations as the most important of the three or four critical policy areas still requiring attention.¹³⁴ Prior did, however, eventually produce a paper on Employment Policy for the Fourth Working Lunch of the Policy Sub-Committee on 26 April 1976, though his tentativeness was still evident. Drawing up an employment policy, he told the meeting, 'was an act of sensitive tightrope-walking'. It was necessary, he said,

¹³² CPA, CRD, (Uncatalogued Papers), Box 3, progress report on work of Policy Groups by Nigel Forman (CRD), 12 December 1975.

¹³³ Ibid., minutes of Policy Sub-Committee meeting, 14 July 1975.

¹³⁴ CPA, CRD, (Uncatalogued Papers), Box 1, paper by James Douglas, 'The Policy Group Work', 2 March 1976.

‘both to repair the damage done at the time of the miners’ strike and to make plain that the Party was not giving in to undue pressure.’ He identified some areas where improvements would be hard for the unions to resist, such as the inclusion of a proper conscience clause in closed shop agreements and the holding of secret ballots for the election of trade union officials, but he did not envisage wholesale repeal of new labour legislation – each part would be studied on its merits. His caution was underlined by Gilmour, who warned that ‘if the public felt it was possible to greatly reduce union power, they would support policies designed to do so; but in fact they believed that the Conservatives could not do so, and that any attempt would fail’. With a seemingly greater sense of urgency, Joseph pointed out that the closed shop might be a narrow issue but it was extremely important in libertarian terms. He reminded the Sub-Committee that ‘during the 1960s it had been thought that an objective should be to strengthen the unions’ and asked whether this position was not now in need of revision. He also felt that ‘incomes policy was incompatible with a free society and [that] to base arguments on the assumption that there would be an incomes policy was to invite defeat’. Prior acknowledged that there was a dilemma over incomes policy but thought that ‘speeches which took a line opposing it and attacking Jack Jones [leader of the Transport and General Workers’ Union] would be recognised as union-bashing’. In effect, nothing had changed since Thatcher became Leader. Economic improvements could not be achieved without steps being taken to reduce union power, but such steps would be seen as confrontational and could not therefore be taken if the present climate continued unchanged.¹³⁵

¹³⁵ CPA, (Uncatalogued Papers), Box 3, minutes of Fourth Working Lunch of Policy Sub-Committee, 26 April 1975. As subsequently developed by Joseph and others, there were four basic reservations about a statutory or rigid incomes policy. The first was that an incomes policy was corporatist in its effects, in that it took decision-making away from elected representatives in Parliament. The second was that incomes policy deflected union leaders from their legitimate, traditional role of representing and bargaining for their members at work. The third was that incomes policies were economically inefficient and involved an erosion of differentials. The fourth was that a statutory policy put the state in confrontation with major sectional interests in society – when unions disputed the maximum

The follow-up paper by Prior in July 1976, which went to the Shadow Cabinet, sounded similar notes of caution. Though the paper – the first solid output of the Employment Policy Group – put forward more developed proposals on the closed shop, employee participation, voting in union elections, payment of supplementary benefit to strikers' families and picketing, it was replete with health warnings, urging that it be borne in mind that 'we are seen to have interfered too much by legislative means in industrial relations in the past...[and] that further major legislation would be unwelcome'. The importance of convincing the public that 'we are not antipathetic towards trade unions...and that we do not seek a major confrontation' was stressed. Appearances mattered; 'we must appear to be neither unduly provocative nor unduly timid'. These were areas of great sensitivity and the danger was that the proposals would be 'written off' as union-bashing, so much so that in the key area of picketing, the proposals made would be best left 'until we return to office'.

At the same time that Joseph was telling the Policy Sub-Committee at its meeting at the end of April 1976 that an incomes policy, a key issue in the development of a broad industrial relations policy, was incompatible with a free society, Howe was beginning to explore the idea that, as he put it in a speech to the Economic Standing Committee of the Bow Group, 'If not an incomes policy then at least a policy for incomes' would be necessary if and when a Conservative government came to power. What he favoured, he said, was a West German-type policy of what was known as Concerted Action. This was a system whereby 'all those who are

permitted rise in wages they had no alternative but to confront the government. R. Behrens, *The Conservative Party from Heath to Thatcher: Politics and Policies 1974-1979* (Saxon House, Farnborough, 1980), pp. 72-73.

concerned with economic decision-taking, government, trade unions and employers' organisations, meet regularly together in order to exchange' and agree on 'information about the future progress of the economy.' Having produced a common analysis, the participants in the process would then have good reason to adjust their actions accordingly.¹³⁶ Howe made his speech against the background of the debate which was taking place in Parliament on government proposals to move to an increasingly statutory framework for pay determination. Over the next year, these ideas were debated in great detail by his Policy Group and eventually found their way, in a modified form, into both *The Right Approach to the Economy* published in 1977 and the 1979 general election manifesto. As Howe later summarised it, the core of the idea was that it was the duty of government to persuade 'both sides' of the labour market of the 'consequences and realities of monetary and fiscal policy'.¹³⁷ He saw this as the way to escape from a formal incomes policy. When the idea was articulated in *The Right Approach to the Economy* a year and a half later, it did not, as we shall see, commend itself to Thatcher and was the principal cause of her refusal to endorse the document as agreed policy. As Prior recorded in his memoir 'Margaret absolutely refused to allow the document to be published as a Shadow Cabinet paper'.¹³⁸ From mid-1976 to the publication of the document, however, it provided the means of averting a breakdown in this important area of industrial relations policy between Ridley's 'Optimists' and 'Pessimists'. The particular policy formulation contained serious defects, as I shall show – and which, to be fair, the Economic Reconstruction Group recognised – but it represented, as Howe was later

¹³⁶ CCA, Thatcher MSS (2/1/3/9), 12 May 1976. Howe must have realised when making his speech that the West German model he was advocating had been rejected the previous year, after the publication of the CPS's very first pamphlet on *Why Britain Needs a Social Market Economy*, as being too corporatist. Even Howe himself had been wary at the time of 'mechanical imitation of the German prototype'.

¹³⁷ Howe, *Conflict of Loyalty*, p. 100.

¹³⁸ Prior, *A Balance of Power*, p. 109.

to put it, a 'practical compromise' between the contending factions on the Group.¹³⁹

In truth, it was probably much more acceptable to Prior and the 'Wets' than it was to Joseph and, as her later reaction to it demonstrated, to Thatcher. The 'Wets' had long toyed with the idea of an assembly of industry, linked to Parliament and drawn from all sections of industrial life, which would help to create a new climate of co-operation. Furthermore, they believed that continuing consultation between government, industry and trade unions was vital for sound economic management.¹⁴⁰

As *The Right Approach to the Economy* was to acknowledge, 'The West German experience offer[ed] some useful lessons' in the particular area of how to determine incomes, in both the private and public sectors. As Howe wrote to Ridley in March 1977, after the model - Concerted Action - had been under discussion by the Economic Reconstruction Group for some months and after he had skimmed through a detailed description of how it worked in West Germany prepared by Konrad Zweig, (who had written a rather academic pamphlet on *The New Acquisitive Society* for the CPS in October 1975), 'Concerted Action is certainly capable of being corrupted into an agency of the corporate state: even so, in this country's enfeebled condition, I am still fairly confident that something along these lines would be better than the hugger-mugger arrangements which do exist'. If this was not a wholesome embrace of the model, it at least offered features on which those at either end of the

¹³⁹ Howe, *Conflict of Loyalty*, p. 101.

¹⁴⁰ In *Inside Right*, Ian Gilmour quoted *Centripetal Politics*, by Professor Ghita Ionescu, on the extent to which Britain was lagging behind France and Germany and also Sweden in adopting the technique of concertation ('Concerted Action'). In his book, Professor Ionescu had written that 'faced with the prospect of increasingly ungovernable societies...the representative governments relinquish their positions as unique national policy-makers and seek "partnerships" or "contracts" with' the most important 'corporate forces'. For Ionescu, 'the "politics of concertation" was the technique of policy-making in which the horizontal process of consultation-commitment replaced the vertical process of command-obedience'... "The politics of concertation" combines the political dualism, corporate and representative, characteristic of the industrial-technological society with the economic need of that society for the regulatory functioning of the market and its natural competitiveness'. I. Gilmour, *Inside Right: Conservative Policies and the People* (Quartet Books, London, 1978), pp. 248-9.

industrial relations policy spectrum could agree and material which, should it become necessary, the requirement for the production of a manifesto at short notice could utilise. As Howe went on to say somewhat despairingly, ‘I see no way in which we could as a matter of urgency reach a more sophisticated view, so that any instant manifesto discussion of the idea would have to be suitably low key.’¹⁴¹

The constituent parts of the Concerted Action model were the production by an independent body of reliable and objective economic statistics as a basis for a ‘dispassionate’ discussion about ‘economic reality’ between all interested parties, in a national forum detached from the wage negotiating processes. The aim of such an exercise, as Ridley spelt out in a paper on ‘The Dangers of Secrecy’ prepared for the Economic Reconstruction Group meeting on 17 June 1976, would be to ‘overcome the difficulties faced by any government, which wish[ed] to pursue sensible economic policies’, in obtaining ‘acceptance and consent’ for them. ‘The “concerted action” of West Germany and many other countries achieves results in counter-inflation policy’ averred Ridley, ‘because it is an important part of a process of education.’ And his rather sweeping conclusion from this was that ‘the positive aspects of open government can and should be examined as part of the foundations of an economic policy’.¹⁴² The meeting of the Howe Group on 24 June 1976 returned to the subject and described the objects of the Concerted Action approach as ‘the education of public opinion and power-broking – the mediation of the influence of pressure groups such as the CBI, TUC and potentially (and perhaps desirably) all those who were not represented by the CBI and the TUC’. As the minutes recorded pithily, ‘Giving people – and especially the trade unions – more information was

¹⁴¹ Howe Papers, Howe S47, letter from Howe to Ridley, 23 March 1977.

¹⁴² Ibid., paper by Ridley on ‘The Dangers of Secrecy’, 14 June 1976.

essential, if unpleasant decisions which required wide assent were to be taken'. And as an extra benefit, 'The technical quality of Treasury forecasting would be improved if there were greater intellectual freedom and contact with the outside world'.¹⁴³

The particular British dimension of the problem of how best to disseminate information under a Concerted Action model was dealt with in a letter which Douglas sent Patten on 27 May 1977. The essential point, he wrote:

was well conveyed by a snippet of conversation by Harold Macmillan which I once overheard. 'The trouble with economists is that they think the economy is a machine. It is not. It is a horse'. The analogy of the horse seems to be a good one. It is an organic thing that cannot be operated mechanically (brakes and accelerators were favourite metaphors at the time): it is a sentient being that does not always behave logically and is influenced by fits of temperament: it is influenced by incentives and constraints (spurs and bridles), yet a horse will not do what you want it to – it is no use just lecturing it, 'you will realise that unless you approach the next hedge at a velocity of not less than 15mph you will not have sufficient momentum to clear it' – at the same time the communication must be more than simply a reaction to the signals you gave it – the horse has to know that you intend it to clear the hedge and indeed agree with you that he will do it. The weakness in the present paper seems to be that it is too exclusively concerned with the peak organisations. It is a good way of briefing the jockey, but it is the whole TUC horse that ultimately has to be stirred into action and made to understand.¹⁴⁴

The question of who would serve on the 'independent body' which would provide the annual economic assessment prompted discussion at a number of meetings of the Economic Reconstruction Group of the idea, again based on the German model, that there might be a small Council of Wise Men. Zweig's paper had informed the Group that in West Germany the Federal President appointed Five Wise Men to serve a term of five years, without government control or interference, and whose task was to describe the current economic position and its likely trends.¹⁴⁵ Though scepticism

¹⁴³ Ibid., minutes of meeting of Economic Reconstruction Group, 24 June 1976.

¹⁴⁴ CPA, CRD 332, letter from Douglas to Patten, 27 May 1977.

¹⁴⁵ Howe Papers, Howe S47, paper by Konrad Zweig on 'The German SVR', discussed at the Economic Reconstruction Group meeting on 28 April 1977.

was expressed from time to time about whether ‘enough “polymath” personnel’ could be found for such a Council and whether it would not be better to graft the research function which would be necessary on to an existing institution, Douglas Hurd and Kenneth Baker were asked to carry out research into possible options.¹⁴⁶ Mechanics and structure apart, what made the German model interesting was undoubtedly the fact that since 1973, the West German government and the Bundesbank, ‘assisted by the advice of the Five Wise Men, had moved away from a “cost-push” explanation of inflation...to a monetary stance’. In this they had been assisted by American monetarist Professors Brunner and Machlup. The control of the money supply, in line with annual targets, had led to a fall in the inflation rate to below 4% (Spring 1977) from over 8% in 1973/4 coupled with a strictly non-inflationary financing of the budget deficit.¹⁴⁷

At the Economic Reconstruction Group meeting on 28 April 1977, it was agreed that something similar to the German model was needed, ‘probably based, because it already existed, on the National Economic Development Council and possibly linked to a small Council of Wise Men, who would have access to official data’. It was recognised, however, that ‘sharp divisions of economic policy in this country could impede the wise men as an effective advisory body’ and that the German system as a whole ‘would not work against present British trade union attitudes’, something which even the Germans acknowledged. ‘Concerted action’ therefore should not be presented as ‘any kind of panacea, though it could help in spreading understanding of the realities of our economic position’.¹⁴⁸ It was in a considerably watered-down

¹⁴⁶ Ibid., minutes of Economic Reconstruction Group meeting, 24 June 1976.

¹⁴⁷ Ibid., paper by Konrad Zweig on ‘The German SVR’, discussed at Economic Reconstruction Group meeting, 28 April 1977.

¹⁴⁸ Ibid., minutes of Economic Reconstruction Group meeting, 28 April 1977.

form, therefore, that more than a year after the idea was first mooted, Concerted Action appeared in *The Right Approach to the Economy*. The key paragraph of the document stated that:

A crucial part of the government's task will be to secure acceptance and understanding of the financial targets which the country must set itself. In order to bargain realistically, negotiators on both sides of the table must be well informed. So the government must be rather less secretive in its preparation and presentation of economic policy and the calculations which underlie it. It must be willing to explain to the people as a whole how it has arrived at its estimates of the anticipated rate of inflation, or growth in the money supply and of growth in the Gross Domestic Product...We plan to use the National Economic Development Council as one of the bodies in which explanation and discussion of these crucial targets can be most fruitfully carried on.¹⁴⁹

What effect Thatcher's reaction to the Concerted Action idea had on the formulation which eventually appeared in *The Right Approach to the Economy*, can be gathered both from the comments she made when she first saw the Zweig paper and at the later Shadow Cabinet meeting which considered the final draft of the policy document. In May 1977, Richard Ryder wrote to Howe from Thatcher's office in the following terms: 'I enclose a copy of the note that Mrs Thatcher has written on top of the copy of The Economic Education of the Public; Proposals for Concerted Action and Fighting Inflation' (Ridley's covering note to Zweig's document). 'Her comments are self-explanatory'. Her instructions to Ryder were to 'Please tell Geoffrey Howe and Adam Ridley that I disagree most strongly with this paper. We are trying to cut down advisory bodies and requests for statistics – not multiply them'. Such lukewarm support, if not outright rejection, of the German model was also evident when the draft of *The Right Approach to the Economy* was put before the Shadow Cabinet at its meeting on 6 October 1977. As the minutes recorded, it was agreed that it should be made clear to the press that the document consisted of

¹⁴⁹ CCA, Thatcher MSS, LCC(77)160, *The Right Approach to the Economy* (Conservative Political Centre, 1977).

proposals from ‘four members [only]...that it had not been discussed by the full Shadow Cabinet, [that] the proposals could not be represented as Shadow Cabinet commitments [and that] there could be no guarantee that all the proposals in the document would be included in [the] manifesto for the next election’. Hardly a resounding endorsement of more than a year’s detailed work on Concerted Action.¹⁵⁰

The defects and gaps in Howe’s view that even if a Conservative government eschewed an incomes policy it would nevertheless need a policy for incomes, which found its expression in the Concerted Action model, are obvious – and were recognised by some at the time. If monetary and cash limit targets were set on the basis of advice offered by an independent expert body and after discussion in an enlarged National Economic Development Council, what would be the difference, at the point where negotiations took place, between the levels of affordability indicated by the targets and an arbitrary, say, £6 limit set by the government or ‘agreed’ as part of a social contract between the government and the trade unions? Even if the unions were minded to respect the affordability targets set, they would always seek to settle at the upper levels of the targets – or, in some cases, to regard them as the starting point for negotiations. As *The Right Approach to the Economy* was to state ‘A target “maximum” always tends to become a minimum to which everyone feels he is entitled’, not a figure within which there is scope for ‘adjusting differentials and taking account of productivity’. This difficulty had been acknowledged in a discussion on cash limits at an Economic Reconstruction Group meeting as early as May 1977. ‘The application of cash limits’, the minutes said, ‘would involve consultations with the public sector trade unions. Cash limits were still a new departure and once unions recognised that pay settlements depended upon the limit

¹⁵⁰ CCA, Thatcher MSS, LCC/77/175th meeting, 6 October 1977.

set it was almost inevitable that they would want a voice in its determination. It was doubtful whether this would be acceptable...It would defeat the whole purpose if cash limits were to be set and then abandoned after pay negotiations had taken place...This could lead to a wholly new concept in collective bargaining'. But the purpose of setting cash limits was nevertheless clear. 'The consequence of an excessive pay increase would be a reduction in service and possibly in employment'.¹⁵¹

The consequences of excessive pay settlements in the private sector would, of course, be the same – reductions in services and staffing levels – though most negotiations would be conducted locally and in the light of what individual firms could afford. How they would decide this would depend on a range of factors deriving from the application of the government's monetary policy, which is discussed in more detail in later paragraphs. As Howe was quoted as saying, with some directness, in a paper of 20 June 1977 by Ridley on 'Attitudes About The Longer Term', 'if the supply of money is strictly controlled, then pay can only rise above an economically justifiable level at the cost of higher unemployment. It must be clearly understood that the prospect of higher pay is directly linked to the financial viability of each employing unit. Responsible voluntary pay restraint is an inescapable consequence of this'.¹⁵²

The other main imponderable about the methods being advanced for determining pay levels, particularly in the public sector which included of course the nationalised industries, was the somewhat optimistic reliance placed on the need for 'responsible'

¹⁵¹ Howe Papers, Howe S47, minutes of Economic Reconstruction Group meeting, 26 May 1977.

¹⁵² Ibid., paper by Ridley on 'Attitudes About the Longer Term', 20 June 1977.

bargaining, i.e. what policies were to be adopted for handling pay disputes, or, to put it more bluntly, strikes, if trade union negotiators behaved irresponsibly. Strikes in the private sector, which did not usually affect the provision of essential services, could take their own course, but public sector strikes were another matter entirely. Somewhat despairingly, *The Right Approach to the Economy* could only say that:

We cannot tell how long it may take for the interests involved to accept the inevitability of realistic and responsible pay bargaining along the lines we have suggested, or how much more damage and suffering in unemployment and industrial disputes the country may have to endure before the stark alternative becomes clear to all. We hope that the events of the last four years may have made the lesson easier to learn and that good sense may, before too long, prevail.

A number of pages in the document were devoted to industrial relations *per se* but, apart from an improbable proposal for a ‘massive decentralisation of all pay bargaining to the workplace’, contained little more than exhortations to responsible behaviour by the unions, undertakings that confrontation was not being sought or expected but pledges of a determination to resist ‘firmly and decisively’ challenges to an elected Conservative government and to enforce the law of the land.¹⁵³ What the document did not say was how any such challenges would be met in practice – testimony, if such were being sought, to Prior’s failure to come up with any direct, indirect, legal or practical solutions to what, given the behaviour of the unions under a Labour government, seemed inevitable future disagreements.

Despite the Concerted Action foray into Prior’s territory, Howe’s determination to get to grips with the main economic issues was never in doubt. The challenge of reconciling the views held by the opposing factions on his Group were spelled out in Ridley’s paper of 30 October 1975 on ‘Inflation and Investment (The Intellectual Problem)’. ‘At one extreme’, wrote Ridley, ‘there is the view that monetary policy is

¹⁵³ *The Right Approach to the Economy* (Conservative Political Centre, 1977).

the necessary and sufficient condition which determines inflation and that nothing else matters. At the other extreme is the institutional viewpoint, according to which money is irrelevant and “cost-push” is the only problem’. Ridley thought that ‘To the outsider both viewpoints appear extreme and unjustifiable and philosophically unsound’ and warned that ‘the sterile and theological nature of the debate which takes place serves only to perpetuate the belief that not merely does the Conservative Party not have the power to deal with inflation, but it also cannot agree on what policies should be followed’.¹⁵⁴

By the turn of the year, more detailed questions about how the economy might be run – or should not be run – by a Conservative government were being identified. The Group meeting on 15 January 1976, for example, was addressed by Alan Budd, formerly of the Treasury, on the question of ‘fine-tuning’. Budd advised that the use of fine-tuning in a short-term way had made for a ‘jerky kind of economic progress in the UK’, that ‘other countries managed better because they fine-tuned less and gave certain policy objectives different relative weights’ and that ‘government should make clear...how much is not amenable to government control’.¹⁵⁵ Following this, Howe himself prepared a paper for discussion at the Second Working Lunch of the Policy Sub-Committee on 23 February 1976. Howe’s paper drew on a paper by Ridley on ‘The Problem of Public Expenditure’, and was ‘immensely fortified’, as he put it, by a commentary which Peter Jay had written for *The Times* on the government’s Public Expenditure White Paper published a few days earlier. Jay’s article had been headed ‘The classic profile of national bankruptcy’ and had claimed that the White Paper:

¹⁵⁴ Howe Papers, Howe S47, paper by Ridley on ‘Inflation and Investment (The Intellectual Problem)’, 30 October 1975.

¹⁵⁵ Ibid., minutes of meeting of Economic Reconstruction Group, 15 January 1976.

opens up the appalling prospect of the Cabinet having progressively, year after year, to cut back on direct spending programmes in order to accommodate the expanding cost of servicing debt. The political consequences of a world in which people pay taxes principally in order to meet the cost of interest on the national debt, while the standard and quality of public services and national defence are eroded further and further, defy imagination.¹⁵⁶

After summarising the messages which he, like Peter Jay, believed were the ones which emerged from the White Paper, Howe posed a number of questions to the Policy Sub-Committee. How, he asked, ‘do we develop convincing proposals to reduce public spending further and sooner [than the government were proposing], and what can or should be proposed...to link such proposals with a transfer of resources back towards re-energising the private sector?’ At the same time, he was not unaware that any such ‘convincing proposals’ would raise presentational problems and, somewhat tongue in cheek, listed the presentational options, as he saw them:

Doom or hope?
It’s all Labour’s fault – or do we accept any responsibility, to secure credibility?
Up with profits?
Down with living standards? or
Down with the social wage part of living standards? and so
Down with taxes?
Up with prices, or dare we not?
How to demonstrate that ours is the only long-term way to beat
Unemployment, without arousing short-term fears?
How, if at all, to comfort public sector workers?¹⁵⁷

Though seemingly facetious, the list summarises succinctly and challengingly not only the possible policy options but the consequences of them in presentational terms. Thereafter, as time passed, how policies might best be ‘sold’ received almost as much attention as did the devising of the policies themselves. What the continual posing of questions seemed to indicate, however, is that Howe was having difficulty

¹⁵⁶ *The Times*, 20 February 1976.

¹⁵⁷ CPA, CRD Box 3 (Uncatalogued Papers), paper by Howe for discussion by the Shadow Cabinet Policy-Sub-Committee, 23 February 1976.

moving his Group towards agreed answers, the presentation of which, whatever they were, would inevitably discomfit some of its members.

This continuing, almost obsessive, sensitivity to the need for the careful presentation of policies was evident later in the year in a letter he wrote to Joseph about the Party's attitude to the social contract. Though he regarded it as having led to most of the worst features of the government's economic policies, it could not simply be rejected, he believed, given the unavoidable need in a 'complicated modern economy' for some sort of understanding between government and people of the need to avoid excessive wage settlements which could only promote unemployment. Acknowledging that 'many of us [are] driven onto the defensive when asked the question, "What would you put in place of the social contract?"', he concluded that there was an urgent need to 'devise some new formula with which to answer that question' – 'a formulation which can be seen as the basis upon which we shall achieve industrial peace instead of confrontation and a sensible acceptance of our policies'.

In broad terms he was therefore in complete agreement with Joseph about the nature of the economic policies to be adopted but alive to the concerns, most strongly expressed by Prior and Gilmour, about the manner in which they needed to be laid before the public, a public which remained to be convinced that a new Conservative government would not be afraid of the unions but would not be positively seeking to confront them.¹⁵⁸

¹⁵⁸ CPA, CRD, (Uncatalogued Papers), Box 1, letter from Howe to Joseph, 13 October 1976.

Howe had made a point of signalling the predicament in a paper he had put to the Shadow Cabinet at the very end of 1975. What he considered to be the main elements of the Conservative economic ‘prescription’ were stated uncompromisingly – the restoration of the dynamics of a free economy, proper management of the money supply, restraint and economy in public spending, the raising of profits to stimulate investment and the relaxation of price and dividend controls. But, inescapably, they were accompanied by a warning that none of these policy objectives would be achieved without co-operation from organised labour, ‘who can constantly upset the economic applecart in a number of ways’.¹⁵⁹

As well as the need to find ways of dealing with organised labour, however, there was, equally if not more importantly, the need to shape informed opinion generally about monetarism, an exercise on which not much progress had been made by the time he wrote to Joseph in June 1976, after the latter had consulted him on a speech he was due to deliver to the International Monetary Conference in San Francisco.¹⁶⁰ Their worries on this score were evident in the importance which Joseph had placed at the Economic Reconstruction Group meeting on 24 June 1976 on the need for the Treasury and the Bank of England to have on their staff ‘specialists who understood and were not dogmatically antagonistic to monetary objectives to enable the switch in emphasis to monetary policy to take place efficiently’ and in Howe’s suggestion, in his letter to Joseph, that they should assemble a ‘small group of academic monetarists’ to meet with Milton Friedman when he was in London in the autumn, in

¹⁵⁹ CPA, CRD, (Uncatalogued Papers), Box 4, LCC/75/94, 16 December 1975.

¹⁶⁰ Concern about this had been flagged up in the Leader column in the April 1975 issue of *Crossbow*. ‘Conservatives are weakened by their blindness to the fact that the electorate, unlike its oversophisticated leaders, has never troubled to misinterpret Keynes or take fright at Friedman. It is a dispute which is largely academic...However, the fear of being dubbed monetarist (a rude word in the playground at Westminster) and the belief that a hostile public would never understand, could blunt the Opposition’s readiness to attack the Government’s spendthrift course’. *Crossbow*, April 1975 Issue, CPA, PUB 195/8.

order to work out ways in which informed opinion could be influenced.¹⁶¹ The Shadow Cabinet had already considered a few weeks before a paper on ‘Monetary Approaches to Forecasting Inflation’, one of a number of technical issues to which attention was starting to be given.¹⁶² The problems relating to economic forecasting in the technical sense but also of the use to which forecasts were put were highlighted in a letter which Nott, who had been a junior Treasury Minister under Anthony Barber, Chancellor of the Exchequer in the pre-1974 Heath government, sent to Joseph on 16 September 1976. So far as he was concerned, he told Joseph, in the 1972-74 period, the Treasury had produced quarterly forecasts of money supply growth which had proved extremely accurate. They had warned of a serious monetary explosion:

The problem [was] not one of technical inadequacy but of personalities and political clout. At that time, Ted Heath and William Armstrong, both expansionists, were largely dictating broad economic strategy with Tony [Barber], and it was anyhow Donald MacDougall’s forecasts which went forward to No.10. I do not think Ted even saw the monetary forecasts but even if he had, it would hardly have changed his broad political and economic strategy (although, of course, it should have done so).¹⁶³

By early autumn 1976, however, though the three-legs of the ‘ducking stool’ (as Howe called it) on which the economy had to sit had been identified – ‘monetary policy, public expenditure, public sector pay policy’ – the realisation was dawning that until it was possible to demonstrate their effectiveness in government, ‘Healey et al’ were likely to be able to continue getting away ‘with blaming so many of their troubles on the “monetary incontinence” of the last [Heath] government, the “Barber Boom” and so on’. Howe announced therefore that he intended to make a major pre-Conference speech as the ‘first salvo’ of what he wanted to be a ‘vigorous counter-

¹⁶¹ CCA, Thatcher MSS (2/1/3/9), 2 July 1976.

¹⁶² CCA, Thatcher MSS (2/6/1/158), LCC/76/113, 26 May 1976.

¹⁶³ Howe Papers, Howe S55, 16 September 1976.

attack'. With some apparent hesitation, accepting that there was 'some justice in the charge' Healey was making, he nevertheless believed that 'such a counter-attack need [not] conflict with the 'highest standards of intellectual honesty', but he owned up to needing help from colleagues in 'analysing the problem and in the generation of the appropriate political phraseology and intellectual analysis'. There was a need to reconcile differing views being expressed by colleagues and to concentrate particularly on exposing the 'Healey hurricane' which had blown through 'two midsummers of economic madness'.¹⁶⁴

The reasons for Howe's anxieties are not difficult to understand. Despite Harold Wilson's resignation in March 1976 at a time when the pound was plummeting on the currency markets, by autumn the economic crisis seemed to be receding. In July Healey had even been forecasting the start of an economic miracle when he appeared on the current-affairs TV programme *Panorama*. The pound, which had fallen from just over \$2 in January to not much more than \$1.70 by early June, had risen back to \$1.80 by late June and seemed much more stable.¹⁶⁵ The Conservatives were, it is true, preparing to publish *The Right Approach* which represented the end of the first stage of the policy group exercise – it finally appeared in October – though it was accepted that it was going to be essentially no more than a holding document and would have little to say on the critical questions of how a future Conservative government would handle the economy and industrial relations. It was to express the negative view that prices and incomes policies did not offer a long-term solution to inflation, without explicitly rejecting them and putting forward firm alternatives. As Thatcher was later to write in her memoirs, the document was a 'fudge – but

¹⁶⁴ CCA, Thatcher MSS (2/1/3/9), 1 August 1976.

¹⁶⁵ A. Beckett, *When the Lights Went Out* (Faber & Faber, London, 2009), pp. 321 and 413-4.

temporarily palatable'.¹⁶⁶ The real problem, however, as Thatcher went on to concede and which Howe had identified was that 'differences kept on emerging' between what different people at senior levels in the Party were saying on these key topics, particularly in the House of Commons. Government spokesmen made much, for example, of the differences, in tone if not in substance, between what Joseph was saying on public platforms – pursuing, as always, his arguments to their logical extremes – and the attempts which Howe was making, in the House and elsewhere, to put daylight between the policies which were being developed by the Policy Study Groups, but in respect of which he was desperate not to be seen to be giving hostages to fortune, and the government's policies.

The vulnerabilities to which these constraints (or not, in Joseph's case) exposed them, were exploited at every opportunity by government Ministers. In the House of Commons debate on the government's White Paper on Stage Two of its Incomes Policy in early August, for example, Denis Healey attacked the apparent differences between Howe and Joseph on the question of the unemployment statistics, on which, as we have seen, Joseph had taken up a position which, much to their chagrin, the CRD had regarded as playing into the government's hands:

We have the usual crocodile tears about unemployment from the right hon. and learned Member for Surrey, East [Howe] and the Centre for Policy Studies of the right hon. Member for Leeds, North East [Joseph] has just published its latest fantasy claiming that unemployment is really only 816,000 or 3.1% of the working population. I wonder whether he has reconciled his figures with those of his right hon. and learned friend. Perhaps they can have a word behind the Chair.¹⁶⁷

Joseph's links with the CPS made him a particular target and Healey's description of him as 'the pale shadow of the real Shadow Chancellor of the Exchequer' gives some

¹⁶⁶ Thatcher, *The Path to Power*, p. 317.

¹⁶⁷ House of Commons Debate, Hansard 2 August 1976, Vol.916, col. 1252.

sense of what was perceived by their opponents as a major weakness in the Party's positioning. When Joseph intervened in the debate to chide the Chancellor on his policies and on his belated recognition, as Joseph saw it, that 'rising public expenditure strangles the private sector and does not reduce but increases unemployment', Healey again retaliated with taunts about the CPS, designed to drive a wedge between him and Howe:

the right hon. Gentleman makes a far better fist of representing the real views of the Opposition than does his right hon. and learned Friend. I think that we are all perplexed that the Leader of the Opposition keeps the right hon. Gentleman immured in a think tank, the Centre for Policy Studies, instead of allowing him to present the pure gospel in which he truly believes. I am sure that if we had the right hon. Gentleman representing the Opposition he would not hesitate to say that he wants to cut public expenditure by £3 billion. He would tell us, but at the moment we are not allowed to know the Opposition's real views.

And confusion was compounded even further when, in the same debate, Heath, who still had a significant following among Conservatives, stated bluntly that 'I believe that an incomes policy is part of economic management', that he fully supported the agreement which the government had reached with the trade unions and that he thought the pay policy upon which it was based 'would stick'.¹⁶⁸ Howe's Economic Reconstruction Group and Joseph in particular had, of course, set their faces against any form of pay policy – though, as we have seen, they were finding it difficult to determine how to say so.

Many of these differences on the Opposition benches, as exploited by Healey, were naturally mirrored in the discussions of the Economic Reconstruction Group, with Joseph in particular frequently crossing swords with Prior and Gilmour. Though the minutes of the Group's meetings are carefully written to obscure rather than highlight differences, Joseph's voice can frequently be heard advancing his

¹⁶⁸ House of Commons Debate, Hansard, 7 July 1976, Vol. 914, cols. 1412 and 1414.

uncompromising opinions, often in a somewhat sloganising manner – as if he were rehearsing for a platform performance (which, on many occasions he may well have been since his ‘crusade’ was still being mounted around the country and in universities). At the Group meeting on 6 November 1975, for example, his contribution to a discussion on ‘possible developments on the tax front’ was that ‘he felt it necessary to move funds from the “social wage” to the pocket and handbag’, and the minutes of the Policy Sub-Committee meeting of 23 February 1976 record a typical disagreement between him and Gilmour which served to illustrate how difficult were the compromises Howe was struggling to engineer. Joseph expressed the view that the key to re-energising the private sector was profits – he was to tackle the question of profits head on in a speech to the Bow Group in Norwich a few weeks later. ‘A substantial rise in private sector profits would provide revenue for the State, provide capital for investment, and motivation for management and employees’. Gilmour agreed that there was ‘a need for a...campaign of education on profits, but doubted the wisdom of fighting an election on a high profit platform’. He also added, for good measure, that he was not sure that ‘we could avoid having recourse to an Incomes Policy’.¹⁶⁹ Though Joseph clearly made his voice heard in the ways described, it is hard to disagree with the view expressed to Hugo Young by Ridley in an interview on 9 September 1976 that by this time:

In his [Joseph’s] rather vague responsibility for shadow policy he does not actually control policy at all. His job is administrative, which is not his strong point, e.g. when an MP complains about not being on a policy group it is Keith’s responsibility to find him a slot. Clearly this is not enough for him. He needs to be chairman of one or two key groups. But he is chairman of none. He is therefore wandering around in a vacuum and still devoting a lot of time to random pronouncements from the CPS. He has a butterfly mind.¹⁷⁰

¹⁶⁹ CPA, CRD, (Uncatalogued Papers), Box 3, 1 March 1976.

¹⁷⁰ Young, *The Hugo Young Papers*, p. 97.

Having set up the Policy Study Group exercise and keeping closely in touch, as we have seen, with Howe about how emerging policies might best be presented, it is clear that Joseph still saw his main input to the overall process of policy-formulation as being through high-profile pronouncements in the public arena – sometimes delivered in a way which some regarded as unhelpful. One has to feel a little sympathy, for example, with Patten's complaint to Young on 15 September 1977 about Joseph's motivation. 'Is he really so disingenuous? One keeps saying this, but the evidence is not all one way. For example, last year he published his book of speeches the day before the launch of *The Right Approach*, over which we had spent a lot of time planning the right date, and he told nobody that his speeches were going to come out the day before'.¹⁷¹

Although the rise in the government's fortunes was short-lived, with what Howe calls the 'devastating humiliation' of having to accept conditions imposed by the International Monetary Fund (IMF) becoming necessary in September 1976, only six months after James Callaghan succeeded Wilson as Prime Minister, the humiliation proved to be a two-edged sword so far as the Opposition was concerned in that it compelled the government to implement many of the policies which Howe's Economic Reconstruction Group had been developing. Callaghan's speech to the 1976 Labour Party Conference went a great deal of the way towards undermining the nascent Conservative economic policy and created a situation, the awkwardness of which persisted until the later months of 1978:

We used to think that you could just spend your way out of a recession and increase employment by cutting taxes and boosting government spending. I tell you, in all candour, that that option no longer exists and that in so far as it ever did exist, it only worked on each occasion since

¹⁷¹ Ibid., p. 114.

the war by injecting bigger doses of inflation into the economy, followed by higher levels of unemployment as the next step.¹⁷²

One might be forgiven for thinking that the speech had been drafted for him by Joseph, a thought which illustrates the dilemma it presented for the Conservative Party, a dilemma which became increasingly difficult to ignore as time passed. By late 1976, Healey was unashamedly parroting what Joseph and Howe had been saying consistently, inside and outside Parliament. In November 1976, for example, Ridley gave Thatcher some examples of the manner in which Healey was ‘constantly deceiv[ing] the nation’. He was particularly outraged at Healey’s claim, in the Radio 4 programme *Analysis*, that ‘I warned people ever since I took office that there was going to have to be a fall in living standards before we could get back to full employment,’ and pointed out the inconsistency between this and previous statements. Ridley apologised for his ‘childish pursuit of pinning down... contradictions’ but the fact of the exercise and his apology gives some indication of how rattled the Opposition was at this time.¹⁷³ Thatcher herself saw only too clearly, of course, that the IMF deal was, at its best, a mixed blessing. While ‘it outflanked on the right those members [of the Shadow Cabinet] who were still clinging to the outdated nostrums of Keynesian demand management’ and allowed her to argue that ‘socialism as an economic doctrine was [now] totally discredited’, it would necessarily diminish discontent with ‘the government’s economic stewardship’ and possibly swing support back to Labour. It introduced a degree of uncertainty which ‘made everyone jittery’.¹⁷⁴

¹⁷² J. Callaghan, *Time and Change* (Collins, London, 1987), p. 426.

¹⁷³ CPA, CRD, (Uncatalogued papers), Box 81, 19 November 1976.

¹⁷⁴ Thatcher, *The Path to Power*, p. 320.

The jitteriness continued over the following months and is nowhere better captured than in a letter and a paper which Robert Rhodes James, Conservative MP for Cambridge, sent to Howe, at the latter's request, following a discussion between them in the House of Commons tea-room. James had spoken of a 'sudden upsurge of Labour morale' and had attributed it in part to the obvious disarray in the Conservative ranks, a disarray which, as we have already seen, Healey was persistently exploiting in the House. James's paper complained that 'there is mounting bewilderment about what the Conservative alternative actually is'. He had registered 'increasing impatience about the generalisations that are becoming depressingly frequent by Shadow Cabinet spokesmen in response to direct and clear questions'. More tellingly perhaps, he was also sensing in the Party at large a 'slowly maturing but potentially lethal fear of an "extremist" Conservative government'. He believed that, in trying to avoid the too detailed policy prescriptions of the 1965-1970 period, 'we have gone back to fundamentals of our philosophy and approach but have left glaring gaps on specifics.' The general impression conveyed to the outsider, as James saw it, was not only one of division but that 'what is loosely called the Right Wing view is tending to prevail in the higher echelons of the Party', which was being forced 'out of the middle ground...by the strident activists'. The Party was becoming 'doctrinaire'. Narrowing his target, he told Howe that 'criticism of our performance within the Party is largely concentrated upon the Opposition front bench and organisation and not upon the Leader herself', though it would not be long, he thought, before discontent with the Leadership became more personalised. He referred to 'oblique references' from local activists to 'certain people thought to be particularly close to, and influential upon, the Leader'.

Howe was sufficiently concerned by what James had written that he sent both his letter and his paper on to Joseph – ‘at the risk of embarrassing...us’ – with a request that they meet ‘during the Recess [to talk about] the development and presentation of our position on a number of issues which straddle the economic and industrial front.’ He was anxious, he said, that the Party’s policies on these fronts should be presented in a coherent way and that they should not be seen to be planning to ‘move towards our social economy objectives at too breakneck a pace rather than “with all deliberate speed”’.¹⁷⁵ James’ expressed views had obviously laid bare for Howe the presentational problems being caused not only by the continuing warfare between the ‘Wets’ and the ‘Dries’, which was being exploited in Parliament and the press, but the confusion about how policy development was being handled between the Economic Reconstruction Group and the Employment Policy Group. When one adds to this the tone of Joseph’s continuing public pronouncements, Thatcher’s insistence that the Opposition should not enter into commitments from which it might have to renege after an election and her anxiety to reassure rather than alarm the electorate about its intentions vis-à-vis the trade unions, Howe’s concern becomes understandable. With the odd hiccup, the economic recovery continued until, by the summer of 1978, the IMF-required about-turn had worked so well that all the economic indicators were beginning to look very favourable for the government.¹⁷⁶

It was largely because of this disquiet that Howe mooted the idea of producing ‘by the end of the summer [of 1977] an economic policy document drawing threads together’ and undertook that the post-Easter work of his Economic Reconstruction Group would be devoted to the production of material for such a document. A month

¹⁷⁵ Howe Papers, Howe S47, letter from Howe to Joseph, 7 April 1977, covering letter to Howe from Robert Rhodes James

¹⁷⁶ Howe, *Conflict of Loyalty*, p. 96.

later, Joseph was telling Thatcher that he and Angus Maude had been discussing ‘how we can best get more serious attention for Conservative ideas and arguments’ and meet, in the process, ‘criticism that the Party does not have any policies’. He and Maude, he said, thought it possible to prepare an occasional series of pamphlets while avoiding ‘becoming over-committed on detail’, a phrase which Thatcher appears to have underlined. The first pamphlet, Joseph suggested, ought to be a restatement of ‘our economic policy’, to be published before the Party Conference in the autumn. ‘We have a good story to tell’, opined Joseph, ‘and we think it can be told in a way which gives the members of your team a bit more national attention without handing any hostages to fortune’.¹⁷⁷ It was from these essentially defensive initiatives that the *The Right Approach to the Economy* duly emerged.

Nothing much had changed, it appeared, since the same concern had been expressed almost a year earlier at the Shadow Cabinet meeting of 5 July 1976. ‘The...intention was clear’, the minutes had said. It was ‘to indicate our strategy without spelling out details. However, it would be helpful to show that we have examined certain problems in detail, by indicating various courses that might be adopted [but] without committing ourselves firmly to them’.¹⁷⁸

The fact that the government had been forced by the IMF, however unwillingly, to accept monetary disciplines, did not mean that many of the problems attendant upon its acceptance had been resolved. Indeed, the use made of the IMF *diktat* by the government had merely served to highlight and draw out some of those problems. An *Economist* article, written soon after the IMF’s visit, had said that ‘Rule by the IMF’

¹⁷⁷ CCA, Thatcher MSS (2/1/1/37), letter from Joseph to Thatcher, 27 May 1977.

¹⁷⁸ CCA, Thatcher MSS, LCC minutes, 121st meeting, 5 July 1976.

had not spared Britain the need to formulate ‘a coherent monetary policy’, which it found to be lacking. ‘The Old Lady [the Bank of England] has lost her touch’, the article claimed, ‘and may have been offering bad advice [about the continued growth in the money supply, which promised to exceed the limits which the IMF had imposed] to a Treasury equally lacking in confidence’. What the government desperately needed to do, according to the journal, was to ‘Encourage the Bank and the Treasury to hire more monetarists [and to] produce more coherent and prompter monetary statistics’. The Bank should also be required to ‘publish its approach to the control of money supply so that the markets understand what it is doing’.¹⁷⁹ None of the consternation which such criticism might have been expected to engender was, however, apparent in a discussion which Howe, Joseph and others had with the Bank of England in October 1977, immediately after the publication of *The Right Approach to the Economy*. The Governor, while acknowledging that ‘monetary targets...were now part of the continuing machinery of government’ (and claiming credit for their introduction – ‘the targets were born of the disastrous upsurge in inflation and owed their adoption to pressure from the Bank’), wanted to discuss the difficult questions of who would set the targets, the government, the Bank or both together, and who would be responsible for keeping to them. He enquired whether, ‘if asked by some new Select Committee “do you agree with the targets?”’, a future Conservative government would be able politically to allow him to criticise them. How far would it be able to tolerate public knowledge that the Bank was operating a monetary policy with which it did not agree? Seemingly caught somewhat unawares by this apparent bid for a measure of increased independence by the Bank, Howe and Joseph temporised. They saw the Bank as ‘the conscience of monetary policy’ and they welcomed the idea of a degree of restraint on the government’s current power

¹⁷⁹ *The Economist*, ‘Managing Britain’s money’, 25 December 1976.

and degree of freedom, but they ‘could not rule out the possibility of a measure of disagreement between the Bank and the government’. Probably tongue in cheek, the Bank thought it heartening that ‘as Mrs Thatcher had pointed out, the new approach [to monetary discipline] enjoyed the support of both parties’.¹⁸⁰

Two months after the meeting, a Bow Group report, *Britain’s Money Puzzle*, took the question of money supply target-setting and the relationship between the Bank of England and the government a step further. The pamphlet proposed that monetary targets should be agreed by the Treasury and the Bank of England and laid before Parliament at the commencement of each Parliamentary session. If subsequently the ‘authorities’ wished to revise their targets, they would need to seek Parliamentary approval. As a further step, it was proposed that the Bank should be charged with the duty of ‘safeguarding the currency’, as was the case with the Bundesbank in Germany, and that the relevant section of the Bank of England Act, which gave the Treasury absolute authority over the Bank, should be repealed. If these measures were introduced, it was argued, government spending would have to be financed within the constraints they created and fiscal policy would become subsidiary to monetary policy.¹⁸¹ The report was commended to Howe by Lawson and was probably in Howe’s mind when, in the early months of 1978, he started receiving warnings from the CRD that the government was deliberately allowing the money supply to expand beyond its published targets in order to allow room for tax cuts as a pre-election boost.¹⁸² George Cardona suspected sleight of hand on the government’s

¹⁸⁰ Howe Papers, Howe S50, meeting between the Bank of England and Howe, Joseph, Howell, Nott, Biffen and Ridley, 18 October 1977.

¹⁸¹ Ibid., Bow Group report *Britain’s Money Puzzle*, 15 December 1977.

¹⁸² Howe Papers, Howe S55, note from Cardona to Thatcher, 17 March 1978: ‘In the four weeks to 15th February, sterling M3 (seasonally adjusted) rose by 1.1%. This increase since mid-April 1977 is 12% which, when annualized, is a rate of growth of 14 $\frac{3}{4}$ %. There is now virtually no hope of getting money growth in the current financial year back within the government’s target of 9% to 13%’.

part. As he wrote to Thatcher, 'The Chancellor really does not take monetary targets seriously. That is almost certainly the only conclusion one can draw from the way in which the monetary limit for 1977-78 has been exceeded...They [the government] have, however, been able to prepare the financial markets for the sad news by effective news management over the last few weeks'. He thought there was a general lesson to be drawn, that 'the financial markets will discount almost any item of news provided they are given adequate warning'.¹⁸³ In a previous note he had observed that 'this is not the only such victory for the government: widespread tolerance of high levels of unemployment is another example'.¹⁸⁴

The frustration and chagrin evident in these notes sent to Thatcher was fuelled by the apparent ease with which Healey was both justifying the Government's economic policy and shifting the blame for the difficulties with which it had had to grapple since taking up office onto its predecessor. In a speech at a Conference of the Labour Economic Finance and Taxation Association in February 1978, he had acknowledged that 'monetary policy and aggregates are important tools of economic management ...and that the publication of monetary targets can bring stability to markets by making the government's intentions clear'. But he believed that no one would dispute that 'when the last Conservative government allowed the money supply to expand in 1972 and 1973 to well over twice the increase in money national income, it created inflationary pressure which lasted well into our period of office'. He even made a virtue of the fact that, as he saw it, the 'Germans had maintained a sensible and flexible control of monetary aggregates' despite having overshot their monetary

¹⁸³ Howe Papers, Howe S50, note from Cardona to Thatcher, 19 May 1978.

¹⁸⁴ Ibid., note from Cardona to Thatcher, 17 March 1978.

targets year by year.¹⁸⁵ Ridley countered Healey's assertion by telling Howe that Konrad Zweig had assured him that the Germans regarded the overshoot as unsatisfactory and a source of danger.¹⁸⁶ But Healey went one step further when the Treasury announced in April 1978 the decision to change from a system in which the target range for the growth of the money supply was specified for the financial year and not varied, to one that was to be reviewed and rolled forward in the following autumn. It justified the change by claiming that 'an obligation to hit a particular target can involve an oversharp adjustment if the money supply gets off course near the end of the year and so can lead to market instability...It is the trend growth that matters, not the level on a particular day'.¹⁸⁷ The virtues or otherwise of rolling targets would be discussed endlessly over the coming months but it is clear that in the Spring of 1978, dealing with Healey was as difficult as finalising a coherent monetarist stance was proving to be for Howe and his colleagues.

The Spring of 1978 was also notable for a series of high level speeches on monetarism which exposed, in both practical and institutional terms, some of the unresolved problems, for both the government and opposition, of adopting it as firm policy. The first speech in the series, the Mais lecture delivered at the City of London University of which Brian Griffiths was the Director, was given by the Rt. Hon. Gordon Richardson, Governor of the Bank of England. It was hailed in a congratulatory letter which Lawson wrote to him a few days afterwards as 'the *locus classicus* of practical monetarism in this country'.¹⁸⁸ It was not so warmly received by the left wing of the Labour Party who, as reported in *The Times*, saw Richardson

¹⁸⁵ Ibid., speech by Healey to Labour Economic, Finance and Taxation Conference, London, 17 February 1978.

¹⁸⁶ Ibid., note from Ridley to Howe, 30 March 1978.

¹⁸⁷ Ibid., Treasury Press Release, *Monetary Policy; Rolling Targets*, 11 April 1978.

¹⁸⁸ Ibid., letter from Lawson to Richardson, 14 February 1978.

as the ‘chief advocate of strict monetary policies’ which were ‘indistinguishable in [their] severity’ from the form of monetarism advocated by Enoch Powell and Joseph. Norman Atkinson, Labour Party Treasurer and Tribune MP for Tottenham called for Richardson to be replaced, though his real target, surmised the author of *The Times* report, was Healey.¹⁸⁹ Observing that since 1976 the control of monetary aggregates had taken the form of publicly declared quantitative targets, Richardson expressed the view that the place of monetary policy in ‘the scheme of things’ was nevertheless still much disputed and that the achievement of monetary targets was not an end in itself but a means to achieving ‘the real objectives of economic growth, the provision of sufficient investment for the future, adequate employment opportunities and price stability’. It went along with fiscal policy, exchange rate policy and (which Lawson taxed him about) incomes policy.¹⁹⁰ He believed that monetary targets should be publicly announced and ‘that the authorities’ resolve be sufficient to make that announcement clear’. Monetary targets represented a self-imposed constraint of discipline on the authorities. What was important was the relationship between monetary growth and inflation over the longer term and – a lesson which Lawson was later to apply – he saw a justification in establishing medium-term aims for the rate of growth of the money supply. He was aware, however, of technical problems in the management of monetary aggregates and in forecasting money stock and warned against fine-tuning, which he defined as over-activity in economic management. What was needed, he opined, was not

¹⁸⁹ Report by Michael Jones, *The Times*, 1 March 1978.

¹⁹⁰ In an article in July 1977, which earned him the wrath of the trade unions, Lawson had referred to the ‘Newspeak of incomes policy’. Lawson was welcoming what he saw as the Chancellor of the Exchequer’s ‘formal abandonment of incomes policy’, announced in his statement ‘In Place of Stage Three’ on 15 July 1977, which Lawson regarded, one must assume tongue in cheek, as ‘facilitating a peaceful and natural transition to the economic policy of an incoming Conservative government’. He claimed that the ‘false language of incomes policy obscures the truth and clouds the understanding, and plays straight into the hands of Mr Arthur Scargill and his like’. *The Times*, 27 July 1977.

wholehearted monetarism, but what Paul Volker, President of the American Federal Reserve Bureau, called ‘practical monetarism’.¹⁹¹

If the speech was regarded by Lawson and, one assumes, Howe and Joseph, as a vindication of their preferred policies – which unfortunately were being usurped by the government – the same could not be said of the contents of a lecture delivered by Sir Douglas Wass, Permanent Secretary of the Treasury, to the Johnian Society in Cambridge just a few days after Richardson’s Mais lecture. A large part of Wass’s lecture was devoted to the need for the government ‘to be able to make forecasts and assess how a forecast will be affected by changes in policy’. Labelling himself as a ‘pragmatic scientist’, he described the Treasury’s national income forecasting model which incorporated ‘some 650 mathematical equations which assert relationships between two or more economic variables and their movement over time.’ He accepted that ‘some equations inevitably have a limited empirical foundation and rest heavily on *a priori* supposition’. Accepting the way the tide was flowing, he said that the Treasury had ‘at the same time...undertaken a major research project intended to provide a monetary sector for the model’, but admitted that ‘increasingly sophisticated technical analysis had not yet brought greater precision in forecasting or management’. This was not however, he insisted, a ‘counsel of despair’.¹⁹² But it was something of the sort to Lawson, who was not sure whether Wass really believed that ‘salvation was to be found in the adoption of a computer-based, multi-equation, multi-variable model’ or whether he was ‘simply concerned to find any means of undermining the rough and ready guidelines of practical monetarism in order to justify a return to the discredited responses of crude neo-Keynesianism’. Practical

¹⁹¹ Howe Papers, Howe S50. Mais lecture, City of London University, 9 February 1978.

¹⁹² Ibid., Johnian Lecture, Cambridge University, 15 February 1978.

monetarism was about markets. ‘Wass doesn’t understand what makes markets tick; he doesn’t even understand that economics is about markets at all’. Lawson told Howe that ‘we must set a course and (with intelligence and understanding) stick to it, and not allow ourselves to be blinded by phoney science into losing sight of the wood for the trees. Any fool’, he said, ‘can multiply complexities; the art of the statesman lies in choosing the right simplicities’. Howe’s response was that ‘Your last sentence should be inscribed above any number of portals’.¹⁹³

Wass was of course the key official with whom a new Conservative government, if returned to office after an election which could not now be long delayed, would have to deal. His predicament was emphasised in an article by Robin Pringle in *The Banker*, just a few weeks after his Johnian lecture. Pringle saw him as ‘not [so much] a Treasury knight spurning the distasteful money markets of the City, but an economic manager in a corner [asking] “what if anything can we still be sure of controlling?”’ ‘Thank goodness’, Pringle heard him saying, that ‘there is still relatively wide agreement as to [fiscal policy’s] relevance as a regulator of aggregate demand and hence to its importance as a means to the pursuit of a high employment strategy’. Pringle himself saw monetarism as ‘far more than the barren formula economic managers took it to be when they first reached for a handle with which to grasp the inflationary nettle. It is weakening the authority of Keynesian bastions everywhere’.¹⁹⁴

Wass had been appointed Treasury Permanent Secretary soon after Healey had been made Chancellor, at a time when, as Healey saw it, ‘the Treasury was the slave of the

¹⁹³ Ibid., letter Lawson to Howe and comment by Howe, 28 March 1978.

¹⁹⁴ Ibid., article by Robin Pringle, ‘The Middle Age of Monetarism’, *The Banker*, April 1978.

greatest of all academic scribblers, Maynard Keynes himself'. Wass had been at Cambridge where the influence of Keynes was 'still dominant'. Unfortunately for their relationship, Healey came to believe that 'the fundamental Keynesian concept of demand management had become unreliable'. Keynes's disciples, Healey thought, 'ignored the economic impact of social institutions, particularly the trade unions, [and] of the outside world'. Healey's criticisms of Wass, though indirect, are nevertheless telling. 'My problem...was not advice, of which I had plenty...available. My Permanent Secretary, Douglas Wass, was a Senior Wrangler and as able an economist as any...[but] what I needed was judgement – and this was something I had to develop for myself by practical experience.' And at the time of the IMF negotiations in 1976, Healey 'had the impression' that, as between the 'group [of Treasury officials]...who wanted very large cuts [in public spending]' and those 'who thought it wrong to make any more cuts when unemployment was so high', 'Douglass Wass himself was often worried that he might not be able to keep his own department under control'.¹⁹⁵

Howe, in a speech at the Dyers' Hall in March, had 'teased Wass about the obvious scepticism of his attitude to monetary policy', which was, of course, by then at the heart of Labour's economic policy. "It *may* be seen," he had said, "to have an impact" on the exchange rate: it is "*thought* to have a bearing" on the price level; it is "*believed to influence*" the rate of inflation – and so on. He could hardly have been less committal'. Howe went on to argue the case for 'a precise commitment to a long-term de-escalation in the rate of growth of money supply, in line with firm monetary targets'. Howe regarded the exchange as 'one of the first public airings' of what was to become, in his 1980 Budget, the Medium-Term Financial Strategy

¹⁹⁵ D. Healey, *The Time of My Life*, (Michael Joseph, London, 1989), pp. 375, 378, 391, 430.

(about which Wass was to be ‘one of the sceptics’). Wass, whom Howe described as ‘austere...and sceptically eager to join in a genuinely fresh and determined onslaught on the British “disease” with which [he and his Treasury colleagues] had grappled in vain for so long’, had not known, ‘although he might have guessed’, that when the Conservative government took office in 1979, ‘he was one of those whom we had considered dislodging, or replacing’, on the grounds that ‘Margaret and Nigel, in particular, were disturbed that he was so obviously not “one of us”’.¹⁹⁶

Lawson is much less charitable to Wass, whom he characterised as an ‘unbelieving monetarist’. Writing about his arrival in the Treasury as Financial Secretary in 1979, he observed that ‘Monetarism was seen by most [Treasury officials]’ and ‘not least by the Permanent Secretary, Douglass Wass, as at best an interesting variety of mumbo-jumbo to which lip service probably had to be paid to appease the financial markets’. And when Howe asked Lawson, after the June 1979 Budget, to devise a medium-term financial strategy in tune with the thinking which the latter had floated in a *Times* article in September 1978 – which he did with the assistance of Peter Middleton, ‘the closest approximation to a monetarist the official Treasury could produce’ and Ridley, who had become Howe’s ‘own’ senior political adviser – Lawson regarded Wass as ‘unenthusiastic’ and out to ‘neuter it’, as was the Bank of England. Middleton, who was eventually to replace Wass on the latter’s retirement in 1983, shortly before Lawson’s appointment as Chancellor, was not only, according to Lawson, an enthusiast for monetary policy but believed in supporting the government of the day – for instance in ‘not thrusting an incomes policy down the throat of a Conservative government which happened to be dead against the idea.’ Wass, by contrast, ‘originally a mathematician and a deeply-committed Keynesian’

¹⁹⁶ Howe, *Conflict of Loyalty*, pp. 109, 125-6, 163.

was seen rather sadly by Lawson as having ‘had the misfortune to reach the top in 1975, just when Keynesian orthodoxies were...being questioned, even by some Labour Ministers’.¹⁹⁷

This great flurry of theorising in early 1978 and the reverberations which, as we have seen, followed from it were both reflected and anticipated, though in a safely minimal way, in the Conservative Manifesto which was published in April 1979. All that was said, after a reference to the need for sound money, was that ‘To master inflation, proper monetary discipline is essential, with publicly stated targets for the rate of growth of the money supply. At the same time, a gradual reduction in the size of the government’s borrowing requirement is also vital’.¹⁹⁸ This was only marginally different from the draft which had been prepared against the possibility of an election in October 1978. Indeed, so certain had the Shadow Cabinet been that Prime Minister Callaghan would call an election when economic circumstances were more favourable than anybody could have expected that Joseph, after a policy discussion at the Shadow Cabinet meeting on 30 June, instructed Policy Groups and sub-groups to wind up their work as soon as possible, there being very little chance that any group reports still to be produced could be published before an October election.¹⁹⁹ In early October, after Callaghan had decided against an election, Joseph reported to Thatcher, in terms which suggested that many basic issues had still not been finally resolved, on an exchange he had had over dinner with Sam Brittan. Brittan, he said, ‘very much supports as much emphasis as possible on the link between pay increases, productivity and jobs but thinks that we should rest on a

¹⁹⁷ N. Lawson, *The View From No.11 – Memoirs of a Tory Radical* (Corgi Books, London, 1992), pp. 26, 45, 67-8, 267-8.

¹⁹⁸ CCA, Thatcher MSS. Conservative General Election Manifesto 1979, 11 April 1979.

¹⁹⁹ CCA, Thatcher MSS (2/6/1/163), LCC/78/ 212th Meeting, 30 June 1978. CCA, Thatcher MSS, letter Joseph to Thatcher, 7 July 1978.

programme of contracting money supply targets and leave commentators and economists to advise the country and individual groups on the implications for pay'. Brittan had suggested, he wrote, 'that we actually tell people...that our job is to tell the country what the money supply growth will be each year for several years ahead and to set cash limits and target rates of return in the public sector, but not spell out the increases that may be suitable for any particular area.'²⁰⁰

The debate was to continue up to the time the 1979 Manifesto went to press. In February 1979, Nott was still expressing concern about the effect of the government's monetary policy on small businesses, a concern which moved Joseph to tell Howe that 'it would be disastrous if we were to move the monetary targets anything but down – albeit gradually and over a three-four year period'.²⁰¹ This reflected the contents of a speech which he had submitted to Thatcher for clearance on 27 January in which he went out of his way, almost as a last pre-election effort, to distinguish the Conservative position on 'practical' monetarism from the 'one-track' variety of their opponents. The relevant parts of his speech were in effect a rehash of his 1976 Stockton lecture '*Monetarism is Not Enough*'. Posing the question, 'Shall we ever cure inflation?' he offered the view that 'We are asked to be grateful for an inflation rate of about 8%. If the inflation rate stays at 8%, today's £ will in 5 years be worth about 68p. No society can flourish if the value of money declines at such a rate'. Asserting that 'Labour's monetarism is the worst of all worlds,' he went on that 'In order to reduce the damage done by powerful trade unions, Messrs Callaghan and Healey threaten to use one-track monetarism – which we, with our belief that monetarism is not enough, have rejected.' He claimed, moreover, that public

²⁰⁰ CCA, Thatcher MSS (2/1/1/39), letter Joseph to Thatcher, 9 October 1978.

²⁰¹ CCA, Thatcher MSS (2/1/1/39), letter Joseph to Howe, 20 February 1979.

understanding had been misled by Callaghan and Healey ‘who have dismissed monetarism while practising it...They threaten us with monetarism as if it were an alternative to other treatment of inflation, whereas, of course, it is indispensable for any treatment.’ And then he came to the nub of his argument. ‘They have not systematically and repeatedly explained to the public their monetary targets or their implications for pay settlements and unemployment. They shirk from a programme of gradually contracting money growth targets as would squeeze inflation out of the system. [And] they shrink from the necessary reduction of high state spending’.²⁰²

During the months leading up to the May 1979 election, Lawson, erstwhile speechwriter for Sir Alec Douglas Home and manifesto-writer for Edward Heath, had been becoming a more influential figure; indeed he had become an ‘indispensable’ member of the group which met at Howe’s Fentiman Road home from the summer of 1978 onwards to keep the Opposition’s economic policies ‘up to date’. Joseph and Ridley were also members of the group. Howe describes Lawson’s economic thinking as ‘as stimulating as it was (often) dogmatic’, a description borne out by many of the extracts from his personally typewritten letters and papers cited in the above paragraphs.²⁰³ Lawson’s view of where the Party stood on monetarism at this critical period might therefore serve as a summary of what four years of contemplation and fevered discussion, stimulated in no small measure by its adoption by their opponents, had achieved in preparing them for government:

In hindsight, [our biggest error] was [to have done] so little work in Opposition in the conduct of monetary policy – not least because this was where the official Treasury was weakest and the Bank of England was little better. That monetary policy was the weapon with which we would slay the dragon of inflation was not in doubt. Lingering dissensions within the Conservative Party discouraged too obvious and

²⁰² CCA, Thatcher MSS (2/1/1/39), letter Joseph to Thatcher covering draft speech, 27 January 1979.

²⁰³ Howe, *Conflict of Loyalty*, p. 112.

explicit attention to monetary strategy and tactics, as did an anxiety to avoid giving hostages to fortune. We also assumed too readily that the task was essentially one of applying with conviction the approach that a reluctant Labour government had had forced upon it by the International Monetary Fund. When it all turned out to be much more complicated than that, far too much time had to be spent in government in hacking a path through the jungle. Maybe even if we had done the work, we would not have emerged with the right answer. But it would have been less difficult and certainly far less damaging, to have addressed the key issues far more thoroughly than we did, and reached a measure of agreement on them, in the relative tranquillity of Opposition.²⁰⁴

²⁰⁴ Lawson, *The View From No. 11 – Memoirs of a Tory Radical*, pp. 17 and 18. Lawson's complaint was later echoed by Sam Brittan: 'Unfortunately, much of the discussion among economists and economic commentators during the Thatcher period was on pseudo-technical questions of monetary control. The dilemma started from the very beginning in 1979-80, when the official broad measure of the money supply, sterling M3 (bank deposits plus notes and coins) was rising much faster than target; but this apparent monetary expansion was accompanied by a severe recession and a further rise in the pound about which British exporters complained bitterly...A...technical reaction to the rising pound was to argue that the British government had used the wrong measure of the money supply and should have used some narrower aggregate. This view seemed to be adopted in 1984-5 when, to the fury of another school of monetarists, the government abandoned targets for sterling M3 and moved over to a very narrow money aggregate called M0. This consisted of the bank balances with the Bank of England together with cash in the hands of the public...One effect of all this squabbling was to put off the general public – and even non-specialist economists – from anything to do with monetarism.' S. Brittan, 'The Changing Economic Role of Government' in *Against the Flow* (Atlantic Books, London, 2005), pp. 114-5.

Chapter 6: From the Miners' Strike to the Winter of Discontent via Grunwick

Continuing the theme set out at the beginning of the last chapter, this chapter deals with how attempts to formulate a coherent and convincing policy in relation to the handling of industrial relations by an incoming Conservative government met with little success until external circumstances allowed a firmer and more clearly-defined policy stance to be adopted.

As we have seen, *The Right Approach to the Economy* did not grasp the industrial relations nettle – the prickliness of which had been enhanced by the Grunwick dispute, on which a report had been produced by Lord Scarman (see later) – and Thatcher confessed in her memoirs that she had only continued to support Prior thereafter because the ‘climate was still not right to try to harden our policy’. She realised, however, that ‘our careful avoidance of any kind of commitment to changing the law on industrial relations...would be weak and unsustainable in a crisis’.¹ Though *The Right Approach to the Economy* had received a generally favourable reception at the 1977 Party Conference, presentations from the platform had been carefully managed. At the last Shadow Cabinet meeting before the Conference, Howe had been instructed to argue against ‘too much euphoria being generated by the government’s optimistic statements [and] to claim credit for the fact that the government was now, at the behest of the IMF, carrying out Conservative policies’. This he did, being backed up by Thatcher herself in her closing speech. ‘The British economy’, he said, ‘has been made less dangerous than it was a year ago, not by the National Executive Committee of the Labour Party but by the

¹ M. Thatcher, *The Path to Power* (HarperCollins, London, 1995), p. 402.

International Monetary Fund'. To which he added that 'The pound sterling has been made more secure only because the balance of payments is moving into credit that owes nothing to Socialism and almost everything to North Sea Oil'.² Thatcher struck much the same note. 'The financial position has been reversed 180 degrees says the Chancellor with a flourish. Quite so, because his policies have been reversed 180 degrees – by order of the International Monetary Fund. The prescription the IMF forced his [Healey's] government to swallow is the prescription we have long been advocating – a good, sound, sensible Conservative prescription. So my message...is this: keep taking the tablets'. Straying a little further afield, however, she assured the Conference that 'We in the Conservative Party look forward to a long and fruitful association with the unions'.³ With regard to industrial relations, Prior had been told to concentrate on the closed shop and picketing, particularly in the context of the Grunwick dispute, and to criticise the activities of the 'so-called Labour moderates like Mr Mulley and Mrs Williams' who had been appearing on APEX picket lines at Grunwick.⁴ This he did in a noticeably low-key way, ending with the somewhat opaque statement. 'How will the next Conservative government get on with the unions? Will there be a smash-up? We will talk and listen to all the great interest groups that make up our society. I mean all – not just the TUC, not just the CBI. Then it will be our job in government to take the lead and do what we believe to be in the national interest'.⁵

² G. Howe speech to 94th Annual Conservative Conference, 12 October 1977, CPA, NUA 2/1/81.

³ M. Thatcher speech to 94th Annual Conservative Conference, 14 October 1977, CPA, NUA 2/1/81.

⁴ CCA, Thatcher MSS, LCC/77/175th meeting, 6 October 1977: At the next Shadow Cabinet meeting, held after the Party Conference, Howe was still expressing frustration that Healey's 'cuts in direct taxation...were a further instalment of repentance by the Chancellor and adoption of our advice'. Thatcher MSS, LCC/77/176th meeting, 26 October 1977.

⁵ J. Prior speech to 94th Annual Conservative Conference, 11 October 1977, CPA, NUA 2/1/81.

True to her instincts, when Howe made a speech in January 1978 which attracted left-wing abuse because of its attack on the trade unions, Thatcher warned him off repeating the exercise and trampling on Prior's territory. On a draft of the speech, she wrote, 'Geoffrey – This is not your subject. Why go on with it – the press will crucify you for this'.⁶ After almost two years, therefore, the basic problem – that the preferred approach to the country's economic problems could not be successfully implemented in the face of trade union obstruction but that the latter was only going to be removed by confrontation of a sort and degree which would have little appeal to the electorate – was still unresolved. The width of the gulf which still divided the 'Wets' and the 'Dries' on these issues was starkly illustrated in a paper prepared for the Steering Committee by Patten in December 1977. The paper was a preliminary survey of what work needed to be done to prepare a manifesto for the next election.

In it, Patten, perhaps with an attempt at subtlety, wrote that:

it would be appropriate for different Shadows to concentrate on particular themes e.g. Jim Prior has a sufficiently strong reputation 'as a friend of the unions' to say some more critical things about them now. He is the right person to take the lead in changing the union question (we must change the question from 'Could Conservatives get on with the unions' to 'How can the Labour party and union leaders go on justifying to their members, policies and attitudes which have left their members so much worse off than their counterparts abroad?' Keith Joseph will continue to be Labour's bogey-man. There must be some advantage in him shifting his argument from the more painful consequences of a different approach to wealth creation to the reasons for such a new approach and the benefits that would flow from it. In other words, speeches about creating new jobs and new prosperity for the social services, and the way we are falling behind other countries have more obvious political appeal than speeches about wastage and redundancy.⁷

While claiming to agree with Patten, Lawson put his finger on the continuing weakness in this area of policy formulation in a memorandum about Patten's paper, which he sent to Thatcher on 15 January 1978. He accepted that Patten's description

⁶ CCA, Thatcher MSS (2/1/3/9), 11 January 1978.

⁷ CPA, CRD, (Uncatalogued Papers), Box 37, 21 December 1977.

of the current stance – that the Conservatives could get on with the unions – was too defensive and left them vulnerable to the ‘sort of thing we can undoubtedly expect from union leaders during the election campaign’. He agreed that Prior should be in the ‘forefront of a change of tune – in public – about the trade union leadership’, surmising that for anyone else to take the lead would be seized upon as evidence of a split within the Party. Splits on the trade union issue would be more damaging than over any other issue. But he believed that the public would not have confidence in the Party unless it could demonstrate that it had confidence in itself.⁸

Patten’s paper, and comments on it such as those made by Lawson, highlighted the continuing and apparently insoluble problem of devising a convincing industrial relations policy for a new Conservative government – convincing to the public and to the Party as a whole.⁹ This state of affairs was roundly criticised by Stephen Abbott – for many years the CRD’s industrial relations expert – in a report which he had been commissioned to prepare by Sir Emmanuel Kaye for The Unquoted Companies Group. In the section on ‘Compulsory Trade Unionism’, i.e. the closed shop, Abbott observed that ‘The difference in emphasis among leading members of the Shadow Cabinet and among Conservative MPs is clear from their speeches and their written articles.’ While acknowledging the political delicacy surrounding the issue of the closed shop, Abbott nevertheless asked how the proposals in *The Right Approach to*

⁸ CCA, Thatcher MSS (2/1/2/12A), letter Lawson to Thatcher, 15 January 1978.

⁹ Behrens claims that the basic problem, which was never subjected to any kind of Conservative analysis before the 1979 election, was how to distinguish between the political and economic activities of trade unions. The 1970-74 Conservative government, for example, had specified maximum wage increases in its counter-inflation legislation. They therefore regarded as *political* the attempt by the miners to achieve increases over and above the maximum by strike action, though for most miners the strike was simply a matter of *economics*, i.e. pursuit of a pay claim. Enoch Powell was clear that the fault lay with the government. ‘The greater evil...of all counter-inflation policies is the antagonism...which they inevitably set up between the state on one side and the various classes and interests in the community on the other side.’ R. Behrens, *The Conservative Party from Heath to Thatcher* (Saxon House, Farnborough, 1980), pp. 77-78. E. Powell, quoted in J. Wood, ‘Mr Powell questions mental stability of Prime Minister’, *The Times*, 30 November 1973.

the Economy could have been developed without some acceptance of the need to change the law. ‘It seems reasonable,’ he wrote, ‘to question the extent to which the Conservative Party studied the subject before setting out [their] proposals. Why, for instance did they wholly ignore the question of “free riders”? This for years has been the principal argument in favour of the closed shop’.¹⁰ Prior cannot have enjoyed reading such comments. More broadly, Patten’s paper and Abbott’s report, which appeared in March 1978, coincided with the beginning of a new internal struggle between CRD and the team under John Hoskyns which had started work on what became known as the Stepping Stones project and which produced, within a much wider context, a blueprint for reforming the way industrial relations were conducted. This, in effect, superseded the work done by Prior’s Employment Policy Group and, to a large extent, sidelined Prior himself, though Thatcher was not able to take away his industrial relations portfolio, for fear of giving the wrong signals to the unions and to the country, until September 1981, more than two years into the life of a new Conservative government.

The Stepping Stones project had been proceeding ‘in fits and starts and under conditions of great secrecy’ since the summer of 1977, on the initiative of Hoskyns and Norman Strauss, who had been recruited by the Centre for Policy Studies and introduced to Thatcher by Joseph. Hoskyns summarised the remit he had received from Joseph in a note which he sent to him on 14 July 1977:

the assignment you would like me to undertake [is] to produce an outline ‘strategy framework’ for the Tory Party to cover what we called the ‘Turn-around’ – from now through to the point at which the longer-term policies (Good Housekeeping policies) can begin to show any result – from now up to a general election and 2-3 years thereafter – a framework into which detailed policy work already in hand can fit.¹¹

¹⁰ Howe Papers, Howe SP8, report by Abbott for The Unquoted Companies Group, June 1978.

¹¹ CCA, Hosk 1/21, 14 July 1977.

In other circumstances it is difficult to believe that such an assignment would not have been regarded as a core CRD function. In furtherance of their commission, however, the Hoskyns team duly produced a report which was discussed with Thatcher, Joseph and Maude in November 1977. It called for a sea-change in Britain's political economy and set out a strategy for national recovery. It contained what Howe called a 'quartet of policies: "good housekeeping", which, if adopted long before, would have stopped us getting into such a mess: "turn-around", [designed] to get us out of it: "outflanking", which would make it difficult, probably impossible, for union leaders to do anything but help the turn-around: and "symbolic", which would prove that the other measures were not prompted by anti-union prejudice'. The principal obstacle to the implementation of the strategy was identified as the negative stance of the trade unions and the way to overcome it, it was recommended, was to use the rising tide of feeling against the unions to 'transform [them] from the Labour Party's secret weapon into its major liability'.¹²

As a first step it was decided by the Thatcher group that, under the direction of a Stepping Stones Steering Committee, some Shadow Ministers and expert outsiders should look for ways of taking the strategy forward through speeches, articles and pamphleteering and that 'some of the more solid Shadows' should look for policy initiatives in line with the broad Stepping Stones theme. At the same time, it was agreed that the report should be discussed with other colleagues, a process which, amongst others, involved the Party Chairman, Peter Thorneycroft. According to a note which Hoskyns wrote after a meeting on 25 January 1978, Thorneycroft asked him whether he 'had talked to Chris Patten, commenting dryly [that] "It seems better

¹² G. Howe, *Conflict of Loyalty* (Macmillan, London, 1994), pp. 105-6.

to have one strategy than two”¹³ This referred to the fact that a month earlier, on 21 December 1977, Patten had produced a briefing paper for the Leader’s Steering Committee on ‘Implementing our Strategy’.¹⁴ In his note, Hoskyns went on to say that ‘I had anticipated problems with Patten, who I suspected did not have a strategy at all. I had noticed, after the first meeting [with Thatcher, Joseph and Maude] the words in Keith’s subsequent minute, “A.M. [Angus Maude] undertook to discuss with Mrs Thatcher the showing of all papers to Chris Patten”’.¹⁵

Joseph himself met Thorneycroft on 29 January and Sherman advised Hoskyns to buttonhole him urgently, before a meeting of the Leader’s Steering Committee the following day, to find out the latest state of play. Hoskyns was dismayed to find Joseph

really hopeless...[and] in a complete flap about a nasty leak (Alfred [Sherman] thinks through Patten) in *The Economist* about shadow rifts and lack of unifying leadership from Margaret. And second, he seems completely defeatist, fatalistic, passive, in the face of opposition to S-S [Stepping Stones]. Keith seemed absolutely all over the place, unable to listen to a single sentence of mine without his brain charging off’.¹⁶

The next day, Joseph rang Hoskyns to say that ‘I and Patten had to produce a joint paper showing how the two strategies could be merged’.¹⁷ This had been decided at a meeting earlier in the day of the Leader’s Steering Committee, which had considered both Hoskyns’ Stepping Stones paper and Patten’s ‘Implementing our Strategy’ paper and had concluded that :

the Stepping Stones report should be discussed further by the Committee that Mr Whitelaw chaired. No decisions should be taken about proceeding further with the proposals in this paper until they had been reconsidered, and had been related to the strategy outlined in Mr

¹³ CCA, Hosk 1/65, 25 January 1978.

¹⁴ CCA, Thatcher MSS (2/6/1/233), LSC (78) 62, 21 December 1977.

¹⁵ J. Hoskyns, *Just in Time* (Aurum Press, London, 2000), p. 52.

¹⁶ *Ibid.*, p. 54.

¹⁷ *Ibid.*, p. 55.

Patten's paper, and to the work of the Committee on election themes whose report was expected within two weeks.¹⁸

The Leader's Steering Committee had exposed a variety of forms of opposition to the Hoskyns' proposals. 'We argued ourselves to a standstill' recorded Thatcher. 'Colleagues vied with each other in praising the Stepping Stones paper, but then warning against doing anything to follow it up – a well-known technique of evasion'.¹⁹ Unusually, the Committee Secretariat produced an extended version of the minutes as well as the 'normal' minutes and Thatcher, in a scribbled addendum to the Secretariat's covering note, asked Richard Ryder to 'Please keep [it] in safe'. John Davies fired the opening salvos. The Stepping Stones report 'did not take account...of the realities of the present economic situation...We should not exaggerate the arguments of the inevitability of our decline...Our aim should be to convert the unions as a whole to our way of thinking, rather than to divide them. If we told the truth about the unions we should certainly lose the election'. Gilmour thought the paper... 'over-ambitious [and] more like a war game than war'. Thorneycroft, as Hoskyns might have anticipated from their earlier meeting, mentioned that an earlier draft of the paper had sounded 'a note of extreme antagonism to the unions' and that 'we should be careful about our tactics'. Thatcher reported the views of John Biffen 'who had argued against making trade union intransigence the centre-piece of our strategy', and Prior, who could not be present at the meeting, let it be known that he agreed with Patten's paper on 'Implementing Our Strategy' and wished to see the two papers dovetailed together. Howe and Joseph sounded a different note. The former expressed pessimism about the economic prospects for Britain. 'We should emphasise that the re-election of Labour would mean a further increase in the power of the union leaders...We should establish our

¹⁸ CCA, Thatcher MSS (2/6/1/233), LSC/78/ 51st Meeting, 30 January 1978.

¹⁹ Thatcher, *The Path to Power*, p. 421.

right to talk on this subject'. Joseph argued that a Labour government 'could never encourage the unions to put their house in order, encourage enterprise and otherwise do what was necessary, because of the power structure and ideology of the Labour Party'. Faced by such conflicting views, Thatcher equivocated. As Howe put it, 'The mood at the meeting fortified [her] instinct for caution rather than her more fundamental feelings'. Her own view of how she saw things was slightly different. 'The majority at the meeting expressed a nonsensical desire to unify the Patten-Hoskyns approach, to which I had to bow. Effectively, they wanted to kill Stepping Stones, but that I would not allow'. Patten was given the responsibility of producing a coordinated approach and it was agreed that 'Only Prior should deliver major speeches on the trade unions'.²⁰ This latter was a view echoed at a meeting of the Policy Search group in March when even Howell, a Howe/Joseph supporter, pointed out, in yet a further discussion of the trade union problem, that 'a large section of the Party wanted to keep the election campaign on other issues such as law and order [and that] if there was to be any criticism of trade unions or their effect on the economy, it should be by Mr Prior.' Somewhat negatively, the meeting agreed that 'there were three different fronts on which the trade unions could be taken on: they were a potential threat to freedom and they were a potential threat to a rapid rise in living standards; on these two fronts we should take the offensive. The third front was confrontation: on this the unions had to be allowed to take the offensive; once they had we would defend ourselves'.²¹

Hoskyns took badly the instruction that Patten should produce a coordinated paper, though his recorded reaction when Joseph rang him again on 5 February was perhaps

²⁰ CCA, Thatcher MSS (2/6/1/233), LSC/78/ 51st Meeting, 30 January 1978. Howe, *Conflict of Loyalty*, p. 106. Thatcher, *The Path to Power*, p. 422.

²¹ CRD, (Uncatalogued Papers), Box 4. Stepping Stones Policy Search meeting, 20 March 1978.

a little too pessimistic. ‘Keith rang me on Saturday evening about 7 p.m. to ask how I felt etc, obviously a little uneasy that he hadn’t heard from me since last Monday – actually because there just wasn’t anything to discuss. In my heart I know the country’s finished and the Tories aren’t going to save it’.²²

The differences between Hoskyns and Patten were evident in a paper, ‘Merging the Strategies’, which Hoskyns pre-emptively sent to Patten on 10 February after discussions between them, in furtherance of the LSC instruction of 7 February. After the meeting, Hoskyns had recorded that:

At 3.30 I met Chris Patten whom I cannot say I really care for...much more self-important than the more important Tories I have met, I have found his strategy document pretty insubstantial...He seemed to think that challenging the unions’ status would be electorally disastrous – but couldn’t offer a v. coherent argument. He’ll write a paper (and I’ve decided I’ll do one too for the four of us – him, Keith, Angus and self; to ‘constrain’ his before he writes it...)²³

Hoskyns’ ‘Merging the Strategies’ paper insisted, rather too repetitively, that the gap between the two approaches was not all that wide. But he could not resist lecturing Patten whom he saw as ‘a product of the increasingly professionalised world of politics’:

You mentioned the difficulties of getting people to work in such a systematic way, on a complicated project. You quoted some sceptical comments – ‘Stepping Stones looks more like war games than war’... All this sounds familiar. The belated ‘professionalisation’ of British business management in the mid-sixties produced similar reactions. ‘You can’t foresee the future, so what the point of planning for it?’...To argue against strategy and plans is in effect to say, ‘Since reality always ends up confusing our plans, why don’t we simply start out with plans which are confused in the first place’. Perhaps the uncertainties of politics really are so different from those of other forms of innovation and risk-taking, that careful planning is a waste of time. We will just have to try it, reasonably, and see.²⁴

²² Hoskyns, *Just in Time*, p. 55.

²³ Ibid., p. 55.

²⁴ CCA, Hosk 1/77, 12 February 1978.

Patten's riposte was a paper 'Further Thoughts on Strategy', for the LSC meeting on 23 February 1978. In the paper, Stepping Stones was treated cursorily and somewhat derisively, and in a manner which is difficult to interpret as anything other than an attempt to sideline it. In the one paragraph which dealt with it substantively, Patten wrote:

I have attempted to encompass the arguments set out in Stepping Stones within this paper, but have found the task impossible without distorting them. The problem arises from a difference in approach. The authors of Stepping Stones have described their political strategy in terms of painstakingly building a model of St.Paul's with matchsticks. I would use a different metaphor. A successful strategy is like an artillery bombardment with half a dozen properly targeted heavy guns. The conclusion I have therefore reached is that the best way of using Stepping Stones, retaining the intellectual rigour, coherence and sophistication of the exercise, is by seeing it as an up-market campaign directed towards heavy-weight speeches, articles and the follow-up to them...I have therefore dealt with Stepping Stones briefly at the end of the section on subject campaigns, recognising that it is much more than this and that, since there is already a fairly elaborate plan for carrying it through, it would not make much sense to try to redesign it.

The sub-paragraph at the end of the section on subject campaigns read:

The existing proposals for the Stepping Stones exercise could be followed through without interfering with any of our other plans. We should perhaps as a minimum target a series of major speeches by the relevant colleagues (particularly Mr. Prior, Sir Geoffrey Howe and Sir Keith Joseph) and by the Leader where appropriate.²⁵

Hoskyns was sufficiently irked by what he saw that he wrote, in exasperation, to

Joseph and Maude before the LSC meeting at which the paper was to be discussed:

Either Stepping Stones is restricted to the point where it is ineffective (in which case NS [Norman Strauss] and I should gracefully withdraw) or the Steering Group, Theme Teams and Policy Search Team should carry on where they left off, as if nothing had happened. Whatever the requirements of diplomacy, we should be absolutely clear which it is, in our own minds.²⁶

²⁵ CCA, Thatcher MSS (2/6/1/233), LSC (78) 65, 23 February 1978.

²⁶ CCA, Hosk 1/80, 23 February 1978.

Though the nuances of the discussion at the LSC meeting on 27 February 1978 are not recorded in the minutes, Hoskyns' intervention appears to have had an effect since the conclusion reached was that 'the Stepping Stones exercise should proceed as planned in the light of the earlier LSC discussion on 30 January, and parallel to our pursuing the proposals in Mr. Patten's paper'. And in what might be seen as a sop to Patten, it was further agreed that, 'One of the functions of the Stepping Stones exercise was, assuming an election in October, to prepare draft articles and speeches'.²⁷

Hoskyns' antipathy towards the CRD and towards Patten in particular had not abated by the time an article appeared in *The Economist* in April 1978, which Hoskyns surmised 'could have been written by the Conservative Research Department'. Entitled 'The Making of Tory Policy 1978', the article commended what it called the 'new approach' to policy-making adopted after the February 1974 defeat:

No formal policy groups were set up between the two 1974 elections. Sir Ian Gilmour...Tory philosopher, was made chairman of the Research Department; this was given a bright young director, Mr. Christopher Patten...the October [1974] election banged the drum of national unity, consultation and co-operation with the trade unions. It proposed a new industrial forum for economic policy.

The article went on to suggest that since the election of Thatcher as Leader, 'the moderates had held their ground' though it noted that the Centre for Policy Studies enjoyed virtually no collaboration with the Conservative Research Department, exercising its influence directly on 'its own president', Thatcher. 'It fire[d] its volleys from a house behind Buckingham Palace...Sir Keith's troops' (of whom Hoskyns, of course, was one), it was claimed, were regarded by the Research Department as 'fanatical heresy hunters'. The article suggested moreover that there was concern in

²⁷ CCA, Thatcher MSS (2.6/1/233), LSC/78/54th Meeting, 27 February, 1978.

the Party about Thatcher's weaknesses in the general area of leading the policy-thinking process.²⁸ Not unnaturally, Hoskyns disagreed with the picture painted, while acknowledging a lack of policy-making experience on Thatcher's part. But he was glad that no mention was made of Stepping Stones, owing to the fact, he assumed, that 'the last thing *The Economist's* Conservative Party sources wanted was to give any publicity to competing policy advice'. Nor was there any wider suggestion that there was a need to reform trade union law.²⁹

'Through 1978, therefore, a mannerly ritual unfolded in which those who took the Hoskyns view, like Geoffrey Howe, [attempted] to push forward the frontiers of the thinkable, while those who took the Prior view sought to dampen expectations and fears alike'.³⁰ Thatcher, as we have seen, sided publicly and within the Shadow Cabinet with Prior, but privately with Hoskyns. What this signified in real terms was that at this stage, principally for political and tactical reasons but also perhaps because she had no clear view of where she would want to go in office, she had a limited commitment to change. In May, Hoskyns had actually proposed to Thatcher that she should sack Prior, 'a deadweight of obstruction', to prevent him sabotaging the whole Stepping Stones project. As he recorded in his diary on 22 May, 'She was not too put out by [the suggestion]. I think she sees Jim as a disaster in the context of any really intelligent and resolute plan for recovery'. But with an election not too far distant, she felt that there was nothing she could do.³¹

²⁸ *The Economist*, 'The Making of Tory Policy, 1978', 15 April 1978.

²⁹ Hoskyns, *Just in Time*, p. 66.

³⁰ H. Young, *One of Us* (Macmillan, London, 1989), p. 117.

³¹ Hoskyns, *Just in Time*, p. 67.

Hoskyns' frustration was fuelled by the fact that although the Policy Search group had produced what he regarded as 'a reasonably satisfactory definition of the trade union problem (its economic impact at shop floor level, as well as the party political question of whether the unions can work with the Tories)', and despite discussions with Prior about subjects for speeches based on its analysis (and the actual preparation of drafts of speeches which he might deliver), Prior was still not inclined to pursue a course of what could be seen as undue provocation. He did, however, make a speech in July telling union leaders that they had no right to preach socialism to their members.³² Though he pledged that the 'Conservative Party would not be deterred by cries of "confrontation" and "union-bashing" from speaking up when they thought criticism of the unions was merited', and though he quoted examples of practices which 'had offended the sense of fair-play amongst trade unionists and non-trade unionists', what the speech focussed on was what a Conservative government would not do in the field of industrial relations. It would not introduce a new Industrial Relations Act; it would not introduce reforms and amendments to existing legislation without consultation, and it would only draw up Codes of Practice on the closed shop and employee involvement after discussions 'with all those concerned'.³³

It was at this point that Howe, who had been warned off making speeches on industrial relations only months before, obtained agreement from Thatcher to speak out more vigorously on some of the Hoskyns central themes, in which venture he was soon joined by Joseph. Howe's first speech under this new dispensation was

³² CPA, CRD (Uncatalogued Papers), Box 4, Policy Search Progress Report, 10 April 1978.

³³ Howe Papers, Howe SP8. One of the unfair practices which Prior instanced in his speech related to SLADE [Amalgamated Society of Lithographic Artists, Designers, Engineers and Process Workers] which, he claimed, had 'effectively dragooned large numbers of people to join the Union against their will only then to deny them a full say in the Union's affairs'.

delivered to Conservative Party workers at Conservative Central Office in August 1978. Latching onto what he called ‘the much trumpeted formation the other day of the Trade Union Committee for a Labour Victory’, he launched a strong and prolonged attack on the ‘alliance between Socialist parliamentarians and top trade union officials which seeks to present itself as “the Labour Movement”...Whether their rank-and-file members approve of the link or not, these union leaders are *de facto* members of the Central Committee of the British Socialist Party’. The core of his message, which he reinforced over the coming weeks, was that ‘Union leaders have every right to electioneer in their personal capacity but they certainly have no right to claim they are doing so on behalf of their members, when millions of their members hold quite different political views’. And he backed up his assertion with examples. ‘One out of every three NUM members has contracted out [of paying the political levy to the Labour Party]. So has one out of every two members of TASS, three out of every five members of ASTMS and three out of every four members of SOGAT’. He thought that collective bargaining had been corrupted by ‘this mythology’ of the ‘Labour Movement’. ‘In the past’, he said, ‘the political convention has been that we should treat this mythology courteously because it is dear to the hearts of the activists who are in its grip’, but it was now time to ‘begin unravelling the mythology’ and to expose the damage which it had done and was still doing to the nation’s economy.³⁴

A month later, Howe returned to the charge, again illustrating his theme that the ‘Labour Movement’ did not represent the real wishes and interests of its membership, by quoting facts and figures:

³⁴ Howe Papers, Howe SP8. Howe speech at Conservative Central Office, 7 August 1978.

‘Mr David Basnett [leader of the GMWU] was voted into office by about 150,000 votes out of more than a million members. The official results looked more like a landslide because there are no abstentions in the GMWU. Those who turn up at the branch can use the votes of those who do not. Couple this with the block vote [the right of union leaders to cast a vote at Labour Party Conferences on behalf of their total membership] and Mr Basnett will be able, at Labour’s forthcoming conference, to outvote the whole of Labour’s constituency party membership nearly three times over’.³⁵

The new tone which Howe imported by these speeches into the Conservative handling of the industrial relations issue was carried over into the columns of *The Times*, where he and Basnett had an acrimonious exchange about the latter’s election to his new post but which Howe used to open up again the wider question about the role of trade unions and their supposed right to speak for their members ‘and, indeed, for the working population as a whole’.³⁶ Thereafter, in speeches up and down the country, Howe not only sustained his attack but extended it in various ways. He noted that ‘Mr Healey’ had ‘recently begun to echo the case that we have made for establishing, along West German lines, a framework within which the government, unions and employers can strive to shape a common view about the state and the outlook for the economy’; he continually emphasised the distinction between ‘free’ and ‘responsible’ collective bargaining; he bemoaned the fact that the word ‘monetarist’ had become appropriated as a ‘description of one group of people at a lofty level of academic debate, when it simply reflects a basic fact of economic life’; and he seized upon ‘Mr Tom Jackson’s cry of anguish about the present condition of the trade union movement’.³⁷

³⁵ Ibid., Howe speech to Kirklees Chamber of Commerce, Wakefield, 15 September 1978.

³⁶ *The Times*, Howe letter to the Editor, ‘Electing a union leader’, 28 September 1978.

³⁷ Howe Papers, Howe SP8, Howe speeches to Blaby Conservative Association, 20 September 1978. Wallsend Conservative Association, 27 October, 1978. West Midlands Conservative Political Centre Conference, 18 November 1978. Tom Jackson was General Secretary of the Union of Post Office Workers.

The background against which Howe made his speeches was, of course, being shaped by the looming events of the Winter of Discontent, the first signs of which were evident in the successful strike at the Ford Motor Company against the government's 5% pay limit. The strike, which started on 21 September 1978 and went on until 2 November, was settled only when the company agreed pay increases of 15-17%, attracting a threat from the government to withdraw public contracts from the company as punishment for breaching its pay guidelines. Howe, describing it as 'wrong-headed, arbitrary, unjust and likely to be counter-productive', criticised the government's decision to impose sanctions on an employer who had done everything possible to resist a higher pay settlement while the government itself had '[done] nothing to encourage or make possible more reasonable attitudes on the other side of the negotiating table'. In particular, he asked why the government had not done more to press the case for secret ballots among those who were 'urged and often intimidated to go on strike'.³⁸ That Howe was able to garnish his speeches with such concrete examples of the unions' refusal to take account of the national interest, lent them much more force and credibility.

This marked a distinct change from the difficulty which both Howe and Joseph (and Prior too) had had during the early period of Opposition over what to say about the course which a future Conservative government would want to take in the field of industrial relations. Joseph's consistent attitude, which had mirrored the prevailing view in the Shadow Cabinet, had been that it would be a mistake for the Party to go into the next general election pledged to union reform of any kind which the public would see as likely to lead to U-turns and panics, the consequences of which they had had to endure in 1973-74. His relative reticence on the subject, however, had

³⁸ Ibid., statement by Howe, 28 November 1978.

been put to the test in 1977 by events such as the Grunwick dispute, a long-running and bitter clash over union recognition at a small North London photographic processing laboratory in St John's Wood, not far from Thatcher's constituency of Finchley. During the dispute, Joseph spoke out in support of Grunwick's right to carry on its business – aided as it was by the National Association for Freedom (NAFF), founded in 1975 by Thatcher admirer Norris McWhirter, which organised volunteers to outwit the union pickets by smuggling post out of the beleaguered laboratory – and against the closed shop.³⁹ Prior had promoted 'appeasement' of the unions and had regarded NAFF involvement as unhelpful to his attempts to gain the unions' trust. Norman Tebbit, not yet in the Shadow Cabinet, had raised the temperature somewhat by comparing Prior-style 'appeasement' with 'the morality of Laval and Petain'.⁴⁰ At the time, Thatcher had not, of course, disowned Prior, her emollient approach being evident in the speech she had given to the 1976 Conservative Party Conference. 'We and the unions [worked] very well together for thirteen years when we were in power, and then we had one major clash in February 1974, and we fought an election on it. Can we be clear what that clash was about? It was about a statutory incomes policy. It was about pay having become a matter for the law. Now, I do not want a statutory incomes policy...and I believe [therefore] that we can work in future with the unions as we worked with them for thirteen years'.⁴¹ 'The idea, Mrs Thatcher's own and launched without consultation with other members of her front-bench team...drew a mixed reception from the unions – a

³⁹ In an advertisement in *Crossbow* in August 1975, soliciting funds for the Central Affairs Press and for the purchase of a printing works in which to house it, Ross McWhirter had written that 'Someone has got to throw down the gauntlet to the Trade Unions if the disaster they are bringing on the country is to be averted...We have hopes of Mrs Thatcher but for the last thirty years it has been useless to look to the Conservative party. Even when in power they failed lamentably to take effective measures, or even to appreciate the gravity of the menace of trade union power'. Advertisement, 'Time to stand up to the Unions', *Crossbow*, August 1975.

⁴⁰ *The Times*, 13 September 1977.

⁴¹ M. Thatcher, speech to 93rd Annual Conservative Party Conference, 8 October 1976, CPA NUA 2/1/80.

mixture of hostility and disbelief'.⁴² In much the same vein, Thatcher had told the annual conference of Conservative Trade Unionists earlier in the year that it was 'one of the most absurd myths of our national and political life that the Conservative Party was hostile to trade unions' and that, given that the more successful western nations had strong trade unions, it would be wrong to blame them for all the country's ills.⁴³ Such sentiments had hardly provided a convincing backdrop against which to oppose the unions' siege of Grunwick.

It was Sherman who persuaded Joseph that the Conservative Party should react more positively to the intimidation which characterised the Grunwick dispute and in particular that it needed to expose the support which prominent Labour politicians, Shirley Williams and Fred Mulley – both sponsored by APEX, the clerical workers' union involved (together with the Transport and General Workers' Union) – were giving to the strikers. This had included ostentatiously joining the unions' picket line. In a speech delivered at Doncaster in June 1977, just before the drafting of *The Right Approach to the Economy* got under way, Joseph said that the strike was not 'an expression of the workers' will' but an attempt to impose on them 'the will of the professional, politicised union bureaucracy'.⁴⁴ 'We were always told' he said, 'the Marxists and thugs are a minority; there is another Labour movement which should be our natural ally. Let us join them on the middle ground. I wish this were true. But where are they?' he asked. 'Will they denounce the rentamob siege of Grunwick? Will they denounce fraternal party links with the concentration-camp regimes of Eastern Europe? Will they speak and act for the rule of law? Will they recognise that

⁴² T. Russel, *The Tory Party; Its Policies, Divisions and Future* (Penguin Books, Harmondsworth, 1978), p. 79.

⁴³ M. Thatcher, quoted in *Conservative Weekly News*, April 1976; M. Thatcher, quoted in *Bradford Telegraph and Argus*, 11 March 1978.

⁴⁴ A. Sherman, *Paradoxes of Power* (imprint-academic.com, Exeter, 2005), p. 99.

no democracy is worthy of the name without the right not to join a union, and indeed that no union can be truly democratic when membership is compulsory?’⁴⁵ Joseph was criticised for trespassing on Prior’s territory but, nothing daunted, returned to the charge later in the year in a speech which vigorously attacked the findings of the report of the Industrial Court which, under the chairmanship of Lord Scarman, had been asked to consider the implications of the Grunwick dispute. Addressing Conservative Association members in Hove at the beginning of September 1977, Joseph first of all questioned whether the use of the Industrial Court in such circumstances was appropriate:

There is little doubt that the Industrial Court was set up because there was violence on the streets. The proper answer to violence on the streets is the firm use of the existing law or reform of the law, if the law is inadequate. If a government’s main reaction to violence on the streets is to set up an Industrial Court which then produces a report favouring the party for whom the violence was used, may not the Government have, in fact, actually made the situation worse?

He went on to condemn the report as ‘flawed’, ‘slipshod’ and ‘naïve’ and questioned the conclusion that ‘self-defence by the company is provocative and bears part of the blame for violence on the unions’ behalf’. So far as he was concerned, the report ‘glosses over the violence and the illegality on the union side, while arguing that the company’s punctilious observance of the letter of the law broke the “spirit” or the “policy” of the law’. Moreover, the recommendation that the company reinstate the dismissed workers ‘would...be anathema to the large majority of workers who have stayed on with the company and have suffered abuse and intimidation’.⁴⁶

Prior was irritated even more by what he saw as Joseph’s attack on the judicial system. ‘The unions know’ he said, ‘that *I* speak on behalf of my colleagues in the

⁴⁵ K. Joseph, speech at Doncaster Racecourse Restaurant, 24 June 1977 (Conservative Central Office Press Release), CPA, PUB 176/6.

⁴⁶ K. Joseph, speech at Hove Town Hall, 1 September 1977, Sherman Papers AC 160/AR KJ/5A/4/4.

Shadow Cabinet and the Parliamentary Party on these matters', a view supported by a former colleague, Timothy Raison, who commented that 'it really was very difficult for a shadow spokesman in a particular field if his colleagues were not saying more or less the same thing as he was'.⁴⁷ Lord Hailsham, never slow to criticise Joseph's public utterances, was moved to write to him in strong language, principally about his discourtesy to Lord Scarman. In the event the letter was not sent to Joseph, though a copy found its way to Thatcher. Hailsham said that he had 'always associated discourtesy to the judiciary with Michael Foot and with Socialist speakers' and that it was 'quite unworthy of a Conservative. If you had known Lord Scarman better', he wrote, 'you would have known that he was quite incapable of slipshod work or naïveté...and even if he had been guilty of it a more respectful method of address would have been appropriate'. More broadly, Hailsham complained that the speech had left 'Jim [Prior] bemused as the Trade Union stags he has been stalking for so long gallop wildly away over the skyline, while the party, completely befuddled about the constitutional position, barks and growls menacingly at his heels instead of attacking the TUC and their Labour friends'. He also minded, he said, that neither he nor Prior had been consulted ahead of the speech.⁴⁸ Joseph contented himself by claiming, disingenuously, that he was 'speaking as a member of the public, with a consequent right to have his view heard'.⁴⁹

The disorderly events at Grunwick were not, however, an unmixed blessing for the Conservative Party as an article by Richard Barber in the Autumn 1977 issue of *Crossbow* uncomfortably pointed out:

⁴⁷ J. Prior quoted in article by S. Hoggart, 'Prior pushes Tory rift over unions into open', in *The Guardian*, 12 September 1977. Article by T. Raison, 'Closed options' in *The Guardian*, 11 October 1977.

⁴⁸ CCA, Hailsham MSS (1/1/11), Hailsham draft letter, 16 September 1977.

⁴⁹ Interview with shadow minister, 16 February 1978, quoted in R. Behrens, *The Conservative Party from Heath to Thatcher*, p. 98.

The intimidating picketing which took place outside the Grunwick plant during the summer...was every bit as much a setback to the Conservative Party as to the Labour government. For it only needed television pictures of tens of thousands of 'trade unionists' and left-wing mobsters howling at the gates of Grunwick to revive the worst fears of the electorate about the industrial disharmony which might accompany the return of a Conservative government...To some extent the fact that the Party still has a problem with the Trade Unions is due to the strategy which it has been pursuing since the election defeat in 1974, for it seems to have been decided by the Shadow Cabinet that the way to lay the electoral bogey of 'confrontation' is to pretend that a close relationship can exist between them and a future Conservative government.⁵⁰

Despite the directness of their language, however, the uncertainty still felt by Howe and Joseph about the Party's stance on industrial relations was revealed in a note and a draft speech which Joseph submitted to Thatcher on 27 January 1979 when the effects of the strikes of the Winter of Discontent were still being felt and only two months before the government defeat which precipitated the general election. The purpose of the speech, as Joseph told Thatcher when offering to discuss it with her, Howe and Prior, was 'to emphasise that even the changes in the law, which we now in general propose, will be difficult to get right without careful analysis and discussion and that, over and above some changes in the law, there are equally big questions of the framework within which unions function'. It is difficult to see how, after almost four years' 'careful analysis and discussion', more could still be thought to be needed. The speech as drafted called once more for a public debate on the role of trade unions 'in the context of our economic decline'. Joseph repeated that whilst the government threatened to use 'crude one-track monetarism' to defeat inflation, the Conservatives believed that monetarism was not enough. The central question, as he saw it, was that 'if union leaders know that money supply growth targets are in the 8%-12% range and that monetary growth has in fact been at over 12% annually for many months, how can they accept a 5% [pay] limit?' Turning to 'the growing use of

⁵⁰ R. Barber, 'Direct action and the Unions, *Crossbow*, Autumn 1977, CPA, PUB 195/9.

strikes and the strike threat’, he observed that ‘in a trade dispute most things seem permitted for the union; breaking contracts, inducing others to break contracts, picketing of non-involved companies. Anyone can picket any company’. Moreover, ‘shop stewards disregard union officials and workers start to distrust shop stewards’. But having diagnosed the disease, he had no specific medicine to prescribe, other than to say that incomes policies had not proved efficacious. There was a need to change ‘the framework [and] the rules of the game’ and to find ways of insisting that everybody played by them. The first stepping stone to recovery, he said, was the reduction of union power. But on the specific question of how this might be done, he was silent, simply acknowledging that ‘the legal and administrative difficulties will...be formidable’. If the unions thought they were being unfairly criticised, the onus of proof lay on them to show why this was so. Laws would not be passed ‘until or unless the majority of people were ready to support them’. He concluded by saying that, ‘We need a peace conference, not a charge of the Light Brigade’.⁵¹

Thatcher herself had been equally unwilling to be pinned down during a television interview with Brian Walden earlier in January, at the height of the Winter of Discontent when, as Walden pointed out, the lorry drivers’ strike was having a devastating effect. In fact, her anxiety to avoid commitments in this area had resulted in a long series of garbled responses to specific questions. On the general question of possible confrontation with the unions, she had sounded almost naïve. When Walden had raised the question, her response had been ‘What is confrontation?’ and when he had persisted by asking ‘if you do get into a confrontation, and a lot of voters think you will, even if you don’t, what are you going to do?’ she had replied, seemingly incredulously, ‘Trade unions. Eleven million. Do you think I’m going to be in a

⁵¹ CCA, Thatcher MSS (2/1/1/39), Joseph letter to Thatcher enclosing draft speech, 27 January 1979.

confrontation with eleven million?’ Walden’s reply that ‘You were in 1971’ brought the somewhat mystifying answer that ‘Things have changed, things have moved a lot, public opinion has moved a tremendous amount’. Walden concluded the exchange by telling Thatcher that he did not think she was being wholly frank with him.

Referring to a speech which he had heard her give in Paddington in December 1978, he recalled that she had spoken of ‘Open discussions and explanations between government, employers and Unions’, which he chose to call ‘nice cosy tri-partite chats’. In that speech she had, of course, been echoing the line put forward in *The Right Approach to the Economy*, but now she took exception to his rather dismissive description of it and said there needed to be a public debate about ‘How unions use their power’. Someone had to grasp the nettle. On specifics, grasping the nettle could involve legislation requiring postal ballots for the election of union officials - though she would be reluctant to impose that decision; she might legislate to withhold social security benefits from strikers – but no decision had yet been taken and again she would not want to impose it. And so it went on, with one confused answer compounding another equally muddled statement until she managed a more coherent summing up. ‘Unions have been given enormous powers, by Parliament, Parliament’s placed them above the law, anyone who does not use power responsibly must expect its position to be reconsidered by Parliament.’⁵² But simply mentioning such things as secret ballots and social security benefits for strikers raised some hackles amongst her colleagues and Prior went out of his way in an interview the

⁵² M. Thatcher, TV interview with Brian Walden for London Weekend Television Weekend World, 7 January 1979, *Thatcher CD-ROM*.

following day to emphasise that nothing had yet been decided on any of these issues. The gap between the 'Wets' and the 'Dries' in these areas had still not been closed.

Thatcher had regarded the draft manifesto prepared for a possible election in the Autumn of 1978 as inadequate, the Shadow Cabinet having been unable, she conceded, to agree 'clear and coherent policies in some crucial areas, particularly the trade unions'. But the winter's strikes and the collapse of the government's pay policy gave the Shadow Cabinet the opportunity to lead rather than follow public opinion and to contemplate seeking a mandate to clip the unions' wings. Much of the thinking which had been imported at Prior's behest into the 1978 draft was jettisoned, in particular the idea that the law had no useful role to play in the field of industrial relations. What went into the published manifesto, however, was not the result of careful and detailed work coming to fruition in time for the election but of opportunism and the exercise of political instinct on Thatcher's part, prompted by the prospect of a major Parliamentary debate after the Christmas/New Year recess and while the series of strikes carried on unabated. It was a turn of events which at one and the same time gave the Opposition the moral high ground in relation to the need to challenge union power – and the means to be employed to do it – and silenced those within the Shadow Cabinet who had consistently looked for ways of accommodating rather than confronting the unions. It was also, though fortuitously, a vindication of the Stepping Stones recommendations.

The tactic employed to exploit the situation which had thus presented itself – to offer to support the government if it adopted a package of industrial relations reforms – had been developed at a Steering Committee meeting, with Prior and Gilmour in

attendance, on 15 January 1979. The meeting had agreed that Thatcher ‘would suggest to the government that they could count on Conservative support if they took a firmer line on picketing and, in particular, if they were prepared to introduce legislation to outlaw secondary picketing and encourage secret ballots in union elections’. She would also propose that support would be forthcoming if the government would seek to reach ‘non-aggression’ agreements in certain essential services ‘in return for safeguards for the pay position of those employed in them’. Some of these were issues which, doggedly and persistently, Thatcher had fudged in the Walden interview only a week previously. They were issues which had not been brought forward for Shadow Cabinet consideration by the Prior Employment Policy Study Group and there is no evidence to suggest that detailed work had been undertaken on any of them in preparation for government, confirmation of which might be indicated by the fact that the aim during the debate was simply to be to ‘probe the government on what they were doing’ and not ‘to spell out our various proposals in detail’. The meeting agreed that the questions of the payment of social security benefits to strikers’ families and the taxation of short-term benefits, which she had had the utmost difficulty in handling during the Walden interview, should not be emphasised. Perhaps as a sop to Prior and Gilmour, it was also agreed that ‘we should not, on the whole, be divisive or partisan in the debate’.⁵³

In the debate itself, which took place on 16 January, Thatcher followed the agreed line to the letter:

We are concerned with the well-being of all our people. The question of the powers of unions in relation to the community, Parliament and the law has been raised again by events and by crises which even the Prime Minister cannot ignore. While we have been very critical of his complacency, and while we are critical of the way in which matters have

⁵³ CCA, Thatcher MSS (2/6/1/233), LSC /79 /61st Meeting, 15 January 1979.

hardened and he has not been prepared to take the requisite action, and while we are critical of much of his political philosophy, if he will take steps to deal with the situation of trade union power and consider new laws and new practices against picketing, of alleviating the effects of the closed shop and of trying to achieve more secret ballots so that people do not go on strike before they have been consulted about a matter which affects their whole livelihood – if he will agree to take action on these issues, we will support him through and through.⁵⁴

The same offer was presented to the public at large in a Party Political Broadcast the following evening. ‘Surely Labour can accept’, Thatcher asked the nation, ‘what I think the majority of union members themselves accept that there are some changes which have simply got to be made if we’re to avoid not just disruption but anarchy... And if that case is overwhelming, then in the national interest surely government and opposition should make common cause on this one issue. I’m not suggesting’, she continued, ‘that the Labour Party should take over all our Conservative policies on industrial relations. I wouldn’t object if they did but it’s hardly realistic. What I propose is simpler. We should attempt inside Parliament to reach agreement on three areas where I believe there is already agreement outside Parliament’. The three areas, she went on to say, concerned the closed shop, picketing and secret ballots for union elections and strikes, though she also mentioned no-strike agreements in essential services.⁵⁵

Firm as this line appeared, it is noteworthy that two months later the minutes of the Shadow Cabinet meeting of 21 March recorded an instruction to Prior to ‘prepare a short paper on the results of his work on various aspects of trade union law and what should be said during the campaign’. If it does nothing else, this seems to indicate the extent to which Thatcher’s challenge to the government on 16 January had been in

⁵⁴ House of Commons Debate, Hansard 16 January 1979, Vol. 960, col. 1541.

⁵⁵ Conservative Party Political Broadcast, 17 January 1979, CPA, PPB 58/1.

advance of developed Opposition thinking on what might constitute a saleable package of specific industrial relations reforms.⁵⁶

The contents of Thatcher's speech in the House, however unsupported by detailed work and whether or not a new Thatcher Administration would have been ready and prepared to follow through with it if they found themselves in office, had determined the contents of the industrial relations section of the manifesto which was published on April 11 1979. As the task of drafting it got under way, Thatcher told Maude and Patten that the 'existing [autumn 1978] draft [would] have to be radically changed consequent upon recent events and our much more robust union policy'. She had been prepared to go along with Prior's even-handed approach and supported his line that the law 'had no useful part to play' in the necessary reshaping of industrial relations almost until the last minute, but she had now become convinced, as Howe and Joseph had been for some time, that he had been sacrificing principle to convenience and that events had provided the opportunity for the Party to define the principles, covering both the rights and obligations, upon which the law as it affected trade unions should be based.⁵⁷ She may not have realised it, but she was agreeing with what Hayek, in an article in the September 1978 edition of the *International Currency Review*, had laid down as the bottom line for the Party. 'If I were responsible for the policy of the British Conservative Party', he had written, 'I would rather be defeated at the polls than be charged with responsibility for policy without a mandate to change the legal sources of excessive trade union power'. And in the same edition of the journal, Christopher Story had expressed a similar sentiment when he wrote that, 'Those who speak and write at length in Conservative party

⁵⁶ CCA, Thatcher MSS (2/6/1/164), LCC 238th Meeting, 21 March 1979.

⁵⁷ Thatcher, *The Path to Power*, p. 436.

documentation about “keeping away from extremes” are simply failing to address their minds to the resolution of the central issue upon which Britain’s economic and political future depends; the excessive deployment of power by small groups of trade union operators who are nominally responsible to their members but effectively only to themselves’.⁵⁸ Story’s reference to those who advocated ‘keeping away from extremes’ was directed at Gilmour, whose book ‘Inside Right’ had been published in 1977 – at the time when he was Shadow Secretary of State for Defence. Hayek continued to make the case for curbing union power in an article in *The Times* in October 1978. In an attack on a ‘recent outburst’ by Michael Foot, which he designated ‘doctrinaire blindness’, he wrote that, ‘Sometimes one is forced to doubt whether it is...honest stupidity rather than sinister intention that leads politicians to invert the truth. One of the most glaring recent examples was the attempt to represent the present British trade unions as free institutions. They were when they fought for freedom of association and thereby gained the support of all believers in liberty. They unfortunately retained the support of some naïve pseudo-Liberals after they had become the only privileged institution licensed to use coercion without law.’⁵⁹

The manifesto contained a foreword by Thatcher which gave a flavour of what was to come in those sections which dealt with industrial relations. It said that, ‘No one who has lived in this country during the last five years can fail to be aware of how the balance of our society has been increasingly tilted in favour of the State at the expense of individual freedom’. By attempting to do too much, the manifesto continued, the government had failed to do the things which it should have done.

⁵⁸ Howe Papers, Howe S55. Articles on ‘Conservative Policy and the Trade Unions’ by C. Story and by F.A. Hayek in *International Currency Review*, September 1978. Story was an occasional adviser to Thatcher.

⁵⁹ F.A. Hayek, ‘The powerful reasons for curbing union powers’, *The Times*, 10 October 1978.

They had heaped ‘privilege without responsibility on the trade unions [and] given a minority of extremists the power to abuse individual liberties’. It was time to strike a balance between the rights and duties of the trade union movement. The three principal ways in which this could be achieved had been trailed in Thatcher’s speech in the House on 16 January. The main change from what Prior had consistently advocated related to picketing, where it was proposed to make secondary picketing illegal and to review trade union immunities in this area. Memories of flying pickets during the miners’ strike which had brought down the Heath government still loomed large in Conservative minds. A statutory code was to regulate the setting up of closed shops. A right to appeal to a court of law was to be given to employees arbitrarily expelled or excluded from a union and compensation was to be payable where they had lost their jobs as a result. Secret ballots for union elections and ‘other important issues’ would be required. Postal ballots would be paid for from public funds. The proposals on pay bargaining, however, were regarded by Thatcher as weak; they still contained an undertaking to establish a pay forum along the lines of the West German model much favoured by Howe, a model about which Thatcher had always had strong reservations. This was offset, in her eyes, however by the firm promise to eschew incomes policies in the private sector.⁶⁰

To their credit, both Prior and Gilmour acknowledged in their memoirs that Thatcher’s instincts had proved to be sounder in this area than theirs had been. Prior confessed that he had assumed that ‘quite a bit of what Margaret claimed we would do was opposition rhetoric which would be moderated by the realities of government.’ He accepted that he had failed to recognise, however, that ‘the mood of the country had changed during the 1970s and [that] it was ready for a more radical

⁶⁰ CCA, Thatcher MSS, Conservative General Election Manifesto 1979, 11 April 1979.

move to the right than in 1970...Margaret had caught the new mood; she was more in tune with people than I was'. His recognition that he had been wrong did not, of course, register with him until some years later and Thatcher's view of him was evident in the exchange which he ruefully recorded at the time when, appointing Patrick Mayhew to serve under him in the Department of Employment, she told him 'I'm determined to have *someone* with backbone in your Department'.⁶¹

Gilmour was almost, though not quite, as generous as Prior:

The party was agreed that trade-union power and pay determination were the central issues of British politics...The party was agreed that the trade unions were much too strong for their own good – and for everyone else's. Accordingly, the Tory policy was to cripple the unions' power of disruption by removing their legal right to do things which virtually nobody thought they should be allowed to do anyway. [In the event]...Trade union law was reformed and Mrs Thatcher succeeded where her predecessors had failed...By their arrogance in affronting the nation...the union leaders and their deluded followers had made an unanswerable case for curbing strikes and reforming industrial relations...and overweening trade union power belatedly met its doom. Successful trade union reform was Margaret Thatcher's most important achievement.⁶²

In one of the two most important policy areas by which the performance of a future Conservative government was most likely to be judged – industrial relations policy – events had contrived to allowed the emergence of a policy which (despite the fact that it would in all probability lead to the confrontations which until just weeks before the election both the Shadow Cabinet and the electorate generally had been anxious to avoid) not only offered a firm and radical alternative to the obviously failed policy of the Labour government, but greatly increased Thatcher's authority within her own Party. Some of the doubts and divisions of four years had been swept away at the last moment and the opportunity which events had presented had been

⁶¹ J. Prior, *A Balance of Power* (Hamish Hamilton, London, 1986) pp. 112 and 114.

⁶² I. Gilmour, *Dancing with Dogma: Britain under Thatcherism* (Pocket Books, London, 1992), pp. 96-7.

seized. The same could not be said about monetarism, which, despite the endless debates which had gone on about how it could be implemented as a policy, was not mentioned as such anywhere in the manifesto. Only time would tell whether either the firmed-up policy or the absent policy would result in the improvements so ardently desired.

Chapter 7: Keeping Afloat

The previous three chapters have examined the tensions within the Conservative Party which endured from the time of its election defeat in February 1974 to the eve of its return to government in 1979 – though even then they were not resolved and many of them carried over into government. These chapters concentrated on tracing the relationships between the CPS and the CRD and between the ‘Wet’ and ‘Dry’ factions in the Shadow Cabinet and in the more important of the Policy Study Groups. They tracked these relationships as revealed in particular by the attempts to shape acceptable policies in the economic and industrial relations areas. The principal players whose roles have been analysed have been Sherman and Patten and, among Shadow Ministers, Joseph and Howe at one extreme and Prior and Gilmour at the other. Thatcher’s role has been touched upon only tangentially and this dissertation would not be complete without a more detailed scrutiny of where she stood at various times over the period as a whole, what convictions and political pressures informed and influenced the positions she took up and how she articulated them.

Though Nigel Lawson has claimed to be its progenitor, it is generally acknowledged that the term ‘Thatcherism’ was coined just before the 1979 election in an article by Stuart Hall in *Marxism Today* and was then simply used as shorthand for what Hall described as ‘the swing to the Right’.⁶³ The term did not embrace – obviously could not embrace at that stage – the collection of attributes which it acquired over the next

⁶³ S. Hall, ‘The Great Moving Right Show’, *Marxism Today*, January 1979. “‘Thatcherism’ is a term which Lawson claims to have established in a speech which he made as Financial Secretary to the Treasury in 1981 (though he has had the grace to concede that “the *recherché*, and now defunct, publication *Marxism Today*” had actually got there first)’. P. Clarke, ‘The Rise and Fall of Thatcherism’ in *Historical Research*, lxxii, 1999.

eleven and a half years of Thatcher governments, not to mention the further encrustations which adhered to it under John Major's stewardship up to 1997 and later. Indeed, as time passed, it became a term into which anything which anyone disapproved of during that entire period could be packaged. Commenting on how rare it is for political practitioners to be 'promoted to the status of an "ism"', Kenneth Minogue pointed to the double-sided nature of the term. 'Thatcherism' reflected on the one hand, he claimed, 'a widespread conviction that [Thatcher] introduced something new and significant into British political life' but it was also an expression created by her enemies who needed a focus and 'being intellectuals, would hardly be satisfied with merely disliking a person. They disapproved of everything she stood for: hence – "Thatcherism"'.⁶⁴

Whether or not one agrees with these definitions of 'Thatcherism', what the Stuart Hall term in particular suggested was that by the time of the 1979 election, there was a body of thinking which was recognisable as a coherent programme upon which a Conservative Opposition could put themselves forward as an alternative government. It also implied that it could be associated in a distinctive way with the Leader elected by Conservative MPs totally unexpectedly four years before on a platform which, to the extent that it warranted the name, was not clear to some and was unacceptable to many others. In other words, 'Thatcherism' had arrived, but from where and how?

'Coherence' was certainly not a word which could be applied either to the Conservative policy position or even to the policy-making processes as they existed in the summer of 1975. That the election of Thatcher portended a critical re-

⁶⁴ K. Minogue, 'The Context of Thatcherism', in K. Minogue and M. Biddis, *Thatcherism: Personality and Politics* (Macmillan Press, Basingstoke, 1987), Introduction, p. x.

examination (if not at the time a wholesale jettisoning) of the policies of the Heath Opposition carried over from its post U-turn period when in government, was obvious. But it could not have been foreseen, even by those in the Shadow Cabinet who had observed with varying degrees of frustration, incomprehension or irritation the activities of Joseph since mid-1974 and the support, albeit largely quiescent, which Thatcher had given him, that nearly six months after her election to the Leadership and the promised ‘policy rethink’, the way it was being carried out would be being described as a ‘shambles’ not just by ‘Heath supporters on the Left of the Party’ who might be expected to be ‘sceptical about the whole process’, but by MPs ‘from the staid Party Centre’. In an article in the *Liverpool Daily Post* by Charles Reiss, whose political contacts can only be guessed at, the blame for this confusion was laid firmly at the door of Joseph himself and the fact that despite his role as ‘the Conservative Party’s senior – and official – policy planner’, he was wearing three hats. The article pointed out that as well as fulfilling his official role he was also publishing material as Director of the CPS and under the auspices of the Conservative Political Centre (CPC), his pronouncements from both sources bearing disingenuous disclaimers that his publications were ‘personal contribution[s] by the author and not official party pronouncements’. When one added to this, the article went on, the activities of the CRD and of the various policy study groups which Shadow Ministers had been busily setting up for themselves since Thatcher’s arrival on the scene, the appearance given was of a bewilderingly complex process which left ‘a sizeable number of Conservative MPs...unhappy and ill-informed’.⁶⁵ It also left the Director of the CRD unhappy. Sending a copy of the article on to Joseph and Maude, Patten complained that:

⁶⁵ *Liverpool Daily Post*, 20 June 1975.

I hope we can avoid more of this sort of criticism by telling (a) MPs, (b) the party as a whole and (c) the media, what is going on. I am at present in the embarrassing position of not being able to tell people myself when they ask, because nothing has been said officially. As you know, I am not just responding to one hostile article: I have thought for some time that we need to be more informative about the structure of the policy making exercise. I think that the price for not saying more will be increasing criticism.⁶⁶

I examined in Chapter 4 the growing tension at this time between the CRD and Joseph's CPS. Patten's complaint is another manifestation, in not very coded language, of his concern at the way in which Joseph was by-passing normal channels in pursuit of the remit he had had from the Party's new Leader. Patten had, only a few days previously, warned Thatcher that 'Our policy approach is not widely regarded as credible' and he must have regarded the *Liverpool Daily Post* article as vindicating his expressions of concern.⁶⁷

Around the same time Thatcher and Joseph were being bombarded with advice from both inside and outside the Party about what their policy priorities should be. John Biffen, for example, wrote to Thatcher on 5 May 1975 urging the setting of 'modest and attainable objective[s]' for a future Tory government. He would confine himself, he said, to 'keeping the exchange rate free...eliminating the deficit substantially through reduction in public spending, and reform[ing] capital taxation'. Most of all, however, he would 'avoid being a great reforming government'.⁶⁸ A day later, Joseph had a letter from prominent industrialist Sir Val Duncan, obviously following an earlier discussion, urging that 'the conservative party has probably for too long removed to the left and we think the nation now requires a more right-centre

⁶⁶ CPA, KJ 24/1, Patten to Joseph and Maude, 23 June 1975.

⁶⁷ CPA, KJ 24/1, Patten to Thatcher, 4 June 1975.

⁶⁸ CPA, KJ 24/1, Biffen to Thatcher, 5 May 1975.

government. At present the country is bewildered and depressed.’ And revealingly in relation to the attitude of Joseph and his colleagues at this time, Duncan wrote that:

As we understood it the other evening, we felt that you were not clear in your own minds as to what happens next...I think you feel yourselves some trepidation at the thought of the Conservative Party, in the unlikely event of an early election, effectively handling all these matters [for example, militant unionism] on its own, so should we not settle down seriously to the consideration of a temporary coalition immediately after the [EEC] Referendum.⁶⁹

This is not Duncan advocating a belief but expressing the view that that is what Joseph and his colleagues seemed to have in mind.

Whatever impression Joseph had given to Duncan and his colleagues, there was no doubt, as we have seen, that in the very early days after Thatcher had taken over the leadership of the Party, it was he who had made the running in relation to the formulation of economic policy, the area which dominated his own thinking and the one which Thatcher eventually came to see as the one on which both her own and her governments’ reputations for achievement would rest. As we saw in Chapter 5, he had persuaded Thatcher to participate in ‘a discussion on inflation with Alan Walters and someone who would take a different view’; he had proposed himself as chairman of the Economic and Social Strategy Committee (ESSC) and, with Angus Maude, he had prepared a Shadow Cabinet paper on ‘fundamental ideas and issues relating to future policy’.⁷⁰ In pursuit of this latter commission, he and Maude had first circulated a paper suggesting a working methodology based on studies by working groups of key policy areas, but making it clear that the ESSC, which he would be chairing and on which he would be working directly to Thatcher, would be ‘at the centre of the policy-making mechanism’. The exercise as a whole would concentrate

⁶⁹ CPA, KJ 24/1, Sir Val Duncan to Joseph, 6 May 1975.

⁷⁰ CCA, Thatcher MSS (2/1/1/37), Joseph to Thatcher, 25 February 1975. CCA Thatcher MSS, note by Joseph, 13 March 1975.

on producing ‘an acceptable philosophy’ within which more detailed policies could be developed.⁷¹

However it appeared to the outside world therefore at this very early stage, Joseph had taken a firm grip, with Thatcher’s blessing, of the policy-making process as it related narrowly to economics and, more broadly, as it related to the coordination of policy as a whole. All these were, of course, internal Party processes, but it should not be overlooked – and the Liverpool Daily Post had certainly not overlooked it – that as well as seizing control of the formal policy-making machinery, Joseph was receiving a stream of advice from the CPS and using it to inform the speeches he was making up and down the country to Party and non-Party audiences alike, as part of the one-man ‘crusade’ which he had launched between the two elections in 1974. Thus he was, so to speak, making policy ‘on the hoof’ outside the Party machine while at the same time working to a more drawn-out and deliberate timetable to formulate policies from within. A previous chapter has looked at the tensions which his outside activities had been arousing and were continuing to arouse within the higher echelons of the Party. Lord Hailsham was one of those most irritated by them, as is well illustrated by the entry in his diary of a ‘poem’ composed by Lord Mallard at an All Souls’ Gaudy which he attended in early November 1974. All Souls having just suffered a bomb scare, Lord Mallard penned the following lines, which clearly struck a chord with Lord Hailsham: ‘Last Thursday with great aplomb/ Nine fellows sought a ticking bomb,/ But found no trace of high explosives/ Except a week-end speech of Joseph’s’.⁷²

⁷¹ CCA, Thatcher MSS (2/6/1/156), paper by Joseph, LCC/75/68, 10 March 1975.

⁷² CCA, Hailsham MSS (1/1/19), 8 November 1974.

Command of process is one thing; gaining acceptance of substance is quite another. As we have previously seen, when Joseph's and Maude's paper on 'Notes Towards the Definition of Policy' was considered by the Shadow Cabinet on 11 April 1975, two months to the day after Thatcher's elevation, it received a very lukewarm, not to say hostile, reception by colleagues who thought that 'the [Heath] Conservative government had, on the whole, tried to do the right thing but had [simply] failed to explain its intentions adequately' and that 'the Party should not repudiate its previous attempts to reach a national consensus and to hold the middle ground of opinion'.⁷³

All of which raises the question of why Thatcher allowed Joseph so much latitude to do all that he could to take the Party off in a new direction – a direction in which most of them did not want to be taken – and not by working with the grain but deliberately and provocatively against it. Joseph was the man, after all, who, by launching his monetarist 'crusade' when he did, was regarded by many as having recklessly lost the Party the second election of 1974.

There were many reasons why she might have decided to rein him in. The principal one was that her own position was far from secure. Not that the Party could possibly have overthrown her before the next election – though many believed, as she herself did, that that is exactly what would happen were the election to be lost. In conversation just before the 1979 election with Sir William Pile, who had been her Permanent Secretary when she was Secretary of State for Education and Science in the Heath government, she had been clear that 'if I lose I will be out tomorrow', adding that the Party would not allow a woman a second bite at the cherry.⁷⁴

⁷³ CCA, Thatcher MSS, LCC (75) 57th Meeting, 11 April 1975.

⁷⁴ H. Young and A. Sloman, *The Thatcher Phenomenon* (British Broadcasting Corporation, London, 1985), p. 31.

She realised that her elevation to the Leadership had taken many by surprise; indeed, that the Party was more than a little shell-shocked by what it had done.⁷⁵ Though she had performed convincingly, shortly before the Leadership contest, when acting as second-in-command to Shadow Chancellor Robert Carr in the debate on the Finance Bill and had demonstrated a grasp of the details of its very complicated Capital Transfer Tax provisions which had impressed many of her fellow Conservative MPs, she had still been, according to James Prior (Shadow Secretary of State for Employment and himself a serious contender for the Leadership in the event of Heath's withdrawal for whatever reason), 'near the bottom...of a pretty well-scraped barrel' of prospective candidates.⁷⁶ More to the point, if Joseph had not backed out, she would almost certainly not have entered the contest at any stage, and even when she did declare herself a candidate, few believed it possible that the former Prime Minister, who had the support of the whole Shadow Cabinet except Joseph, could be defeated by an inexperienced woman. In its 1 February 1975 issue, *The Economist*

⁷⁵ The course which the election 'campaign' had taken between the general election defeat and the leadership election is well captured in a series of *Spectator* articles. In its edition of 19 October 1974, it was lauding the credentials of Joseph as the 'outstanding candidate for the succession. No alternative leader...has anything approaching Sir Keith's authority in the discharge of the task of presiding over the necessary re-examination and re-appraisal; none has the intellectual power which he would bring to it; and none could combine these qualities with the kind of mixture of humility and *gravitas* which he possesses, and which will be crucial for such a job'. A further article in the same edition claimed to have uncovered 'a serious, sustained and private attempt' by a 'coalition of politicians and party officials who had enjoyed high favour in the Heath years...to deliver the leadership on a plate to Mr Whitelaw', a plot accompanied by 'squalid rumours' that Sir Keith Joseph...had agreed himself to stand down and serve Mr Whitelaw as Shadow Chancellor'. In the edition of 29 October, a 'series of moves' by 'two different sets of people' designed 'to help Mr Heath retain his leadership...of the party' was reported. Dismissing this initiative, the journal said that 'Most absurd of all the pro-Heath myths now being manufactured...is the one that suggests he told, during the [election] campaign, so profound a truth about the national condition that the brilliance of his insight will in time inevitably be recognised.' On 2 November Heath was being condemned for having 'squandered the moral, intellectual and political capital of his party...for having failed as a national leader' and for being almost totally deficient in those qualities which make a party leader. On 16 November, 'Mrs Thatcher's prospects' were being talked up, in the event of the Party's 'most unsuccessful and unlikeable leader of this century...bowing...to the manifest wishes of his peers and depart[ing] for Broadstairs.' On 14 December, the journal had concluded that 'Mrs Thatcher's... quality of courage and endurance under fire is something the poor old Tory party now badly needs in its own struggle with circumstance and fortune'.

⁷⁶ Young and Sloman, *The Thatcher Phenomenon*, p. 30.

declared itself uncompromisingly 'For Heath'. 'The party should cease hivering and give its most forceful man the backing which he needs if Mr Wilson and the Labour government are to be given a run for their money in what is a singularly difficult year for British and European politics'. If Heath were not to get a clear majority on the first ballot, Whitelaw was seen by the journal as a possible Heath substitute against 'any one of a list of awful rivals...Mr Heath [was] twice the man Mrs Thatcher [was] and thrice...Sir Keith Joseph'.⁷⁷ Thatcher was derided 'in the better class of political dining room'.⁷⁸ As elder statesman R.A. Butler commented to Patten in the lift at the CRD, 'We don't have to take this Thatcher business seriously, do we?'⁷⁹ Patten's retort is not recorded. Thatcher herself, when her victory was announced, would probably have agreed with David Howell's later comment that 'it was written in the stars'.⁸⁰

Closer to home, the Shadow Cabinet which she had inherited was still largely wedded to Heathite policies, as was a large part of the Party machine. Her opportunities for reshaping her team of Shadow Ministers were limited, principally because she could not be seen as vindictive and expose herself to attack from disgruntled and hence disloyal opponents, of whom many, however, were later to emerge. It was this group, notably Ian Gilmour, Francis Pym, Prior and Peter Walker which, when she felt more in command, she was to christen the 'Wets'.⁸¹ Nor was

⁷⁷ *Economist*, 1 February 1975.

⁷⁸ S. Brittan, *Encounter*, April 1985.

⁷⁹ J. Campbell, *Margaret Thatcher, Volume One: The Grocer's Daughter* (Jonathan Cape, London, 2000), p. 299.

⁸⁰ Young and Sloman, *The Thatcher Phenomenon*, p. 32.

⁸¹ When Kenneth Harris asked Thatcher, in an interview for the *Observer* in August 1975, why her Shadow Cabinet still looked much like the one which had lost the last General Election and why she hadn't brought in more of the people, especially the younger people, who had supported her, she had replied, 'I have a reason. However good-tempered the election of a new leader is, it is bound for a time to cause divisions in the party. There's nothing unnatural about that; and if divisions didn't exist, there would have been no need for an election for a new leader. But when the election is over, the new leader must do what is possible to restore the underlying unity and heal the wounds.' M.Thatcher Interview for *The Observer*, 7 August 1975, *Thatcher CD-ROM*.

her predecessor, having refused to serve under her, disposed to give her a fair wind.⁸² At the 1975 Conservative Party Conference, Heath let journalists know that he thought Thatcher and Joseph were not Conservatives but ‘fanatics’, whose ideas would ruin the Conservative Party.⁸³ But even if she had been minded, on taking up the Leadership, to undertake a drastic reshaping of the Heath Shadow Cabinet, the pool of like-minded talent available to her in the House of Commons was limited. In this respect, what she stood for was still not evident to many of those who were subsequently to declare their support for her (and to claim, in some instances, to have supported her all along). She must have known that to split the Party before she had established some degree of authority over it, would be a recipe for disaster, both in electoral and personal terms.

The orthodox view about the Leadership contest is that Tory MPs took a risk in electing her Leader and only did so because she fulfilled the ‘anybody-but-Heath’ role.⁸⁴ According to this view, she was being used by the Party ‘as a battering ram’ and ‘was elected by people who did not know her or believe in her’.⁸⁵ *The Economist* reported an (unnamed) Labour Cabinet Minister as saying that ‘if she was elected,

⁸² In a *Times* article headed ‘Thatcher-Heath conflict over shadow job offer’, George Hutchinson reported that ‘An astonishing conflict of evidence has arisen between Mrs Thatcher and Mr Heath as to whether she invited him to join her Shadow Cabinet after succeeding him as leader of the Conservative Party in February. In [Mr Heath’s] recollection: “All she said was ‘Will you help with Europe?’ I naturally said ‘Yes’. She did not offer me the shadow Foreign Secretaryship or any other post”. Speaking to me yesterday, [Mrs Thatcher] said: “I had one object in going to see Mr Heath...to honour my pledge, given publicly, to invite him to join the Shadow Cabinet...I put the point straight to him...‘Will you join us’. His reply was instantaneous. [He] said ‘No. I’ve made my position perfectly clear...I’m going to spend a period on the backbenches’ ”’. M. Thatcher, interview with *The Times*, 20 June 1975, *ibid*.

⁸³ P. Junor, *Margaret Thatcher; Wife, Mother, Politician* (Sidgwick and Jackson, London, 1983), p. 106.

⁸⁴ ‘Whether Heath simply misjudged the mass movement that grew up after the second election, or whether he understood and believed it possible to bluster through, is not clear. It was his worst time, characterised by remoteness, lack of personal rapport with backbench MPs, and inflexibility...which led many not unsympathetic Conservative MPs to vote against him on grounds not of policy but that he was no longer personally acceptable’. K. Middlemas, *Power, Competition and the State, Volume 3. The End of the Postwar Era: Britain since 1974* (Macmillan, London, 1991), p. 23.

⁸⁵ J. Ranelagh, *Thatcher’s People: An Insider’s Account of the Politics, the Power and the Personalities* (Fontana, London, 1992), p. 159.

Labour would be in power for twenty-five years'.⁸⁶ A more charitable view was expressed, however, in the *Crosstalk* column of the April 1975 issue of *Crossbow*. Despite its adherence to 'consensus Conservatism', the journal was willing to recognise that Thatcher had won 'because she showed great courage challenging in the first ballot, a lethal skill at close combat in the House, and a growing ability to project a rounded personality on TV. She seized her opportunity and made the most of it'.⁸⁷

Those who have challenged the 'anybody-but-Heath' orthodoxy have done so on the grounds that her policy and ideological preferences were well known at the time of the voting and that nobody could have been mistaken about how she would act if successful in the ballot.⁸⁸ The Joseph-Thatcher relationship has to be one of the key elements in this revisionist interpretation and I propose to examine it as a two-stage development. The first stage covers the nine-month period from the first 1974 election defeat in February to the point where Thatcher decided that she had to take Joseph's place in the leadership contest. The second is the much shorter period between her declaration to Heath on 25 November 1974 that she was entering the leadership lists, and her actual election on 11 February 1975.

The first period, as we have already noted, saw Joseph making all the running in relation to weaning the Party from 'consensus' to 'economic liberalism', in what has been variously seen as a courageous, foolhardy or treacherous manner. His Upminster and Preston speeches on 22 June and 5 September and his setting up of

⁸⁶ *The Economist*, 8 February 1975.

⁸⁷ *Crossbow*, April 1975. CPA, PUB 195/8.

⁸⁸ M. Wickham-Jones, 'Right Turn: A Revisionist Account of the 1975 Conservative Party Leadership Election', *Twentieth Century British History*, Vol. 8, No. 1, 1997, p. 85.

the CPS were the foundation stones of the new edifice he was intent on erecting and upon which he continued to build, in the unorthodox ways we have seen in a preceding chapter, for the next four years. The Upminster speech had introduced the CPS to the public but what had attracted most attention had been Joseph's disavowal of what he called 'well-intentioned statism' and his famous *mea culpa* that he had only recently come to realise that, although he had always thought of himself as a Conservative, he had not really been one at all. The Preston speech was his public espousal of monetarism and rejection of deficit financing as the means to boost home demand and keep down unemployment levels. Though in the welter of speech-making which followed he set his views on monetarism in a wider context of social concern and the need to protect individual liberty, 'honest money', as Thatcher was frequently to refer to it in the months and years to come, was the term which provided the key to his entire philosophy.

So where was Thatcher while Joseph was taking his political life in his hands? That she was an ally was made clear by her acceptance of the invitation to become Vice-Chairman of the CPS after its establishment in May, but she was not so evidently seen as a convert to his way of thinking as to deter Prior from approaching her on behalf of Heath to see whether she was prepared to use her influence with Joseph to persuade him not to make the Preston speech. Perhaps the fact that she was not and that she also mentioned Alfred Sherman in the course of rebuffing Prior's request indicated a depth of involvement with what Joseph was doing of which her colleagues may not have been fully aware. She had been at the meeting at which Alan Walters had so signally failed to convince Heath of the link between inflation and the money supply but had not expressed her feelings openly, sitting 'without

expression with her back to the wall, away from the centre table'.⁸⁹ Nor does she appear to have made her support unduly overt within the Shadow Cabinet. As Walker, who admitted that he did not take what he calls Joseph's 'simplistic monetarism' seriously, recalled, 'Margaret did not side openly with Keith, except to say that we should pay careful attention to what he was saying. [Neither she nor Geoffrey Howe] were...passionately endorsing Keith's view'.⁹⁰

Any difficulty Thatcher might have felt in supporting Joseph as openly as she might possibly have liked was compounded by the fact that Heath had entrusted her, as Shadow Environment Secretary, with the job of developing 'shiny new policies' in the housing field which could form the centrepiece of the Party's appeal at the next election. John Campbell interpreted this, almost certainly correctly, as 'an indication that [Heath] still saw her as an efficient and amenable agent of his will, not as a potential troublemaker'.⁹¹ Indeed, there was nothing in particular which might have inclined him to think otherwise. She had spent her four years as Education Minister in what Young and Sloman designated 'uncomplaining servitude' to his economic policies and, as her Permanent Secretary was later to comment, had shown 'very little interest in anything outside the Department's brief, outside the contents of her red box... anything outside the Department's range was not a matter she chose to discuss with us'.⁹² This is a view confirmed by Biffen, an 'elegantly dissident right-wing back-bencher', who told Young and Sloman that:

I don't think I had the impression that Margaret Thatcher was doing other than a highly competent job as Secretary of State for Education. I don't think that in that particular role she was given the opportunity to demonstrate these other economic and political attitudes, and it is my

⁸⁹ Ranelagh, *Thatcher's People*, p. 127.

⁹⁰ P. Walker, *Staying Power* (Bloomsbury, London, 1991), p. 126.

⁹¹ Campbell, *Margaret Thatcher, The Grocer's Daughter*, p. 266.

⁹² Young and Sloman, *The Thatcher Phenomenon*, p. 59.

judgement that she did not engage in the sort of code messages which are very much in vogue nowadays.

And, he added, 'I don't identify her with the great economic debate'.⁹³ In this respect it is noteworthy that, with Joseph, she had actually been one of the 'big spenders' of the Heath administration.

If, therefore, it was the election defeat of February 1974 which set them both looking for alternatives to policies which they regarded as having been thoroughly discredited, there is no doubt that she moved towards embracing a different sort of vision much more slowly and much less deliberately than did the man who was soon to be regarded as her political soulmate. Joseph had of course refused specific Shadow Cabinet responsibilities after the February election and had something of a track record of kicking over the traces, his series of pre-election speeches in 1969 having caused only slightly less consternation to Heath and his colleagues than his 'third crusade' speeches were to do. But like Thatcher, he too had knuckled down to Departmental duties between 1970 and 1974 – in his case at the DHSS – and had displayed no renegade tendencies as a Minister. More than that, so conformist had he been in that role that he had earned the odium of Walters who was, as Joseph later remembered, 'very scornful, scarcely willing to talk to one because of what, from his understandable point of view, was a shameful failure to perceive error'.⁹⁴

None of this should be taken to indicate that where Thatcher stood in broad policy terms could ever have been seriously doubted. From the time of her first attempt to enter Parliament in 1950, she had on numerous occasions set out the sort of programme which she believed Conservative governments should be seeking to

⁹³ Ibid., p. 28.

⁹⁴ Ibid., p. 29.

implement. The economic elements of the programme included cuts in personal taxation, hostility to nationalisation, the encouragement of private enterprise and the furtherance of the idea of a property-owning democracy. Acceptance of personal responsibility was also a leitmotif as was a conviction that the welfare state created a culture of dependency. Writing in 1991, Bernard Ingham, her Chief Press Secretary, made the point that he shared her view that 'Britons needed to accept some good old-fashioned personal responsibility and to 'buckle to' [and] get stuck in'.⁹⁵ She told an interviewer just before she was elected Leader that her 'philosophy' was that power should be kept in the hands of the people and that the power of the State should be limited. Responsibility for the growth of State power lay with the Socialists.⁹⁶ What she did not do was express her 'philosophy' in overtly ideological terms, as Joseph was frequently to be accused of doing.

Thus, on almost all points of policy, Thatcher and Joseph were at one during the period under examination, before Joseph's withdrawal from the Leadership contest and her decision to stand in his place. Indeed, she could claim to have been ahead of him in some respects in expressing what had gone wrong with post-war politics. In a CPC lecture in October 1968, for example, she had criticised the notion of 'consensus' as 'being an attempt to satisfy people holding no particular views about anything' and the idea that there could be any meaningful convergence between what she saw as the irreconcilable philosophies of the Labour and Conservative Parties.⁹⁷ This was, of course, the theme taken up and expanded by Joseph in his major speech on 'The Quest for the Middle Ground' at the Oxford Union on 6 December 1975, when he described the middle ground – 'which was accepted by...the vast majority

⁹⁵ B. Ingham, *Kill the Messenger*, (Fontana, London, 1991), p. 225.

⁹⁶ M. Thatcher, interview with ITN, 31 January 1975, *Thatcher CD-ROM*.

⁹⁷ M. Thatcher, 'What's Wrong With Politics', CPC Lecture, 11 October 1968, *ibid*.

of us, as the apex of political sophistication’ – as ‘the slippery road to socialism and state control’.⁹⁸

Despite this shared position, however, the fact remains that until Joseph opted out of the Leadership contest, Thatcher never actually went out a limb for him and placed herself outside the Conservative power structure as he had done.⁹⁹ At one level this is understandable. If she had more openly allied herself with him after his Upminster speech, she would almost certainly have sacrificed any opportunity of serving in a future administration under any leader other than Joseph. Another election could clearly not be long delayed and whether it was going to be won or lost, the likelihood of Joseph replacing Heath was, if not entirely remote, doubtful in the extreme, given the continuing loyalty to Heath of the vast majority of the Shadow Cabinet and the queue of likely successors if one had to be chosen – most particularly Whitelaw and Edward du Cann, powerful Chairman of the 1922 Committee. There is no evidence whatsoever that, at that particular time, she was harbouring any hopes of becoming Leader herself. It was around then that she told her Education Department Permanent Secretary, Pile, that her ultimate ambition was to be Chancellor of the Exchequer but that the Tory Party would never allow a woman Chancellor.¹⁰⁰

What this says about her is open to a number of interpretations. One would be that she was less principled than Joseph and/or far more protective of her future position than he was. Another would be that, in the light of later events, she was more of an

⁹⁸ CPA, KJ 30/2.

⁹⁹ ‘Sir Keith Joseph, [Heath’s] foremost intellectual opponent, had habitually been overridden in Cabinet whenever he put reservations about policy. Mrs Margaret Thatcher had rarely raised her voice and Geoffrey Howe had been only second in command to Peter Walker at the Department of Trade and Industry...So little salient were the future triumvirate that despite Howe’s known interest in neo-liberal economics, Heath gave him a Shadow Cabinet post’. Middlemas, *Power, Competition and the State*, p. 22.

¹⁰⁰ Young and Sloman, *The Thatcher Phenomenon*, p. 33.

opportunist than he was and was simply prepared to wait to see how events turned out in what was a very fraught situation within the Party. Yet another would be that she had a form of political shrewdness and an eye for the main chance which Joseph lacked. A broader and more distanced explanation, however, would be that Thatcher, unlike Joseph, was not comfortable with ideas for their own sake. She found it embarrassing to be 'with people who actually enjoy ideas; who...enjoy knocking them around; who...enjoy playing with them and manipulating them; who enjoy thinking'. She had instincts which she brought to bear when faced by actual problems which she was in a position to try to do something about – and certainly not averse, when that time came, to have her instincts checked against what the intellectuals could tell her. As Sherman was to say, 'She thought to do'. She conformed, he said, to Bagehot's view that Prime Ministers should have 'the powers of a first-class man; the creed of a second-rate man'.¹⁰¹ She could not have done what Joseph did in the year before the Leadership election; he could not have done what she did in the years after it – and most particularly after becoming Prime Minister.

The three events which changed things were, of course, the second election defeat of 1974, the hostile reception accorded to Joseph's Edgbaston speech and his decision not to be a contender for the Party Leadership. All three events took place within a five-week period between 10 October and 21 November. The second event followed closely on the heels of the first, and the third occurred a month later. It was the last of the three which was the true turning point in the development of the relationship between Joseph and Thatcher and which defined them as individuals in a way which was to determine their future relationship. A week after the Edgbaston speech had

¹⁰¹ J. Ranelagh, Interview with Sir A. Sherman, 30 April 1990, quoted in Ranelagh, *Thatcher's People*, p. 35 and footnote.

been delivered on 19 October, *The Economist* was withering in its assessment of Joseph's misjudgement. Acknowledging that he had been seen up to that point as 'the leadership candidate of the most considerable intellectual stature' and as 'philosopher to the Tory party', it concluded that 'Just as Mr Enoch Powell talked himself out of Tory politics, as much by the distasteful phrases he used as by what they expressed, so the currency of Sir Keith's speech ("human stock", "balance of population", "degeneration") showed him unfit to lead the Tory party into anything except hot water'. The same article, as it happened, was also uncomplimentary to Thatcher: 'It is a moment to search for policies that have deeper roots than the cheap mortgages offered by Mrs Thatcher (her very own idea) during the election'. The Party was 'searching in the mud of politics for some pearls of first principles', opined the journal, 'the clutching at history and continuity [were] the natural resort of a party endeavouring to reassure itself that it ha[d] the electoral base for a return to government'.¹⁰²

Despite its outcome, Thatcher had had a good October election, creating a favourable impression on television and putting on a good face in defence of a housing package which she felt had been foisted on her, and the coalitionist line, which she instinctively disliked but which she had been instructed to take. Equally significantly, however, she had been careful not to allow herself to be pinned down on where she stood in the seemingly ideological debate which Joseph had stimulated within the Conservative Party. When her Labour opponent in Finchley had asked her directly whether she was a follower of Joseph and his ideas, 'which must lead to enormous unemployment', she had replied by talking about the threat to freedom posed by the

¹⁰² *The Economist*, 26 October 1974, p. 13.

extreme Left and putting forward her housing package as a Conservative alternative designed to help people to be independent.¹⁰³

Thatcher's own version of her activities during this entire period, as expressed in her memoirs, did not differ markedly from the above interpretation. She played up her growing involvement and interest in the work of the CPS, and, despite acknowledging that 'Joseph's was a risky, exposed position and [that] the fear of provoking the wrath of Ted [Heath] and the derision of left-wing commentators was a powerful disincentive' to her, claimed that by August she had become more actively involved, 'attending Keith's meetings, commenting on his suggestions and preparing my own notes and papers on the areas of education and the social services which I knew best'. She also 'renewed [her] reading of the seminal works of liberal economics and conservative thought...and regularly attended lunches at the Institute of Economic Affairs'. But none of this amounted to 'coming out', as it were, in open and public support of Joseph and she confessed that she concentrated on fighting as hard as she could 'for the policies which it was...my responsibility to defend'. At the same time, she noted that 'it was clear that the kind of reassessment Keith was advocating was unlikely to occur if the Conservatives returned to government with Ted Heath as Prime Minister'. She observed that 'Keith himself decided discreetly to spend more time at the CPS in Wilfred Street than at Westminster, where some of his colleagues were furious'.¹⁰⁴

Hugo Young almost certainly got near the truth when he wrote that 'In the evolution of the Thatcher political profile, this [period] marks a more ambiguous moment than

¹⁰³ *Finchley Press*, 4 October 1974, quoted in Campbell, *Margaret Thatcher: The Grocer's Daughter*, p. 278.

¹⁰⁴ M. Thatcher, *The Path to Power* (HarperCollins, London, 1995), pp. 252-257.

at first appears. It shows how cautious was her break with Heathism, and how misleading are those accounts which present her as having spent her years in office in wretched repression, with all her deepest libertarian principles shrouded in forced loyalty'. In other words, she was prepared to put politics before principles. As Young summarised it, 'she was well able to depart, where necessary, from what she personally believed to be right'.¹⁰⁵ What Joseph must have thought of this is impossible to know. He could not have realised that what he was doing in constructing the launch pad for what came to be regarded as a new Conservatism, was also providing the base for Thatcher's decisive leap into power. Quite the opposite: he must have seen her as his chief support, prospectively at least, in his own advancement.

If it is accepted that having taken on specific Shadow responsibilities – unlike Joseph – she had clearly not been prepared to take the chance, with another election in the offing, of following him into the political wilderness, it is nevertheless striking that, even after the expected election defeat, she continued to be wary about expressing her support for him openly and, despite the very evident pressure which was mounting for a leadership election and a radical change of policies, she accepted the Treasury post of deputy to Shadow Chancellor Robert Carr. As it happens, it was her performances in the House of Commons in this role which probably did more to advance her leadership chances in the contest which eventually took place than a refusal to accept office in order to join the Joseph 'crusade' would have done. She was still a backmarker in any prospective leadership race and perfectly prepared to support Joseph for the leadership when the time arrived. 'She saw him as a prophet... he had led the way and she had almost invisibly followed...any doubts she may have

¹⁰⁵ H. Young, *One of Us* (Macmillan, London, 1989), p. 82.

had...concerning Sir Keith's judgement and even his stability were [at the time] stilled by something akin to hero-worship'.¹⁰⁶ T.E.Utley's 1986 assessment of Thatcher's character could almost have been based on her behaviour at this crucial period. 'Mrs Thatcher is not by temperament averse to the Messianic role. She also has a wish to be, and to be regarded as, something of an intellectual, and she has a passionate devotion to intellectual honesty...At another level, however, she is an exceptionally astute politician and an accomplished party tactician. It is inconceivable that her devotion to doctrine would ever persuade her to do anything which was plainly suicidal'. The signs of what was so apparent to Utley in 1986 were clearly there, if one had had been disposed to look for them, as early as October and November 1974 and they provide a touchstone against which her behaviour throughout the entire period of opposition can be judged.¹⁰⁷

In retrospect, there can have been few political speeches more self-destructive than Joseph's Edgbaston speech to Birmingham Conservatives. Widely seen as his bid for the Leadership, it not only destroyed his chances of ever becoming Leader, it tarnished his reputation and, more portentously, it opened a door for Thatcher through which she had never imagined she would have a chance of passing. But even more than that, it marked the point at which intellectualism combined with pragmatism in a potent mixture which eventually came to be called 'Thatcherism' – though not, as I shall go on to show, until the time came for words to be replaced by actions. It was not until 21 November 1974, when Thatcher told first Joseph and then Heath that she was a contender for the Leadership, that the pact, as it were, was sealed, but the writing on the wall had been discernible on the morning after

¹⁰⁶ Ibid., p. 93.

¹⁰⁷ T.E. Utley, 'Thatcherism: A Monstrous Invention', *The Spectator*, 9 August 1986.

Edgbaston. As Utley wrote in 1986, ‘Mrs Thatcher was produced by history’ – the history of the previous 20 years of higher inflation followed by higher unemployment and of the tide of exasperation among Conservatives at Heath’s abandonment of the perceived promises of Selsdon. It was both the end of history and the beginning of history. But in personal terms it was the moment when Joseph (willingly) gave way to the better ‘man’, as Utley called her.¹⁰⁸ It was the moment when ‘Josephism’ started to transmute to ‘Thatcherism’, though nobody can have been aware of that at the time.

What is curious is that on no occasion during the entire period from the loss of the February 1974 general election to her Leadership victory was Thatcher seriously challenged about her espousal of Josephite thinking. Television, radio and newspaper interviewers seemed more concerned to label her a Powellite than to press her about her ‘alliance’ with Joseph, which is probably evidence of her success in not parading its significance for her. Powell was by that time something of a spent force. In a radio interview in May 1974, a month before Joseph’s Upminster speech, it was put to her that she was ‘saying things that [were] almost Powellite’, to which, refusing to be drawn, she responded that ‘Powell might sometimes agree with some of the things’ she was saying.¹⁰⁹ Later, in September 1974, in an interview she gave to the *Daily Mail* she was introduced as being ‘on the Right of the Tory Party, instinctively, a supporter of the Powell–Joseph line on curbing government spending and not much of an admirer of the interventionist policies of the last Tory government’.¹¹⁰ Most revealing, however, in relation to the perception of where she stood ideologically, was the difficulty which a commentator had, in introducing a television interview

¹⁰⁸ Ibid.

¹⁰⁹ M. Thatcher, interview, LBC, 17 May 1974, *Thatcher CD-ROM*.

¹¹⁰ M. Thatcher, interview, *Daily Mail*, 24 September 1974, *ibid*.

which she gave after winning the Leadership, in fumbling for an authoritative statement of where she could be located within the Party. ‘Besides education’ the interviewer began, ‘Mrs Thatcher’s political principles are hardly known’. Though he then went on to say that ‘In the contest for the leadership she gained the support of the Right Wing. She believes that the money supply must be limited, like Sir Keith Joseph, who’s believed to have influenced her thinking on other subjects’, this hardly constituted an in-depth analysis of her political convictions.¹¹¹ Indeed, as much as anything, it confirmed her unwillingness to be pinned down ideologically. This was confirmed at a press conference at Conservative Central Office later the same day when she was asked, more pointedly, ‘What do you see as the future role of the Centre for Policy Studies’, to which she replied that, ‘It will continue to have a role, but it is doing mainly the economic things, on a fairly – er – in depth, using a number of people from academic circles’.¹¹² A hesitant and circumspect reply to a shrewd question! She had put the Powell question to bed during the leadership campaign by making it plain that she regarded him as a ‘deserter, a man who had abandoned his supporters and twice voted Labour’.¹¹³

Acute observers should have been able to pick up the Joseph-like tones of some of her utterances during the February 1974 to February 1975 period, but most chose to concentrate on the proposals she was developing on housing. She did, in January 1975, however, offer a Joseph-style *mea culpa*, albeit almost *en passant*, when she said in a radio interview that ‘I think undoubtedly people have felt a little unhappy about some of the things we did between 1970 and ’74 and felt that it departed a little too much from Conservative philosophy, or appeared to. Now I must take some share

¹¹¹ M. Thatcher, TV interview with ITN, 11 February 1975, *ibid*.

¹¹² M. Thatcher, press conference, Conservative Central Office, 11 February 1975, *ibid*.

¹¹³ M. Thatcher, interview, *Sunday Mirror*, 2 February 1975, *ibid*.

of the responsibility for that because I was a member of the Cabinet’, a confession which Powell obliquely referred to in an interview later the same day when he said that ‘if the Conservatives wanted a leader to re-establish the principles which were trampled on in office, it was no use looking among former members of the Heath Cabinet who’d failed to resign of (sic) dissent’.¹¹⁴ Other echoes of Joseph might have been detected, perhaps, in an article which she wrote for *The Daily Telegraph* in July 1974 – ‘we do believe that the government’s overall responsibility for the nation’s well-being must be exercised in harmony with the working of market forces’, and in her September 1974 General Election Address – ‘as a nation we must stop living on borrowed money. We must keep public spending within the capacity and willingness of our citizens to foot the bills. Any method of dealing with inflation will be painful’.¹¹⁵ The implications of such statements were offset, however, by such declarations as: ‘For the present, I owe a great deal to Ted Heath’s loyalty and support and my only wish is to further the Conservative Party and the philosophy upon which it is founded,’ and by her skill at promoting her housing proposals as the ground on which she should be challenged. And challenges were not wanting.¹¹⁶ The *Daily Mail*, for example, described her plan for ending the rates as ‘extraordinary’. She seemed to think, said the newspaper, ‘that all the money would come out of the “buoyancy of the revenue” (a polite name for the fact that inflation pushes us all into steadily higher tax brackets without giving us a real rise in income)’.¹¹⁷

Such challenges did, however, serve to distract attention from wider issues, though Gilmour did his best to expose them only five days before the first ballot for the

¹¹⁴ M. Thatcher, interview with IRN, 31 January 1975; Powell interview with ITN, 31 January 1975, *ibid.*

¹¹⁵ M. Thatcher, ‘The owner-occupiers’ party’, *The Daily Telegraph*, 1 July 1974, *ibid.* M. Thatcher General Election Address, 23 September, 1974, *ibid.*

¹¹⁶ M. Thatcher, interview, *Sunday Express*, 17 October 1974, *ibid.*

¹¹⁷ *Daily Mail*, 24 September 1974, *ibid.*

leadership. In a speech in his constituency, he launched what *The Times* called ‘a fierce attack on the monetarists within the [Conservative] party’. ‘In politics’ he said, ‘an intellectual credit is not built up by chunks of dogma...The summons to return to what are alleged to be Tory first principles comes mainly from the wing of the party that looks back to the liberal nineteenth-century laissez-faire tradition. But that tradition represents only one strand, and not the main one, in the Tory party’s history and philosophy’. Though neither Thatcher nor Joseph were mentioned by name, *The Times* believed that nobody could fail to understand that the finger was pointed ‘directly at Sir Keith Joseph and his supporters’ and surmised that Joseph and Thatcher would not be amused to hear their ‘carefully defined philosophies defined as “chunks of dogma”’.¹¹⁸

The lengths to which Thatcher went throughout her years as Leader of the Opposition to distance herself from Gilmour’s characterisation of her as spewing out ‘chunks of dogma’ can only be assessed by an examination of the themes she pursued in her speech-making over that period. When Hall invented the term ‘Thatcherism’ in early 1979, he had nothing to go on but what she had said (or not said) during the previous four years. She could not at that stage have been judged by her acts. Opposition Leaders do not act, they react. Governments make the running. Oppositions try to keep up and are really only able to get their noses in front when they win an election. As we have seen, Thatcher quite deliberately eschewed giving hostages to fortune by tying her Party to precisely worked-out policies which, in the event, it might have proved impossible, impolitic or too costly to implement in government. Such a policy – to have no firm policies – brings obvious problems in that it is one thing to oppose government measures, as every opposition is bound to

¹¹⁸ *The Times*, 31 January 1975.

do, but not easy to sound convincing in so doing without having specific alternatives to offer. But even if she had wanted to have alternative policies to hand, the infighting within the Party precluded their formulation. She was therefore during the opposition years always on the back foot, not only because of her disinclination to pre-empt the policy choices she would have to make if returned to office but because of the need not to alienate those elements in the Party who were instinctively hostile to her. Being on the back foot, however, did not mean that she could not communicate the values to which a future Conservative administration would be wedded and she developed a number of themes designed to do just that. And she developed them with a style which brought them together in a manner which, for good or ill, could not but fail to register with the public – as it obviously did with Hall. To a great extent it was style without substance, but for want of real substance, style had to suffice. In particular, she made ‘publicly felt the impact of her own particular experience and convictions’.¹¹⁹

The tone was set, in very basic terms, in the first Party Political Broadcast after the Leadership election:

I believe I represent an attitude, an approach, and I believe that that approach is borne out by a development in my own life...going to an ordinary State school, having no privileges at all, except perhaps the ones which count most – a good home background, with parents who are very interested in their children and interested in them getting on. And that’s what I see as the kind of conservative approach in which I believe; being able by your own efforts, to help your children have a better chance than you did.¹²⁰

Her principal political target, naturally, was the Labour Party, though her attacks depicted it as the surrogate for creeping socialism and statism. In her speech

¹¹⁹ M. Biddis, ‘Thatcherism: Concept and Interpretations’ in Minogue and Biddis, *Thatcherism: Personality and Politics*, p. 2.

¹²⁰ Conservative Party Political Broadcast, 5 March 1975, CPA, PPB 55/1.

accepting the Conservative leadership, she warned that the next election ‘will be a crucial one because if by any chance the Socialists were to win again we would be set irretrievably on the path to the Socialist state. And we would have gone too far towards that state ever to turn back in our lifetime’.¹²¹ In a Party Political Broadcast the following month she told her listeners, in a somewhat mixed marine metaphor, that she wanted ‘to lead the people of this country away from the quicksands of Socialism...to rid the nation of the Socialist albatross.’ ‘I don’t think they want a Socialist society at all,’ she said. ‘Certainly a majority has never voted for it – least of all for the particular brand of Marxist socialism peddled so assiduously by Mr Foot and Mr Benn and their friends’.¹²² Her declaration of war on socialism derived, it has been suggested with some convincing consistency, from the ‘natural antagonism’ of the lower middle class to the working classes and their allies, the upper middle-class intelligentsia.¹²³ However plausible this may be, her pronouncements created the illusion of a doctrine – albeit a negative one – which allowed her to appeal over the heads of her colleagues to those who were becoming disillusioned with the mounting stockpile of Labour failures. Though she agreed with Joseph about the drift to socialism, she never followed him into the arcana of monetarism and the market, but tailored her language to appeal to those who shared her ‘small-town’ instincts. It has been suggested that, like French President De Gaulle, she knew instinctively ‘what the populace [felt] and want[ed]; her heart beat in time with the people’s hearts’.¹²⁴ This was captured in an interview she gave to *Crossbow* in August 1975 when she told her interviewer, Norman Lamont, that:

¹²¹ M. Thatcher, speech accepting the Conservative leadership, 20 February 1975, *Thatcher CD-ROM*.

¹²² Party Political Broadcast, 5 March 1975, *ibid*.

¹²³ P. Jenkins, *Mrs Thatcher’s Revolution* (Jonathan Cape, London, 1989), pp. 84-85.

¹²⁴ D. Marquand, ‘The Paradoxes of Thatcherism’, in R. Skidelsky (ed.), *Thatcherism* (Chatto and Windus, London, 1988), p. 164.

So much of life is becoming wholly dominated by the State, the average person is beginning to get a little alarmed. By the time a large number of people depend upon the State or local government for their jobs, by the time they have found an increasing proportion of their average earnings taken away in tax, by the time they find that they have to get some kind of permission from a government before they can do a large number of things, they begin to realise that the State is becoming far too dominant a factor in their lives.

This was not the language of abstract theorising, but language with ‘an appeal for the average person’.¹²⁵ By 1977, however, addressing the so-called ‘Gnomes of Zurich’, she adopted a different tone to predict the coming ‘crisis of socialism’:

I have reason to believe that the tide is beginning to turn against collectivism, socialism, statism, dirigisme, whatever you call it...It is becoming increasingly obvious to many people who were intellectual socialists that socialism has failed to fulfil its promises, both in its more extreme form in the communist world, and in its compromise form.¹²⁶

At the opposite end of the spectrum from ‘statism’ and ‘collectivism’ was ‘individualism’, which stood alongside ‘freedom’ and ‘liberty’ in Thatcher’s cosmology. She understood only too well the links between irrational individualism and disorder – as expressed most notably in criticisms of capitalism and the ‘free-for-all’ of the market – and between reason and order. For her, however, reason was a creative power which enabled each person to choose differently from others; systems which deprived people of the right to choose were intrinsically immoral. She took the matter head on in the above-mentioned, Sherman-drafted, speech to the Zurich Economic Society:

the economic success of the Western world is a product of its moral philosophy and practice. The economic results are better because the moral philosophy is superior. It is superior because it starts with the individual, with his uniqueness, his responsibility and his capacity to choose. Choice is the essence of ethics; if there were no choice, there would be no ethics, no good, no evil; good and evil have meaning only insofar as man is free to choose...the sense of being self-reliant, of playing a role within the family, of owning one’s own property, of

¹²⁵ M. Thatcher, interview for *Crossbow*, 29 August 1975, *Thatcher CD-ROM*.

¹²⁶ M. Thatcher, speech to Zurich Economic Society, 14 March 1977, *ibid*.

paying one's way, are all part of the spiritual ballast which maintains responsible citizenship.¹²⁷

Her whole idea of politics was based, therefore, upon the idea of the individual and, by extension, of the role of government as enabling each individual to pursue his own interests, whether alone or in co-operation with others, in security and without conflict. These ideas, expressed as firmly-held convictions, occur with monotonous regularity in Thatcher's speeches during the years of opposition.¹²⁸ 'Liberty means nothing as an abstract concept, it only has meaning in so far as it really lives in the lives of individual men and women and their families', she told Lamont in the *Crossbow* interview in August 1975.

So concerned was she to be regarded as an average person speaking to average people that in the same interview she went out of the way to align herself with the 'commonsense majority of the people against the extremists'. When asked by Lamont whether she agreed that the Conservative Party needed to become 'more popular, more populist, and a little less mandarin and intellectual in its appeal', she accepted the charge, though with the reservation that 'You have to operate on several levels to be a successful party. You must have a clear, understandable philosophy which you can use to persuade people of the rightness of your own cause, and you must be able to translate it into practical policies'.¹²⁹ But if the readership of *Crossbow* would probably have been looking for that sort of qualification, the same could almost certainly not be said of those who read the *Daily Express*, so that when she was asked by its correspondent about 'her apparent political Svengali, Sir

¹²⁷ Ibid.

¹²⁸ 'Mrs Thatcher's principal...contribution [to allowing the Party] to break out of its blocked state... was neither intellectual innovation...nor party restructuring...but a new style of addressing the nation at large, the importation of a very direct, remorseless populist language, couched in strongly ideological terms [but] embodying a narrow and down-to-earth imagery'. Middlemas, *Power, Competition and the State*, p. 26.

¹²⁹ M. Thatcher, interview for *Crossbow*, 29 August 1975, *ibid.*

Keith Joseph' and 'just how long and boney (*sic*) [was] the finger' he had 'in her pie', her counter was swift and uncompromising. 'I don't rely on Keith', she snapped, 'Willie [William Whitelaw] is No.1. Willie is a tower of strength. In any case they're all little subsidiary think tanks. They stimulate and advise, but that doesn't mean you accept the answers'.¹³⁰ It is difficult to think of any other occasion when she was so dismissive of Joseph's contribution to her thinking – and so complimentary about Whitelaw's role as a 'thinker', particularly when it came to communicating with the electorate. 'Whitelaw, although he was generally respected, was not regarded as instinctively in tune with the grass roots on any issue'.¹³¹

Paradoxically, at the same time as she was shaping her reputation as a tribune of the people, she was anxious to show herself to those who mattered as someone of intellectual substance. As Biddis commented, 'The 12 months preceding her victory in the party leadership contest of February 1975 seem to have been spent in quite intensive contact (personal or through their writings) with such mentors as Alfred Sherman, Alan Walters and Friedrich von Hayek, [though] her path towards macroeconomic monetarism was...made harder by the habit which Peter Jay has described as that "of preferring her grocer's daughter microeconomic reflexes and values to any economic theory"'.¹³² What is noteworthy about this observation is that all Thatcher's gurus were economists – Milton Friedman, Brian Griffiths, Patrick Minford and, of course, Adam Smith could be added to the above list. And those whom Shirley Robin Letwin describes as 'the great Thatcherite stars of the [later] Thatcher Cabinets [Joseph, Howe and Lawson] were economic ministers and

¹³⁰ M. Thatcher, interview for *Daily Express*, 31 July 1975, *ibid*.

¹³¹ E.H.H. Green, *Thatcher* (Hodder Arnold, London, 2006), p. 134.

¹³² Biddis, 'Thatcherism: Concept and Interpretations' in Minogue and Biddis, *Thatcherism: Personality and Politics* p. 6.

ministers with an economic message'.¹³³ Looked at in this way, it is tempting to argue that her reading of and contacts with the former, were attempts to equip her to handle the latter effectively and as much a sign of intellectual insecurity as of intellectual strength. Whatever the case in this respect, it cannot be denied that her speeches were redolent with echoes of Hayek and she never hid her belief in the messages of *The Road to Serfdom*, and particularly the emphasis it placed on the link between economic freedom and political freedom. As she told readers of *The Guardian* in August 1975, 'Historically, free political institutions have always been linked with a free enterprise economy. I do not believe that political freedom can exist without economic freedom. They are two sides of the same coin. If we lose one do not doubt that we shall lose both'.¹³⁴ The marrying together of her populist style and her attachment, genuine or tactical, to the works of economic liberalism, found its expression, in due course, in what John Redwood was to christen 'popular capitalism', a term which Thatcher herself was not to use until 1986 but the conceptual foundations of which could be detected during the opposition years.¹³⁵

A typical attempt to establish her intellectual credentials was her speech to the Institute of Socio-Economic Studies in New York during her first trip to America as Party Leader in September 1975. The speech tackled two problems, using material based on the findings of the recently published report of the Royal Commission on the Distribution of Income and Wealth and a 'massive survey' by the Political and Economic Planning Group. Her first target was inequality where she echoed one of Joseph's principal themes that 'the pursuit of equality itself is a mirage'. Preferring

¹³³ S.R. Letwin, *The Anatomy of Thatcherism* (Fontana, London, 1992), pp. 114 and 115.

¹³⁴ M. Thatcher, article in *The Guardian*, 1 July 1975, *Thatcher CD-ROM*.

¹³⁵ J. Redwood, *Popular Capitalism* (Routledge and Kegan Paul, London, 1988). M. Thatcher interview with Sir Robin Day, BBC 1, 17 February 1986, *ibid*.

the idea of equality of opportunity rather than the concept of equality *per se*, she stated forcibly her belief that ‘opportunity means nothing unless it includes the right to be unequal and the freedom to be different’. Quoting Alexander Dubcek, she pointed out to her audience that even Communists ‘were learning that the unbalanced pursuit of equality leads to an insufficiency of resources’, though she acknowledged ruefully that ‘Unfortunately, of course, Dubcek went’. The other issue on which she concentrated was the vital importance, as she saw it, of the distinction between wealth creation and wealth redistribution in pursuit of ‘social justice’. She recognised the existence of the ordinary human desire to ‘help our fellow men’ but warned against ‘bourgeois guilt’ and how ‘Socialising the National Income’ weakened rather than strengthened the economy and was therefore self-defeating. She dismissed out of hand ‘the progressive consensus’ which said that ‘the state should be active on many fronts: in promoting equality, in the provision of social welfare and in the redistribution of wealth and incomes’.¹³⁶

If Thatcher could be charged, as she frequently was, with promoting middle-class inclinations in keeping with the provincial aspect of her image, she believed that in so doing she was not defending a particular income group but a set of values, ‘a whole attitude to life’ which, more than anything else, was founded on the instinct ‘to take responsibility for oneself’.¹³⁷ She universalised her defence of ‘middle-class values’ in the following terms:

if middle class values include the encouragement of variety and individual choice, the provision of fair incentives and reward for skill and hard work, the maintenance of effective barriers against the excessive power of the State and a belief in the wide distribution of

¹³⁶ M. Thatcher, speech to the Institute of Socio-Economic Studies, 15 September 1975, *ibid.*

¹³⁷ M. Thatcher, interview with *Evening Standard*, 18 October 1974, *Thatcher CD-ROM*.

individual private property, then they are certainly what I am trying to defend.¹³⁸

Her use of the term ‘middle class’ was not therefore an expression implying that her politics were focussed on serving a narrow class interest but shorthand for a set of beliefs with a general application. She had attempted to explain this, rather awkwardly, in her first Party Political Broadcast after becoming Leader:

To me...I think...I see Britain as having an entirely, what you would call a middle-class approach, I call it a fundamentally conservative approach, with a small ‘c’ because it’s founded on belief in the dignity of a human personality and the right to let that develop and the right way to bring up your own children and look after them as you will. And a fundamental respect for the rights of others...But it’s a clear picture and it’s much, much more appealing than the cold state. And it’s not confined to the middle classes.¹³⁹

These beliefs could be detected too in her use of a range of other terms such as ‘nation’, ‘our people’, ‘family’ and so on. Indeed, all such terms interlocked in easily identifiable ways. Her frequently expressed view of Britain as ‘nation’, for example, was directly linked to her vision of what Britain should be like at the end of the twentieth century – ‘a place filled with individuals who exhibit the vigorous virtues and with families that transmit, encourage and sustain such virtues from one generation to the next...a country which is rich, powerful, culturally dynamic and universally respected by the other nations of the globe’, neither encumbered by the trappings of Empire nor burdened with the Victorian *angst* associated with a world half of which had been coloured red. She simply looked to the revival of Britain as an island power reflecting the family virtues of self-sufficiency, mutual support and acceptance of responsibility.¹⁴⁰ As she said in her speech accepting the leadership of the Party, ‘the heritage which our forefathers bequeathed us must be renewed and

¹³⁸ M. Thatcher, ‘My Kind of Tory Party’, *The Daily Telegraph*, 30 January 1975, *ibid.*

¹³⁹ Conservative Party Political Broadcast, 5 March 1975, CPA, PPB 55/1.

¹⁴⁰ Letwin, *The Anatomy of Thatcherism*, p. 37.

passed on to future generations'.¹⁴¹ Two and a half years later, she was still pursuing the same theme when she told the 1977 Conservative Party Conference, 'We are one nation. We may not know it with our brains but we know it with our roots'.¹⁴²

There was, however, a narrower connotation of 'nation', relating to which gave Thatcher more difficulty. One-Nation Conservatism has generally been regarded as a precursor of 'Wet' Conservatism – 'the coded banner of the Heathite Tories' – though the early publications of the One-Nation Group, whose founders in 1950 had included Powell and Joseph, had a strong liberal market flavour.¹⁴³ *Change is our Ally*, one of the Group's earliest pamphlets, had called, for example, for 'reduced state intervention in the economy and the promotion of free enterprise'.¹⁴⁴ Nevertheless, Thatcher's opponents within the Party persisted in emphasising the link that the title One-Nation gave them with the social conservative strand of Disraelianism – indeed, a priority for the Group had always been to develop and articulate a distinctive Tory approach to social problems which did not simply 'meet' Socialist positions. And they had taken so much of the high ground that, on the eve of the 1987 election, Sir Robin Day in a BBC interview with Thatcher was able to claim that many of the Cabinet ministers she had sacked since 1981 could be identified as One-Nation Conservatives who had accused her of 'pursuing socially divisive policies at odds with traditional Conservatism'.¹⁴⁵ Rejecting the insinuation,

¹⁴¹ M. Thatcher, speech accepting the Conservative leadership, 20 February 1975, *Thatcher CD-ROM*.

¹⁴² M. Thatcher, speech to Conservative Party Conference, 14 October 1977, CPA, NUA 2/1/81.

¹⁴³ Campbell, *Margaret Thatcher, The Grocer's Daughter*, p. 382.

¹⁴⁴ 'As with Disraeli, historians have peeled away some of the myths surrounding the One Nation group, pointing out that it was neither as cohesive nor as effective as its reputation suggested. The group could also – to use an anachronistic term – be surprisingly "Thatcherite". Its flagship publication, *One Nation* (1950), argued for hospital charges, and the Powell-influenced *Change Is Our Ally* (1954) was well to the economic "right" of the Churchill Government'. A. Tyrie, 'One Nation Again', *One Nation Group*, December 2006.

¹⁴⁵ Green, *Thatcher*, p. 41-3. M. Thatcher, interview with Sir Robin Day, BBC 1, 8 June 1987, *Thatcher CD-ROM*.

Thatcher claimed alignment with the original One-Nation philosophy, pleading in aid her allegiance to the idea of the ‘property-owning democracy’ as popularised by Anthony Eden in the immediate post-war years.¹⁴⁶ She saw this as ‘one of the most important leitmotifs of post-war Conservatism’, deriving from the late nineteenth and early twentieth century Conservative policy of spreading property ownership as an obstacle to Socialist assault.¹⁴⁷ It is not difficult to see in this the roots of what later, by extension but with the same objective, came to be termed ‘popular capitalism’ and/or a ‘capital-owning democracy’.

It will be clear from the examples cited above of the themes which occurred with most regularity in Thatcher’s speeches during her years as Leader of the Opposition, that she dealt not in abstractions but wherever possible in practicalities, not in ideas but in values, and most of all not in the ‘how’ but in the ‘what’. ‘She thought that certain things were obvious and was reluctant to call them ideas. If asked, she would say that they were the conclusions of a practical person’.¹⁴⁸ She thought about what needed to be changed and why it needed to be changed without having any clear idea of what would replace what had been rejected. ‘Don’t tell me *what*’ – she knew *what* – ‘tell me *how*’, was her constant refrain.¹⁴⁹ But even when the ‘*how*’ was suggested, as with abolishing exchange controls or mounting a major programme of denationalisation, she usually shied away from it, however consistent with her

¹⁴⁶ ‘One Nation Conservatism has always emphasised the spread of equal opportunity...and of capital ownership. The roots of the latter can be found in the inter-war period: Conservatives were already speaking of the need to see “every man and woman in this country a capitalist, necessarily to begin with, in a small way”, and of “a property owning democracy”. It was, however, Anthony Eden who later popularised the phrase. Iain Macleod widened it to a “capital-owning democracy” and post-war Conservative governments, including those led by Mrs Thatcher, have been particularly active in ensuring its realisation, most emblematically through the sale of council houses in the 1980s’. Tyrrie, ‘One Nation Again,’ December 2006, citing P. Williamson, *Stanley Baldwin* (Cambridge University Press, 1999).

¹⁴⁷ Green, *Thatcher*, pp. 40-1, 101.

¹⁴⁸ Ranelagh, *Thatcher’s People*, p. 3.

¹⁴⁹ D. Butler and D.Kavanagh, *The British General Election of 1979* (Macmillan, London, 1980), p. 65.

principles and wishes it might have been, for fear of splitting her Party or alarming the electorate.

The care she took in the speeches examined in the previous paragraphs to avoid prospectively embarrassing commitments, was evident too in her attitude towards official policy pronouncements. We have already seen how she hesitated to give binding commitments in relation to her preferred economic and industrial relations policies until, in the latter case, she was forced to react to events – which, however, it must be granted, she did with decisiveness. But the two major policy documents produced between 1975 and 1979 – *The Right Approach* in 1976 and *The Right Approach to the Economy* in 1977 – were both to some degree or other non-committal, to the extent that she gave neither of them her full-hearted support. In much the same way, the 1979 election manifesto has been described as seeking ‘a blank cheque for policies that were never spelt out’.¹⁵⁰

The 1976 and 1977 policy statements had set the tone for the 1979 manifesto (as well as for the draft which had been produced in 1978, before Callaghan backed away from holding an autumn election). When it appeared in time for the 1976 Party Conference, *The Right Approach* was well-received as a relatively uncontentious and clearly presented statement (by Chris Patten and Angus Maude) of pre-existing, largely Heathite anti-collectivist policies from which Party members would have had to struggle to dissent. There was nothing in it to suggest the ways in which Thatcher’s approach might radically differ from that of her predecessor. In truth it reflected Thatcher’s uncertainty about a range of major issues, such as the need (or not) for an incomes policy, the likely efficacy of a monetarist approach to bringing

¹⁵⁰ Campbell, *Margaret Thatcher, The Grocer’s Daughter*, p. 369.

down inflation and how to handle the trade unions. As Trevor Russel, former member of the Labour Party, later convert to Conservatism and, at the time of writing in 1978, national secretary and press officer of the Tory Reform Group, saw it, reading between the lines as well as what was written on them:

A single sentence...not only acknowledges that there is a split inside the Party but also goes right to the heart of it. 'The precise limits that should be placed on intervention by the State...are reasonably the subject of debate within the Party'. This blandness masks the true depth of the division over an issue which is so fundamental to Conservatives today, and which is at the root of the party's attitude towards the degree of government involvement in economic and industrial affairs, the size of the state or public sector, the level of government expenditure and even the future shape of the Welfare State.¹⁵¹

With deficiencies such as these and with so little to say on such critical issues, one is tempted to ask what was the purpose of producing a document at all? The fact is that two years after a second election defeat and with a new Leader having had time to settle in, something needed to be said to the Party faithful, something which did not rock the boat. To that extent, given its general reception, *The Right Approach* served its purpose. It even met with the approval, albeit a little grudging, of Thatcher's predecessor, which, if anything did, revealed its intrinsic nature. Heath told the Conference that *The Right Approach* was 'in the mainstream of the Conservative Party's policies over many years. You would not expect me', he said, 'to say that I agree with every word or every sentence of it...but it is there as a continued development of policies which we worked out over many years and which we have pursued. I do not find myself in disagreement with it and so I find it encouraging that we should be going along this road'.¹⁵² A Briefing Note prepared by Patten revealed the limited expectations attaching to the document:

¹⁵¹ T. Russel, *The Tory Party: Its Policies, Divisions and Future* (Penguin Books, Harmondsworth, 1978), p.13.

¹⁵² E. Heath, speech, 93rd Annual Conservative Party Conference, 7 October, 1976, CPA, NUA 2/1/80.

TRA [*The Right Approach*] is not jam-packed with brand-new ideas, gimmicks and “pat” solutions. It is a sober and responsible analysis of Britain’s problems, which sets out the main stepping-stones to common sense and prosperity...Above all, TRA presents the Conservative view of the world as it is...[It] is only in part a report on the progress on policy development which we have made to date. It only represents the tip of the iceberg; beneath the water-line, there is an enormous mass of paper and research...TRA is therefore not a right-wing document or a left-wing document or an any-wing document.

It was in short what anybody wanted to believe it was and it hid more than it revealed, though, as we have seen, there was at the time in the main policy areas nothing much to reveal. ‘Throughout the document,’ Patten went on, ‘we try to strike the “no easy answers” note’. He confessed that the briefing material did not deal with the ‘two main questions we shall be asked – (i) do you believe that incomes policies are good or bad? and (ii) how would you get on with the unions?, which both need more discussion by Shadow Cabinet’. The line he suggested should be followed was that, ‘[Unlike the Labour government] our policies would cut the rate of inflation and produce more jobs. We think ordinary trade union members would prefer policies which lowered unemployment levels, and that their wives would welcome a better deal in the shops’.¹⁵³ If Patten felt so defensive about what had been produced, no wonder that the political commentators damned the document with faint praise. ‘At a moment when the nation needs to be inspired to survive, the Conservative tone [as revealed by *The Right Approach*] is one of good sense rather than...dynamic energy...There is nothing awe-inspiring about the Conservative Party in its present mood. It looks right but it does not look great’.¹⁵⁴ The shame was that the publication of the document appeared at ‘the very moment [when] we have the paradox of a Labour government completing the work of passing [into law] a left-wing mandate...

¹⁵³ CPA, CRD, (Uncatalogued papers), Box 41, 24 September 1976.

¹⁵⁴ *The Times*, 4 October 1976.

of grotesquely extravagant policies...when they have come to recognise how much harm such policies have done'.¹⁵⁵

In the context of this thesis, the more important publication, not so much for what it said but again for what it did not say, was *The Right Approach to the Economy*, which appeared in October 1977. It was an 'agreed' document, the name of Prior appearing on the cover together with those of Joseph, Howe and David Howell. Maude was the editor but the fact that only Prior was an out-and-out anti-monetarist did not mean that the document was overly monetarist in tone. Prior would not have been prepared to have his name attached to a policy statement which could in any way be regarded as an all-out assault on demand management such as Joseph was preaching in his travels around the country. It did proclaim the overriding need to 'unwind the inflationary coils which have gripped our economy and threaten to throttle the free enterprise system'; it did set out as an aim 'the gradual reduction in the growth of money supply, in line with firm monetary targets'; and it did contain a passage taken almost word for word from Joseph's 1974 Preston speech – 'This is not to say that one has only to follow the right money supply path and everything in the economy will become right...but it is certainly the case that if the management of money is handled wrongly, everything goes wrong'. But the general approach which the statement advocated was one of gradualism, and it did not say that a monetary policy would be adopted whatever the consequences for other economic goals, such as reducing employment and aiding industry. It was in effect another 'all-things-to-all-men compromise'.¹⁵⁶ What the document was able to point to, of course, was the fact that the previous year's settlement with the IMF had forced the government to

¹⁵⁵ Ibid.

¹⁵⁶ Campbell, *Margaret Thatcher, The Grocer's Daughter*, p. 389.

abandon the 'naïve belief that "government money" [could] be drawn from some bottomless well...and to face reality'. 'Thanks to the stringent conditions laid down by the International Monetary Fund as security for the Labour government's latest and largest loan', the document said, 'the need for control of the money supply and of government expenditure is accepted on both sides of the House of Commons'. The fear remained, however, 'that under pressure from the Left of the Labour Party the government may yet yield to the temptation of reflation to finance a pre-election boom. After all that is exactly what Labour did in 1966, 1970 and 1974'.¹⁵⁷ Despite the need not to ruffle Prior's feather's too much, therefore, Joseph must have been well satisfied that the point he had been making for three years about the part which the control of the money supply had to play in bringing down inflation had now unavoidably had to be taken on board. If he was disconcerted in any way by the fact that Messrs Callaghan and Healey had also seen this particular light, it did not show through the statement but was claimed as a vindication for what he had been saying so persistently.

Where Joseph found himself in greater difficulties was in relation to what the statement had to say about the trade unions and industrial relations, a battlefield on which Prior, as Shadow Employment Secretary, had been determined not to surrender too much ground. Since 1974, his attitude had mirrored the prevailing view in the Shadow Cabinet – that it would be a mistake for the Party to go into the next general election pledged to union reform of any kind which the public would see as likely to lead to U-turns and panics, the consequences of which they had had to endure in 1973-74. He had, therefore, been arguing the Conservative case in his usual reasoned and analytical manner until his responses to the happenings at

¹⁵⁷ *The Right Approach to the Economy* (Conservative Political Centre, 1977).

Grunwick gave his analysis a sharper tone. In an article in the *New Statesman* in June 1975, for example, commenting on what he called Paul Johnson's 'contracting out from his party's alliance with the unions', he had explained the Conservative position in the following terms:

The post-war Conservative Party adopted many ideas and expedients which had previously been Labour staples; it used to be called 'Butskellism'. We believed that this would draw the centre of gravity of British politics towards the Centre. The result was the exact opposite; the whole spectrum shifted leftward. Several results flowed from this. The level of unemployment came to be vastly exaggerated...and in the name of Keynes, successive governments were panicked into expanding demand thereby generating inflationary pressures...[But it has been] more a case of inflation causing exaggerated union bargaining power than vice versa...In short we have the unions we deserve.

The answer, as he saw it, was making 'the economic remedies work rather than seeking political solutions misnamed incomes policy'.¹⁵⁸

The proposals on industrial relations in *The Right Approach to the Economy* can be seen therefore for what they were – an attempt to paper over the cracks in the thinking of the Conservative Party at a time when Prior and Joseph were at odds with each other and when Thatcher, while being unprepared to silence Joseph and not yet in a position to disown Prior, could not afford to alarm the public by seeming to be prepared to confront the unions. The formulation finally agreed upon smacked of continuity and moderation:

First, there should be an independent, regular report on the way that pay, prices, tax, savings, investment, public spending and unemployment have developed over the previous year, and the prospects for them in the coming year. This should be put before the people every year so that everyone can have an understanding of what is possible and how each can help. Second, we need a forum – and the NEDC is probably the most suitable – in which the major parties can sit down calmly and look at this report. We are not suggesting that unions, employers, government or anyone else should commit themselves to any action in that body. But only good could come of them sitting down and seeing how their

¹⁵⁸ K. Joseph, 'The Unions We Deserve', *New Statesman*, 13 June 1975.

ambitions fitted in with the national economy and the ambitions of other groups.¹⁵⁹

This of course reflected Howe's persistent interest in a German-style economic forum, the corporatist nature of which had not enthused Thatcher. As she had told him when she had seen Zweig's paper describing the West German system, 'This paper frightens me to death...we should recognise that the German talking shop works because it consists of Germans'.¹⁶⁰

The Tory moderates were satisfied with the generally 'gradualist' tone of *The Right Approach to the Economy* and felt that any sharpnesses would be blunted by the experience of government. The 'economic evangelicals', as William Keegan called them, felt that they had established the principle of the need for monetary control and had kept Prior onside.¹⁶¹ Thatcher was thought to believe that the statement was too 'wet', but kept her silence at the time. An indication of what she really thought, however, was that she was prepared to allow the document to be issued only as a Party publication and not as a definitive statement of Shadow Cabinet policy. In her memoirs, she confessed that 'I never felt much affection for *The Right Approach to the Economy*...and I was careful to ensure that 'concerted action'...never saw the light of day'.¹⁶²

The Shadow Cabinet's 'careful' approach to industrial relations reform, as reflected in *The Right Approach to the Economy* and in speeches by the key players at the 1977 Party Conference, did not prevent a sharp attack on the ambiguities in the

¹⁵⁹ *The Right Approach to the Economy*, p. 16.

¹⁶⁰ Thatcher, *The Path to Power*, p. 404.

¹⁶¹ W. Keegan, *Mrs Thatcher's Economic Experiment* (Penguin Books, Harmondsworth, 1984). James Prior kept his post at the Department of Employment until he was made Secretary of State for Northern Ireland in 1981.

¹⁶² Thatcher, *The Path to Power*, p. 404.

Party's position in the Autumn issue of *Crossbow*. 'What then are we to make of Conservative policy on the closed shop', the Leader column asked.

Mrs Thatcher seems to be singing Harold Macmillan's favourite song, for she doesn't say Yes and she doesn't say No. She condemns the closed shop as a restriction on the individual's right to work but there is no commitment to abolish it. She recognises that anyone excluded or expelled from a union cannot practise his trade and becomes, for employment purposes, a non-person, but seems to be prepared for this to continue as long as 'compensation' is available...Mr Prior argues that unfair exclusion from a union is comparable with unfair dismissal and can be dealt with by the same procedures. But whereas someone sacked by management can apply for a job next door, a man blocked by his union is unemployable within his trade...As long as Mrs Thatcher hesitates she is wasting time that should be used to consolidate opinion. A popular desire to restrain the unions exists but it is compromised by fears of confrontation. While no-one supposes that parliamentary democracy can survive in a meaningful form without clashes with the unions, the electorate's willingness to support independent government depends on how it rates the chances of success'.¹⁶³

The anxiety evident in the above passage did not lessen as the Labour government's fortunes took an upward turn in the early months of 1978 and Thatcher found herself in the firing line as *Crossbow* continued to press for stronger assertions of authority and more determined Party leadership. The Leader column in its Spring issue was particularly forthright in proclaiming the need for a firmer stance:

This time last year, the Tories were 15% ahead of Labour in the opinion polls. [But] recently they have been level pegging or even falling behind. Why? Relating popularity to events, we find that the Party conference period and the industrial disputes of the winter benefited the government. This may seem surprising for the Tories had been orchestrating a hardening of public opinion for some time and there was now a detectable move towards the right of centre. But it was Jim Callaghan who exploited it. He harnessed the new mood to his stance against the power workers and the firemen and established a bond with the public as the best conservative prime minister of recent memory... The Tory leadership, by contrast, obsessed with covering internal divisions, and with the centrists having won on the trade union issue, failed to notice that public opinion was outflanking them and left the government free to usurp the conservative corner. Mrs Thatcher [has not been helped] by senior colleagues who express in private the opinion that capitalism has failed or that Napoleonic spending will again be the function of Tory Ministers and whose more public statements barely

¹⁶³ *Crossbow*, Autumn 1977. CPA, PUB 195/9.

conceal these views...A Party in opposition inevitably suffers from an apparent lack of authority. Only the leader can command the headlines. Mrs Thatcher has perhaps felt inhibited by the fact that the Party is only slowly recovering from a fundamental philosophical division...Mrs Thatcher was elected by a majority of her colleagues in the House. She has since had the tact to carry most of the minority with her as well. As the election approaches, however, it will be understood that she has to assert her personality and capitalise rather more on her position as Leader'.¹⁶⁴

The disarray caused by the possibility of an early election, against a background increasingly favourable to the government and the sense that the Party was unprepared for office should they chance to find themselves occupying it, was nowhere better captured than in a series of articles in *The Guardian* during the early summer months. In late April 1978, speculating on the possible contents of a Conservative manifesto for a summer election, Peter Jenkins pointed to the impediments, as he saw them, to a successful period of Conservative government, should that transpire in the coming months. What had to be taken into account in considering how a Thatcher administration might govern, he suggested, were 'splits in the Shadow ranks...[doubts about] Mrs Thatcher's place in the ideological spectrum of conservatism, the future of Mr Edward Heath (or not as the case may be), and the mental state of Sir Keith Joseph'. And with regard to the possible contents of a manifesto, he warned, somewhat presciently as events were to turn out, that Conservative policy-making was like making porridge. 'There is the long way and the quick way. The long way is through a laborious network of committees and sub-committees, which report eventually to Mrs Thatcher and the "Shadow Cabinet". The quick way is by *ex cathedra* and sometimes impromptu pronouncements by the leader herself '. Looking at such a statement with the benefit of hindsight, one has to recognise its proximity to the truth of what actually happened between Jenkins' observation and the next year's general election. In the same article, reading the tea-

¹⁶⁴ *Crossbow*, Spring 1978. CPA, PUB 195/9.

leaves as it were, he opined that the Opposition's policy would be based upon 'the liberalisation of the economy within a firm framework of monetary discipline... money targets backed up by cash limits in the public sector', with a nod in the direction of 'realistic and responsible collective bargaining'. In other words, he said, 'Mr James Prior is Mrs Thatcher's sugar, Sir Geoffrey Howe is her pill'.

In an article in the following month, he continued this theme. Everything would depend, he wrote, upon 'the degree of monetary orthodoxy attempted. If, for example Sir Keith Joseph had his way, the cure would very likely be worse than the disease: if, on the other hand, Mr James Prior's approach prevailed, the results might not be very different from those of present policies.' Just to prove, however, that his nose did not always lead him in the right direction, he wrote in a June article that 'the man who has emerged to hold the balance is Mr James Prior. If anything can ensure that Mrs Thatcher will not stray again from the centre ground between now and the election, it is the indispensability of Mr Prior. She knows that she could not do without him...he is her only protection from the damaging allegation that the return of a Conservative government would spell the resumption of confrontation with the unions'. Straying even further from the course which future events were to take, Jenkins wrote that, 'Mr Prior is going to be a key figure and a powerful one in any Conservative government...His resignation would be a devastating weapon. He has grown greatly in political stature recently. Mrs Thatcher shows signs of a new respect for him...The firm order of the day' is that "our policy is Jim's policy" - the surest sign of all that Mrs Thatcher's excursion to the right has ended'.¹⁶⁵

¹⁶⁵ *The Guardian*, 21 April; 19 May; 29 June 1978.

Howe put the best face he could on the Party's deteriorating poll position in a speech at the beginning of June:

For the last two years, Labour have been cleaning up some of the mess which they have created. They have looked as though they were behaving better, because they have not been able to go on as badly as before. Stripped of their Parliamentary majority and under strict supervision by the International Monetary Fund, there is nothing else they could do. Twelve months from now, however [according to yesterday's NIESR report] prices will be going up by more than 10 per cent a year. The economy will have returned to near stagnation. This year's spurt of higher living standards will have come to an end. And unemployment will have ceased to fall.¹⁶⁶

But the criticism continued through the summer and into the autumn by which time *Crossbow* was finding it curious that 'the...opposition [was offering] no evidence as to which way things might go under their administration, [were] preferring to compete with the government...try[ing] to identify with continuity [and] retreating once again towards the middle ground', while Dick Tracey, worrying about the Party's image reported that 'On the doorstep candidates meet voters who have a clear image of Tories as union bashers, less well-equipped to rule than Labour politicians and unable to understand the problems of the ordinary person'. 'The Party', he wrote '[was failing] to communicate any other image' and asked how the situation could be reversed.¹⁶⁷

Thatcher's postbag also revealed a growing anxiety in the Party at large about what increasing numbers were seeing as a failure to present a united, positive front. Typical of the letters she was receiving were ones from Mr Charles Bailey in February and from Mr SP Barnard the following month. Mr Bailey complained that:

The people of Great Britain have become sick of socialism and the wishy-washy, pink brand of Conservatism seen in recent years. The fellow-travellers of the Tory Party, such as Peter Walker and James

¹⁶⁶ G. Howe, speech to Mid-Oxon Conservative Association, 2 June 1978. CPA, PPB 169.

¹⁶⁷ *Crossbow*, Autumn 1978. CPA, PUB 195/9.

Prior have not demonstrated any inclination to dam the Socialist tide. Their only desire is to reduce an unseemly torrent of Socialist legislation to a more respectable or less noticeable level. The end result, however, is the same submersion in the grey swell of yet another 'Socialist Paradise'.

Mr Barnard expressed himself equally forthrightly. 'The point...that gives many of us much cause for thought and concern is the fact that apparently you are not receiving enough support from a section of the shadow cabinet and other MPs in the party, which reduces your own efficiency and the impact that the party should make'. He was particularly concerned that the recent televised programme covering the Ilford North by-election had been 'flabby and lacking in punch'.¹⁶⁸

Relief came in September with Callaghan's announcement that he would not be calling an early election. As Howe told the Party's Annual Conference:

Last week at Blackpool the Labour Conference decided by a majority that was not merely large but overwhelming that they had no confidence in the economic policies of the Labour government. For once the Labour Party Conference had got it right. No wonder Mr Callaghan funk'd the supreme test of public opinion and drew back from the electoral brink. If this government's economic policies cannot command the allegiance of their own followers, how can they expect to inspire the faith of the nation'.¹⁶⁹

Just a few months later, however, the Party found it possible to produce a General Election Manifesto which was markedly different from *The Right Approach* and *The Right Approach to the Economy* – in one major respect at least. In relation to the formulation of industrial relations policies, the whole climate had been changed by the events of the Winter of Discontent, which made it clear that not to make a manifesto commitment to reforming the unions would be a major mistake, though the ground for the package of reforms which was eventually produced had been laid by

¹⁶⁸ CPA, PPB 57/1

¹⁶⁹ G. Howe, speech to Conservative Party Annual Conference, 11 October 1978. CPA, PUB 169.

the Stepping Stones exercise, progress on which was looked at in Chapter 6.¹⁷⁰ Reporting on a speech which Joseph made in February 1979, the *Financial Times* said that the manifesto ‘was seen by Tory MPs as further evidence that the Shadow Cabinet no longer regards the policies spelt out in “The Right Approach to the Economy” as adequate to deal with the present situation’. It went on to say that ‘there was some concern, however, that the apparent decision to make union reform a central plank of the party’s election platform might backfire on the Conservatives by raising public expectations too high and locking the party into a situation where it would come to power already at loggerheads with the unions’.¹⁷¹ Commending Joseph’s frankness, *The Daily Telegraph* recognised that ‘any serious union reform is certain to arouse fierce trade union opposition’ and that what was required was ‘a Tory opposition that speaks with self-confidence, authority and determination. Sir Keith’ it believed ‘ha[d] made an excellent start’.¹⁷²

It was only very late in the day, therefore, that the Shadow Cabinet as a whole was finally forced to accept that unless the unions were reined in, it was unlikely that public spending could be controlled. The Winter of Discontent persuaded even Prior to agree to the principal elements of trade union reform which were included in the manifesto and which were to become the basis of later legislation in the 1980s. The influence of Hoskyns and Strauss on trade union reform is generally regarded as having been as crucial as that of Alan Walters on monetary reform. All three had

¹⁷⁰ The so-called Winter of Discontent began with a successful strike at the Ford Motor Company against the government’s 5% pay limit. The company agreed pay increases of 15-17% and the government proposed to punish the company for breaching its pay guidelines by withdrawing public contracts. Parliament would not approve the penalties and from 3 January 1979, road haulage drivers, local authority and NHS employees all went on strike in the most concerted stoppages of work since the General Strike of 1926. Widespread disruption followed and, most notoriously, striking cemetery staff in Liverpool left the dead unburied.

¹⁷¹ *Financial Times*, 6 February 1979, Sherman Papers AC 168/AR KJ/5A/5/2b, Box 4.

¹⁷² *The Daily Telegraph*, 6 February 1979, Sherman Papers AC 167/AR KJ/5A/5/2a, Box 4.

found their way into the inner policy-making circle through the CPS, the willingness of Joseph to recruit ‘irregulars’, as they were known, to operate outside the normal Party mechanisms, and Thatcher’s encouragement of their ‘extra-mural’ activities. It was Joseph and Sherman who had persuaded Hoskyns and Strauss to launch the Stepping Stones initiative and Joseph who had supported it as it made its tortuous way through the Shadow Cabinet processes. He and Howe were the only Cabinet members who had stood firm against the powerful opposition of Prior, Francis Pym, Thorneycroft, Gilmour and John Davies, who had been in favour of pursuing the more conciliatory line put forward by the CRD.¹⁷³ They had had to face too Thatcher’s apparent apprehensions, which, as we have seen, went as far as dealing roughly with Howe when, in January 1978, he set out in public the case for curbing abuses of union power by legislation. On hearing reports of his speech, Thatcher told him curtly to leave statements on union policy to Prior.¹⁷⁴

That Thatcher’s apprehensions had been well-founded had been reflected in an article by William Deedes two months earlier. The article was written in the aftermath of the Grunwick dispute, which he said might be seen as revealing ‘how slim the margin ha[d] become between mob rule and the rule of law’ and as giving ‘a foretaste of what a Tory regime might experience if it tried to go too far’. He drew a parallel between Winston Churchill’s Tory Opposition in 1950-51 and Thatcher’s Opposition:

¹⁷³ Francis Pym had been given responsibility for Devolution and House of Commons business in the Shadow Cabinet reshuffle of November 1976, having previously had responsibility for Agriculture; Lord Thorneycroft was Chairman of the Party with a seat in the Shadow Cabinet; Ian Gilmour was shadow Secretary of State for Defence, having been moved from shadow Home Secretary in the January 1976 reshuffle; John Davies had been Secretary of State for Trade and Industry under Heath and was given Shadow Cabinet responsibility for Foreign and Commonwealth Affairs in the November 1976 reshuffle after the dismissal of Reginald Maudling. Davies himself was dismissed in the November 1978 reshuffle.

¹⁷⁴ G. Howe, *Conflict of Loyalty* (Macmillan, London, 1994), p. 106.

Then, as now, a big segment of traditional Tory support in business, industry, commerce had private reservations about the advent of a Conservative regime. All very well for the Tories to declare in 1950 that the thick blanket of wartime controls ought to be shed in the interests of national vitality. But those who had become conditioned to getting their raw materials allocated by a war-winning bureaucracy were not absolutely enthusiastic about competing for supplies in the open market. So now do many industrialists instinctively shelter behind the windbreak of Labour's alliance with the Trade Unions and privately fear what a change of wind may bring. Then as now doubts were felt and widely expressed as to whether Tories and Trade Unions could co-exist.

More broadly he believed that one of Thatcher's 'central difficulties' was to 'win a sympathetic ear for sound economic policies from an electorate which is not so much rebellious or bloody-minded or anti-Tory as plain bewildered by our economic plight and deeply mistrustful of all fresh prescriptions for it'.¹⁷⁵

In her memoirs, Thatcher recorded that she recognised that the Prior faction had 'wanted to kill Stepping Stones, but that [she] would not allow it'. She went on to acknowledge, however, that 'by the end of the summer of 1978 the whole Stepping Stones initiative seemed to have come to a halt', and that if there had been an October general election the Manifesto would have included no significant measures on union reform'.¹⁷⁶ What signals she gave to Joseph and Hoskyns at the time that she was not prepared to see Stepping Stones killed off are not clear and it is difficult not to believe that, in claiming that the initiative had her continuing support, she is rewriting the record. This is borne out by her acknowledgement of the fact that Joseph expressed his disappointment to her that the project had run into the sand and urged her to move Prior onto other duties.

¹⁷⁵ W. Deedes, 'What will the conservatives do?', *The Political Quarterly*, Vol.48, Issue 4, October 1977, pp. 400-1.

¹⁷⁶ Thatcher, *The Path to Power*, p. 422.

Though *Stepping Stones* had effectively been shelved, the collapse of the government's 5% pay policy and the industrial chaos of the Winter of Discontent revived the project's fortunes. 'The whole shambles could not have been better scripted to achieve what Strauss and Hoskyns had urged in *Stepping Stones*, turning Labour's hitherto biggest asset, the Party's close relations with the unions, into its greatest liability and delivering the Conservatives an irresistible mandate for tougher action against the unions than Mrs Thatcher had previously dared contemplate'¹⁷⁷. The shambles brought about 'a spontaneous convergence' around the themes that Thatcher and Joseph favoured and ensured that the 1979 manifesto would bear more of their imprint than the 1978 draft.

So what did the manifesto itself actually say and to what extent could it be counted a triumph for the Joseph-Thatcher approach to the economy and union reform? All the essential meat was in the first third of what was a relatively short document. Over the years 1945 to 1974, Conservative manifestos had doubled in length. The 1979 manifesto, however, 'halved its October 1974 wordage'. It also cut the number of promises made from 87 to 57. It was, as the foreword written by Thatcher stated, a 'broad framework' for national recovery rather than a shopping list of proposals; it concentrated on the Party's style and philosophy and presented its recommendations as 'perhaps the "last chance" to restore the balance in society, which had been tilted in favour of the state at the expense of the individual'.¹⁷⁸ Five tasks for a new Conservative government were listed, the first one linking both the really major issues – fighting inflation and union reform. The actual wording used was 'To restore the health of our economic and social life, by controlling inflation and striking a fair

¹⁷⁷ Campbell, *Margaret Thatcher; The Grocer's Daughter*, p. 420.

¹⁷⁸ Butler and Kavanagh, *The British General Election of 1979*, pp. 144 and 155.

balance between the rights and duties of the trade union movement'. While mastering inflation required 'proper monetary discipline, with publicly stated targets for the rate of growth of the money supply...and a gradual reduction of the size of the government's borrowing requirement' – a restatement of the policy put forward in *The Right Approach to the Economy* – union reform, which was the only really significant addition to the 1978 document, called for immediate changes to the law on picketing and the closed shop and the wider use of secret ballots for the election of union officials and the introduction of closed shops. 'Pay bargaining in the private sector should be left to the companies and workers concerned. At the end of the day, no one should or can protect them from the results of the agreements they make.'¹⁷⁹ Public sector pay settlements would be governed by what each cash-limited sector could afford.

Thatcher regarded the passage on the trade unions as 'the real test' of what had been achieved since the draft which had been produced in the autumn of 1978:

In 1978, I had been prepared to go along with almost everything that Jim Prior suggested, including the promise that we would be 'even-handed in our approach to industrial problems', that we would 'not undertake any sweeping changes in the law of industrial relations' and that instead we would seek to promote an era of continuity and constructive reform. The 1979 text was very significantly different. Now we promised to strike a 'fair balance between the rights and duties of the trade union movement'. Furthermore, we challenged directly the idea that the law had no useful role to play in this area.¹⁸⁰

Despite the fact that Thatcher regarded the manifesto proposals on union reform as 'the real test' of the Conservatives' determination to bring about radical change in the way the country was run, the question received less attention than might have been expected during the election campaign. It may have been, in part at least,

¹⁷⁹ Conservative General Election Manifesto 1979, (Conservative Political Centre, 1979).

¹⁸⁰ Thatcher, *The Path to Power*, p. 436.

because Joseph, with his provocative style, played little part in it – perhaps deliberately – or it may have been that Thatcher was sufficiently confident that the Party’s general stance on union reform had so captured the public mood that she was content, by and large, to let her opponents make her case for her, either by their silence or their indiscretions. As always, the unions were only too ready to oblige her in this latter respect, most notably and notoriously Sid Weighell, the General Secretary of the Railwaymen’s Union, who said that if the Conservatives wanted a wages free-for-all – which he did not – then ‘I don’t see how we can talk to Mrs Thatcher...I will say to the lads, come on, get your snouts in the trough’. In similar vein, TUC Chairman David Basnett described the Tories’ idea of co-operation as ‘the same as their concept of consultation in industry. They will tell us what they have decided. The Tory policy towards trade unions consists of a long list of criticisms and complaints...that are founded in ignorance and prejudice and peevish ill-informed gossip’.¹⁸¹ Thatcher took these verbal assaults in her stride, seemingly feeling no need to have Joseph, or indeed Prior, screen her from some of the heat of this particular battle. So much on the defensive were the Labour Party in this area that Callaghan went to some lengths to dissociate himself from the unions and by so doing appeared to some to be trying to steal the Conservatives’ clothes. ‘Strikes should be a last resort and not a first resort. New rules are set out to protect individuals in the matter of the closed shop’. He recognised the ‘call for more secret ballots [and for] limiting the powers of picketing’. But he rejected the possibility of legislation. ‘The kind of legislation the Conservative party is now talking about would solve nothing, would make matters worse’.¹⁸² Perhaps not entirely unexpectedly, it was Lord Hailsham who took it upon himself to refresh the public’s

¹⁸¹ Ibid., p. 446.

¹⁸² Butler and Kavanagh, *The British General Election of 1979*, pp. 183-4.

memories about recent events. '[Mr Callaghan] said that what [Conservatives] really stood for was a purely materialistic view of the world, the law of the jungle and the weakest going to the wall. With its usual slavish imitation of their master's voice, the *Mirror* said "Women and children last", and Mr Healey in his customary robust language said "Devil take the hindmost". Do they really think we have forgotten last winter?'

¹⁸³

In some ways, the 1979 Manifesto can be read as reflecting a return to many of the values and themes expressed in its 1970 counterpart, when the post-Selsdon emphasis had been on incentives, the virtues of the free-market economy, structural reform of the trade unions and central government, as well as on entry to the Common Market. A major difference, however, certainly in style, was that whereas Heath had justified the elaborateness of the policy preparation work which had been undertaken before 1970 and which provided the foundations for that year's manifesto, on the grounds that detail was necessary if voters were to be convinced of his seriousness about carrying it out, the 1979 manifesto was short on length and on detail and was more a statement of Party philosophy rather than a list of promises. In relation to the key area of industrial relations and union reform, the way in which thinking had developed between 1970 and 1979 can be traced by comparing how the question of relations with the unions was handled in the four manifestos produced during that nine-year period.

In 1970, the manifesto had wanted to strengthen the unions' official leadership. The policy was based on the assumption that industrial progress was being thwarted by restrictive practices and unofficial strikes and that it was worthwhile to risk the

¹⁸³ Ibid., p. 189.

conflict with the unions that would accompany the introduction of legislation as the means of effecting the necessary improvements.¹⁸⁴ Despite the lessons of the miners' disputes of 1972 and 1973-4, the February 1974 manifesto still expressed the belief that a legal framework for industrial relations was necessary. It looked for increased effective control over union leaders by the 'moderate' rank and file through election by postal ballots and, controversially, for amendments to the social security system to transfer responsibility for the welfare of strikers' families to the unions. By the October 1974 election, the Conservatives had decided, according to Gilmour, that the voters '[did] not want perpetual confrontation between government and unions any more than they want[ed] the unions to be the effective government...laws relating to industrial relations [could] therefore be largely omitted from the Conservative policy during the election campaign and the early years of the next Heath government'.¹⁸⁵ As he wrote in *The Times*, 'The future laws relating to industrial relations can be largely omitted from Conservative policy during the election campaign and the early years of the next Heath Government. To abandon trade union reform would be a suitable demonstration of Salisbury's "cordiality" on the part of the defeated'.¹⁸⁶ In line with this conviction, the overall theme of the manifesto placed the emphasis on conciliation, compromise and 'national unity'. It undertook not to reintroduce the Industrial Relations Act of 1971.¹⁸⁷

By the time the 1979 Manifesto was produced, therefore, though the 1974 approach to industrial relations had been almost entirely reversed, this had not looked a likely outcome when the Conservatives had gathered at Brighton for their Annual

¹⁸⁴ D. Butler and M. Pinto-Duschinsky, *The British General Election of 1970* (Macmillan, London, 1971), p. 84.

¹⁸⁵ I. Gilmour, 'How Mr Heath could establish industrial relations harmony, *The Times*, 3 May 1974.

¹⁸⁶ Ibid.

¹⁸⁷ D. Butler and D. Kavanagh, *The British General Election of October 1974* (Macmillan, London, 1975), p. 62.

Conference in autumn 1978. Confident that Labour support was ebbing away, the Party was thrown into disarray when Heath expressed explicit support for Callaghan's incomes policy, which he thought should be pursued 'in the national interest'. The opinion polls subsequently showed more support for Heath's line than Thatcher's and Labour surged ahead in the October polls. As we have seen, however, the rejection by the unions of the government's pay policy allowed Thatcher not only to seize the public initiative with her proposals for trade union reform but also to carry the Shadow Cabinet with her, however reluctantly on the part of some members. If the 1970 proposals were before their time, as events showed, the 1979 proposals were of their time, but only adventitiously. The plans for reform which the Joseph-supported Hoskyns Stepping Stones initiative had put forward and which provided the spine of the manifesto would probably never have seen the legislative light of day if the unions had not turned Labour's trump card – their ability to work with them – into their Achilles heel.

I shall be considering in Chapter 8 the extent to which the events described in this chapter and the way in which Thatcher had reacted to them had succeeded in turning 'Josephism' into what came to be called 'Thatcherism'. That apart, what I hope this chapter has shown is the manner in which, in the teeth of what can only be considered as the most formidable obstacles, Thatcher had avoided catastrophic Party splits, if not open disagreements; had restrained the policy-making machinery from producing firmed-up policies which would either have destroyed any semblance of unity at Shadow Cabinet level and below or fatally damaged the Party's credibility with the electorate; and yet had projected herself to a sceptical public, almost independently of her Party, in a manner which, despite the vagueness of the

programme she had to offer, had created a distinctive image, which, by her tone, her language and her refusal to compromise her corner-shop convictions, was sufficiently recognisable to register with enough of them when the time came for them to pronounce their verdict on her. If this coupling of conviction and caution may sometimes have seemed confusing, the great mistake which the Labour Party made, it has been suggested, was to portray her as hysterical and unreliable and to fail to see her as a judicious politician with an eye on the main chance. In their book *The Governing Passion*, Cooke and Vincent observed that in the nineteenth century, ‘the Conservatives made the same mistake about Gladstone – and he went on and on.’¹⁸⁸ It may be argued that at the point when the time came that an election could no longer be put off, luck had turned her way and against her opponents, but no amount of luck could have helped her if she had not managed for four years to keep all her options open until the time came to reveal what sort of a politician she really was. Howe’s view is that there have been two lucky Conservative Prime Ministers – Sir Winston Churchill and Thatcher – their luck having been to arrive in office in an emergency when they had no choice but to adopt emergency measures to deal with what confronted them.¹⁸⁹ This may be a plausible thesis but luck alone would not have sufficed to propel Thatcher into office. As Behrens perceptively observed, the salient feature about Thatcher was that, having become Conservative Party Leader, she scarcely put a foot wrong and kept her eye firmly fixed on the prize ahead – winning the election and becoming Prime Minister.¹⁹⁰ Only then could she become what William Deedes had forecast two years earlier – ‘a woman whose voice might be heard above the storm’.¹⁹¹

¹⁸⁸ A.B. Cooke and J. Vincent, *The Governing Passion: Cabinet Government and Party Politics in Britain, 1885-6* (Harvester, Brighton, 1974), quoted in R. Behrens, *The Conservative Party from Heath to Thatcher* (Saxon House, Farnborough, 1980), p. 125.

¹⁸⁹ Private interview with Lord Howe, 30 November 2009.

¹⁹⁰ Behrens, *The Conservative Party from Heath to Thatcher*, p. 124.

¹⁹¹ Deedes, ‘What will the conservatives do?’, p. 409.

Chapter 8: Thatcherism or the Thatcher Factor; Ideology or Pragmatism?

The previous seven chapters have set the context and presented the evidence to enable answers to the two questions posed in the Introduction to be attempted. As Kenneth Minogue wrote in 1978 before ‘Thatcherism’ emerged as a cover-all term, ‘It is peculiarly characteristic of the Conservative vision to emphasise both the complexity and the spontaneity of communal life. Such an emphasis has evolved in reaction against those who would subject society to the butchery of reform by abstract ideas’.¹ This is exactly what the critics of ‘Thatcherism’ – those disposed to use the designation pejoratively – were wont to allege as the 1979 general election loomed, that society was about to be butchered by reforms based on abstract ideas, principally the imported idea of monetarism. If there was any truth in the allegation, it would at one and the same time justify Stuart Hall’s coining of the term, and place ‘Thatcherism’ – used as shorthand for the approach to governing fashioned during the Opposition years – outside the mainstream of what was then considered to be ‘the Conservative vision’. My contention will be that there was little to justify Hall’s turning of what passed for a Conservative programme into an ‘ism’ and that the programme, such as it was, did not represent a break with the developing course of post-war Conservatism. None of what follows is a judgement of how Conservatism developed in the years of the Thatcher governments but merely of how matters stood on the eve of the first of those governments.

The first question to be answered is what, from the disorderly state of the Opposition in early 1979, could be identified as something sufficiently distinctive as to warrant

¹ K. Minogue, ‘On Hyperactivism in Modern British Politics’ in M. Cowling (ed), *Conservative Essays* (Cassell, London, 1978), p. 117.

the title ‘Thatcherism’? If it can be detected at all, it is to be found, in my view, in the impression made on the electorate by the manner in which Thatcher expressed herself and the success she had in building for herself an image of which the principal characteristic was the depth of her convictions. In what has been described as one of her most inspirational passages, she concluded: ‘I am a conviction politician. The Old Testament prophets did not say “Brothers I want a consensus”. They said: “This is my faith. This is what I passionately believe. If you believe it too then come with me”’.² If, as has famously been alleged, the medium is more important than the message, manner, in Thatcher’s case, was more important than substance. What she said was less important than how she said it. Shirley Robin Letwin echoed this view when she wrote that the phrase ‘conviction politician may be a description of political manner rather than political substance’, and in 1979, this was most certainly the case with Thatcher.³ Expressions of conviction, however, can all too easily spill over into hectoring and shrillness and in parading her convictions, Thatcher had always to be aware of this danger, which is why she allowed herself to be trained to become the ‘mistress of the pre-planned, carefully packaged appearance’.⁴ She did, however, indisputably – whether because of or despite the coaching by her public relations advisers – polarise public opinion more than any other Party Leader within living memory. As early as 1979, nobody could be indifferent to her; they either liked or loathed her. Those who saw her as courageous, persistent and prepared to stick to a course - no matter how unpopular - were matched by those who saw her as divisive, condescending and a destructive force in politics, and it is my contention that ‘Thatcherism’, initially at least, was the

² D. Butler and D. Kavanagh, *The British General Election of 1979* (Macmillan, London, 1980), p. 170.

³ S.R. Letwin, *The Anatomy of Thatcherism* (Fontana, London, 1992), p. 29.

⁴ M. Cockerell, P. Hennessey and A. Walker, *Sources Close to the Prime Minister* (London, 1984), p. 191.

derogatory expression used by those whose instincts inclined them to take this latter view.⁵ It was not, as most 'isms' are, a signifier and designator of a package of ideas, however acceptable or not they might be, with an ideological coherence and content within which a set of defining factors can be identified and around which boundaries can be drawn. What 'Thatcherism' eventually became and what it later symbolised could not have been anticipated with any certainty when the term was coined; its initial deployment was as a term of generalised abuse.

In an article in *The Spectator* in 1986 - by which time 'Thatcherism' had become a term in everyday usage - T.E.Utley was vehement in claiming that 'There is no such thing as Thatcherism. The illusion that there is', he wrote, 'is in part a deliberate creation of Mrs Thatcher's enemies. They have proceeded on the age-old maxim that there is nothing (certainly not private scandal) more likely to injure the reputation of a British politician than the suggestion that he has an inflexible devotion to principle'. But what is the ideology in which 'Thatcherism' is supposed to be based, he asked. 'Its chief plank' he offered 'is the advocacy of a free and competitive economy [which] simply represents one more or less permanent ingredient in modern Conservative philosophy', encapsulated in the slogan 'Set the people free'.⁶ If there was nothing justifying the invention of an 'ism' by 1986, after seven years of Thatcher governments, therefore, how could there possibly be any justification for identifying an 'ism' apotheosising Thatcher in 1979?

⁵ D. Kavanagh, *Thatcher and British Politics: The End of Consensus?* (Oxford University Press, Oxford, 1987), pp. 270-1.

⁶ P. Marsden-Smedley, *Britain in the Eighties: The Spectator's View of the Thatcher Decade*, (paladin Grafton Books, London, 1991), p. 146.

The view that ‘Thatcherism’ was meaningless in 1979 other than to a small group of intellectuals on the extreme left of the political spectrum and committed Heathites on the centre-left of the Conservative Party, both of whom were obviously more trained at deciphering the writing on the wall than the man in the street, is supported by the fact that few references to ‘Thatcherism’ are to be found during the election campaign itself. There was some acknowledgement by campaigners on both sides that there was something called the ‘Thatcher factor’ but no acknowledgement of anything as striking as ‘Thatcherism’. This indicates to me that, although the electorate may have been aware of Thatcher as Thatcher – a woman politician with decided opinions and a manner to match, they were not aware of her as a political philosopher, promulgating a doctrine which was bigger than she was. This may have been due to some extent to the downgrading of the role of the print press during the campaign as a result of the competition offered by ‘television and radio with their [event-driven] news and current affairs programmes, radio phone-ins, and disc-jockey interviews with election personalities’ – and occasioned too, in part at least, by the fact that since November 1978 the publication of two of the country’s most influential newspapers, *The Times* and *The Sunday Times*, had been suspended owing to an industrial dispute over the introduction of new technology.⁷ Indeed, the propensity of Callaghan and Thatcher to concentrate on performing for the broadcast media have led some to dub the campaign the first ‘electronic election’, one in which the scope for analysis and investigation by the national press was seriously compromised. So dominant were events and so undogmatic the pronouncements of the leading players on both sides that in *The Sunday Telegraph* on 29 April 1979, less than a week before the election, Peregrine Worsthorne was driven to comment that ‘Whatever happens in the election this week it is not going to make all that much

⁷ Butler and Kavanagh, *The British General Election of 1979*, p. 233.

difference...There will be neither revolution nor counter-revolution' and any change will be measured 'in inches not miles'.⁸ If such a close follower of Conservative politics had been unable to detect the emergence of something which was sufficiently portentous to be called an 'ism', it is surely safe to say that the electorate as a whole was blissfully unaware of what Hall had claimed to identify. The closest anyone came to defining the issues in ideological terms was when Peter Jenkins wrote in *The Guardian* on 17 April that whereas the more successful Western European economies combined a liberal economic strategy with collectivist socialist goals, such a programme was not on offer at the British election. 'We are obliged to choose between Labour's heavy-handed interventionism and the Conservatives' casual laissez-faire attitude'.⁹ Significantly from our point of view, he did not describe this 'attitude' as 'Thatcherism'. Added evidence of the lack of an identifiably clear ideological position was provided by *The Economist* which commented, immediately after the election that, 'She [Thatcher] has emerged as a leader uncertain under pressure and she has yet to demonstrate an ability to inspire great confidence or affection among the uncommitted voters, let alone among those who voted against her. [Neither did] her shadow cabinet...come through strongly when pitted against an experienced self-confident Labour cabinet'. Paul Addison put it even more forcefully: 'The "Thatcher revolution" was an exercise in radical opportunism, improvised while the party was in office'.¹⁰ If that were so, how might Addison have described what the Party had cobbled together before it gained office?

One other compelling reason why a definitive stance had not emerged by the time of the election was that, as we have seen, Joseph had failed to wield the expected

⁸ *The Sunday Telegraph*, 29 April 1978.

⁹ Butler and Kavanagh, *The British General Election of 1979*, p. 333.

¹⁰ P. Addison, *No Turning Back* (Oxford University Press, Oxford, 2010), p. 261.

influence on policy formulation and its dissemination that his pronouncements in the early days of opposition indicated that he would do. The Economic Reconstruction Group apart (where even Howe, a Joseph co-religionist, had been inclined to search for agreed positions rather than be seen to be too overtly ideological), most Policy Groups, being chaired by centrist Shadow Ministers, had eschewed radical departures from pre-existing policies. More than that, during the election campaign itself Joseph had been kept off the central stage, which some have argued led to voters being denied the sort of clear choice they might have preferred, given that on the Labour side Tony Benn, the most articulate advocate of a leftward radical change, was similarly denied prominent exposure. Though there is no evidence to suggest that there was widespread support for Joseph's free market philosophy and certainly, as has been noted, a good deal of anxiety about the possibility that the election of a Conservative government would inevitably lead to trouble with the unions, it is an intriguing thought that if Joseph had been given the exposure which Thatcher's confessed reliance on him suggested he might have had, we could have been discussing 'Josephism' instead of 'Thatcherism'. Joseph's body of beliefs as expressed in his collected speeches and writings bear far more of the intellectually worked out features of an 'ism' than do Thatcher's loosely-connected, and often inelegantly delivered gut feelings – what *The Economist* called 'her instinctive...ill-prepared and sometimes indefensible...emotional attitudes'.¹¹ It is in my view undoubtedly the case that without what never attracted the label 'Josephism' there would never have been what was given the name 'Thatcherism'.

¹¹ *The Economist*, 'The Making of Tory Policy, 1978', 1 April 1978. 'Conservative politicians could rely on their allies in the right-wing press to amplify [their] message into a continuous drum-beat of emotive, hard-hitting propaganda in which economic and social anxieties were closely associated'. Addison, *No Turning Back*, p. 277.

But before concluding that there was in 1979 nothing which warranted the name ‘Thatcherism’, I at least owe Hall, whom I have accused of coining it as a cover-all term of contemptuous concern, a closer examination than I have attempted so far of his reasons for adopting it, as set out in his *Marxism Today* article, ‘The Great Moving Right Show’. For Hall, ‘Thatcherism’ was one, but only one, response to the ‘recession and crisis in capital accumulation’ of the 1970s, part of a sustained shift in the balance of forces which had been becoming evident since the latter part of the 1960s. He argued that, while some on the Left saw it simply as ‘the [expected] corresponding bedfellow of a period of capitalist recession’, without ‘specific pertinent political or ideological effects’ which distinguished it from other variants of ‘Tory philosophy’ – one of a series of repeat historical conjunctures in which economic factors were ‘immediately and transparently translated’ to the political level –, he himself saw it as a conjuncture with unique features. What needed to be explained, he believed, was ‘how a capitalist economic recession...presided over by a social democratic party in power...with mass working class support and organised depth in the trade unions...[could be] “lived” for increasing numbers of people through the themes and representations...of a virulent, emergent “petty bourgeois” ideology’. More precisely, an explanation was needed for the emergence of ‘an “authoritarian populism” which ha[d] retained most of the formal institutions in place and...at the same time ha[d] been able to construct around itself an active popular consent’. This was of course a critique of the Labour governments of the 1960s and 1970s but what he was observing in 1979 was a different struggle for hegemony. It was a struggle for the ‘same space’ between social democracy in power allied with the moderate wing of the Conservative Party, and ‘the radical Right’, which was concerned to break the mould of the existing ‘philosophies’, polarizing it to the

Right. (One might be forgiven here for seeing echoes of Joseph's conviction that the entire post-war period had seen a continuing attempt by the social democratic forces to ratchet the 'same space' to the Left).

After the Heath Selsdon 'interregnum', when defeat by organised labour had forced his government to return to its 'natural' position in the political spectrum, 'Thatcherism' was challenging the stability of the political scene by engaging with 'creeping socialism' and the 'apologetic "state collectivism" of the Heath wing' while retaining some lingering and ambivalent connections to the centre territory (through the presence in the Shadow Cabinet, for example, of the likes of Prior and Gilmour). According to Hall, its ambition to achieve a rightward shift in the political spectrum was being aided by the 'contradictory form of social democracy' which had itself effectively disorganised the Left and the working-class response to the crisis. This had happened, he argued, because social democracy, in the form of the Labour government, had, as a result of the bargains negotiated with the trade unions, substituted representation of the national interest for representation of the working-class interest. It had disciplined, not advanced, the class and the organisations it was supposed to represent.¹² The rhetoric of 'national interest' had been the principal ideological form in which a succession of defeats had been imposed on the working class by social democracy in power. It set Labour 'on the side of the nation' against the sectional interests it was supposed to represent. Thatcher had seized on this, said Hall, and deployed, as was examined at length in Chapter 7, the discourses of 'nation' and 'people' against 'class' and 'unions', not through the construction of

¹² 'The evidence of a long-term decline in strength of partisanship was substantial. In 1964, 44% of people said they were very attached to one of the two main parties. By 1974 that figure had dropped to 27%'...By 1974, little over half of the electorate voted with its natural "class" party'. Butler and Kavanagh, pp. 2 and 3.

specific political programmes but through the expression of a set of values relating to popular needs, feelings and aspirations. This deployment of a populist common sense had also been extended to an attack on ‘statism’ and ‘collectivism’ and the image of the overtaxed individual enervated by ‘welfare coddling’. It had looked to the restoration of competition and personal responsibility for effort and reward. Thus, elements from many traditional Conservative ideologies – nation, family, duty, authority, standards, self-reliance – had been woven together to make a set of discourses which marked Thatcher as ‘out there with the people’. The enlarged interventionist state had come to be seen as the tool with which the party of social democracy was attempting unsuccessfully to manage the capitalist crisis on behalf of capital.¹³

In effect, Hall’s was an intellectual attack not on the intellectual position which Joseph had spent so long trying to establish but on Joseph’s ideology as mediated and modified by Thatcher’s non-ideological interpretation and presentation of it. It was a recognition, however veiled, of the potent threat which the combination of Joseph’s ideology and Thatcher’s instinct posed to that form of social democracy represented by the Labour governments of the 1960s and 1970s and the later behaviour of the 1970 Heath government. It did not present ‘Thatcherism’ as an ideology but simply as an effective exploitation of the contradictions within social democracy in power. It was ‘Josephism’ in a popular guise. If Joseph was the ideas man, the back-room boy of 1974 to 1979-style right-wing Conservatism, Thatcher was the saleswoman persuading the electorate to buy a product which she was convinced they wanted, by packaging it attractively and deceptively. If what she was

¹³ S. Hall, ‘The Great Moving Right Show’, *Marxism Today*, January 1979.

selling up to 1979 warranted an 'ism', it deserved to be called 'Josephism' rather than 'Thatcherism'.¹⁴

Hall's insistence that the Conservative Party had 'lurched to the right' under Thatcher's leadership, – involving, as it did, his invention of an ultimately potent new 'ism' – did not however go entirely unchallenged and in an article in July 1979, before the new Thatcher government had taken on any sort of distinctive colouring, Alan Beattie was 'marvel[ling] at the ease with which 'a consensus [had] emerged about the character of the contemporary Conservative Party'.¹ He accepted that the 'list of witnesses to "the shift to the right" was impressive', citing particularly the late Reginald Maudling who, in his *Memoirs*, had 'record[ed] his unease with Conservatism since the 1960s', and the late Ian Macleod, whose biographer Nigel Fisher had '[left] us in no doubt that his spirit [was] ill at ease with recent developments'. In addition to evidence of this sort, Beattie observed that since 1966 the Party had been the recipient of support or sympathy from 'extremist intellectuals', the 'stupid Party...having exchanged its freedom from abstract theories for the abstract freedoms of Hayek, Friedman and the Institute of Economic Affairs'. Those Conservatives identified with Joseph who were accused of the offence of possessing an ideology had generally pleaded guilty, offering the mitigating argument that the New Right was in reality the old centre, 'misrepresented as extreme by a Labour Party itself newly and militantly Socialist'. Beattie saw a

¹⁴ 'The trajectory of Thatcherism is to be understood less in terms of doctrinal consistency than of deep-seated ideological impulses refracted through the personality of Thatcher herself. Thatcher's indispensable contribution to Thatcherism was not new ideas, nor even old ideas, but an ability to locate and mobilise a constituency behind them. Joseph had been the more impressive intellectual influence in propagating the idea behind Thatcherism; but it took Thatcher – and perhaps some luck – to make them politically effective'. P. Clarke, 'The Rise and Fall of Thatcherism', *Historical Research*, lxxii (1999).

¹ A. Beattie, 'Macmillan's Mantle; The Conservative Party in the 1970s', *Political Quarterly*, Vol.50, Issue 3, July 1979, pp. 273-285.

plausible explanation of the ‘novel phenomenon of “ideological Conservatism”’ as lying in a combination of the frustrations of prolonged periods of opposition since the mid-1960s and adverse electoral prospects, the Labour Party having claimed to have supplanted the Conservative Party as the perceived ‘natural party of government’. But in Beattie’s view, neither such explanations nor the sympathy of the ‘so-called Chicago School’ justified what he called the ‘more dramatic portrayals of a “shift to the right” or the argument that British politics [had] become “ideological” in character’. As he saw it, the range of opinions to which party leaders had to appeal in order to win elections was ‘sufficiently wide and varied to rule out the possibility of parties being governed by a single overriding principle’; politics was not so much a ‘question of priorities’ as a question of trade-offs at the margin. Party leaders had to construct ‘parliamentary and electoral coalitions’, taking account *inter alia* of what their opponents were doing. Absolute principles were for them conflicting claims which had to be reconciled.

Comparing the Conservatism of 1970 and the ‘rhetoric of selected Conservative leaders since 1975’ with the British politics of the post-war period and particularly of the 1950s, when politics reached the ‘heights of moderation and normality’, could, Beattie accepted, lead to the conclusion that the politics of the Thatcher Opposition were ‘anti-consensual, confrontational’ and abnormal. He believed, however, that such a comparison was historically misleading and that to take the Macmillan era as the touchstone for making such judgements was a serious distortion of what constituted the norm by which the ‘contemporary Conservative Party’ should be judged. The Macmillan period apart, the perennial struggle for all Thatcher’s predecessors throughout the twentieth century had been founded on the need to

manage, contain and attempt to reverse the process of economic decline, by which measure the approach of the Thatcher Opposition represented conformity with the norm not a departure from it, albeit that the process of decline seemed more than ordinarily acute under the post-1974 Wilson government. The Conservative Party leadership during that period, therefore, had had less to do with defending the free market than with asserting the right of Conservative ministries – demonstrating ‘a straightforwardly utilitarian’ concern with such questions as growth, inflation and employment – to intervene ‘when things [were going] badly wrong’.²

If therefore it is possible to conclude, which I do, that the term ‘Thatcherism’ as used by Hall (and practically nobody else at the time) was no more than an intellectual shorthand, not for a body of comprehensive and coherent Conservative doctrine distinguishable from the post-war mode of Conservatism, but for an extension of a decade-long ‘tendency’, as Hall calls it, to reconfigure the space between the social democratic and the authoritarian forces in British politics, it still remains to examine where this particular manifestation of the tendency, building as it did on the opportunities provided by the decision of social democracy in power to operate within the capitalist paradigm, can be located within the Conservative tradition whose parameters were discussed in Chapter 1. The answer to the question has to lie in a summary of the way in which what was being promoted as Conservatism between 1974 and 1979 differed, or did not differ, from what the Party had previously offered. Did this 1974/79 ‘tendency’ embrace consensus or radicalism, was it ideological or pragmatic, did it look to continuity or favour change?

² Ibid.

The generally received opinion is that it was an Opposition, incipiently before the deposition of Heath and in reality after the elevation to the Leadership of Thatcher, intent on radical change informed by right-wing ideology and that what was predicated in its official pronouncements and by the tone set by the platform and media performances of its principal players, particularly Joseph and Thatcher, foreshadowed what was eventually implemented by way of policies when the Party came to power. My contention, for which I hope I have provided sufficient supporting evidence in previous chapters, is that to take this view is an example of that not infrequently encountered failing of reading history backwards. It is self-evidently the case that four years in Opposition tend to pale into insignificance against eleven years in power when histories of ‘Thatcherism’ are written. The historiography of the Thatcher years is curiously neglectful of her years as Opposition Leader, in part because of her relatively and deliberately sustained low-profile during those years, aware as she was of the importance of keeping the Party intact and not giving policy hostages to fortune, and also because she was operating in the shadow – and surrounded by the Shadows (literally as well as metaphorically) – of those who were not yet of a mind to accept the failure of their policies when in government and who were afraid of the consequences of jettisoning them.

Taking the dichotomies set out in the above paragraph as a starting point, I shall first of all examine whether the Conservative Opposition between 1974 and 1979 was ideological or pragmatic. The answer, it seems to me, is that over the whole period it was both, though by the time of the election in 1979, ideology had been subordinated to pragmatism. In the initial year of Heath Opposition, the ideological basis for a new or revived form of Conservatism was being preached unofficially by Joseph as a

counterpoint to official policy as set out in the October 1974 manifesto. As expounded in that document, the Party looked to a practical, collaborative approach. A key passage read: ‘After the election, we will consult the leaders of other parties and with the leaders of the great interests in the nation, in order to secure for the government’s policies the consent and support of all men and women of goodwill. We will invite people from outside the ranks of our party to join with us in overcoming Britain’s difficulties’.³ The passage, as non-dogmatic as it was possible to be, reflected the fact that many Conservatives saw their salvation, after the failure to win the February 1974 election on a policy of confrontation, in some form of coalition, coalition having been the method of rescue twice already in the twentieth century. The coalition of the First World War had led within five years of the armistice to a renewal of power while, in similar fashion, the coalition of 1931 had resulted in Conservative domination of government in the thirties. Throughout the entire opposition period, however, Joseph’s speeches were unashamedly ideological, divisive and highly critical not only of the record of the Heath years but of the entire Conservative record since the war. Thatcher had never embraced the idea of coalition and, despite her claims to be a disciple of libertarian economists such as Hayek and Friedman and her frequently expressed debt to Joseph and his ideological crusading, she used populist language to establish a link with the electorate – often over the heads of her colleagues – which involved a subtle sidelining of Joseph and his intellectualism. Her more moderate and populist versions of Joseph’s doctrine of economic liberalism – popular rather than demagogic – gained force from the disasters which befell the policies espoused first by Heath and then by the Wilson and Callaghan Labour governments. But she was never less than focussed on maintaining her Party foothold and on doing whatever was necessary to win the

³ *Putting Britain First*, Conservative General Election Manifesto, October 1974.

election, whenever it came, which meant not alarming the electorate with extreme statements of policy. Joseph was ideological; she certainly was not, and it was her instincts expressed as convictions which were to the fore by the time the election was called (when, as I have said, Joseph was required to take a back seat). Joseph may have seen monetarism as a creed at the heart of which lay some Holy Grail ensuring financial rectitude; Thatcher never thought in quite those terms. For her, it was a snobbish articulation of the way in which ordinary people acting with commonsense, contrived to live within their means.⁴ By any standards, therefore, Thatcher's approach was pragmatic rather than ideological, designed as a matter of *force majeure* to achieve unity, however strained, rather than to promote division.

Joseph and Thatcher may have taken different approaches in putting their ideas across in public but, according to Seldon and Ball, what gave them a sense of compatibility rather than incompatibility, is that 'Conservative ideology operates at two distinct levels...For a working politician, it is enough that the 'facts of life' are Tory. He sees himself as practising common-sense politics'. Thatcher clearly saw the 'facts of life' as Tory and was concerned above all with 'common-sense politics'. 'However', continued Seldon and Ball, 'in order to enlist public support for what he is about, he deploys a further set of ideologies, some relating to his own thinking, others more consciously deployed. Their very success in binding both party and nation gives these second-order ideologies a resonance which permits them to disrupt as well as unite the party'.⁵ If Joseph's views can be regarded as these 'second-order

⁴ P. Jenkins, *Mrs Thatcher's Revolution: The Ending of the Socialist Era* (Harvard University Press, Cambridge, Massachusetts, 1988), p. 54.

⁵ A. Seldon and S. Ball, *Conservative Century: The Conservative Party since 1900* (Oxford University Press, Oxford, 1994), p. 318.

ideologies', it is possible to imagine the existence of a Janus-faced model of Conservatism existing in 1979.

Additional support, however, for my contention that Thatcher's 1979 prescription of Conservatism was not ideological in the classical sense, can be found in the thinking of Michael Oakeshott who saw ideology as 'the product rather than the precursor of political activity'. Political activity in opposition, reactive and defensive as it generally is, cannot really be taken as providing the springboard for the production of an ideology of the sort envisioned by Oakeshott, which must only arise from political activity linked to power. If this is accepted, to present the 'Thatcher factor' in 1979 as an 'ism', as Hall did, must surely be unjustified.⁶ John Gray's view accords with this assessment: "'Thatcherism" is a term coined by the Left that gives [Thatcher's] policies an ideological flavour they did not always possess. [She] only became a neo-liberal towards the end of the 1980s, [though] the origins of the neo-liberal period in Britain were in the economic crisis of the seventies'.⁷

The dichotomy upon which I have concentrated most in this thesis is whether the expectations for a Thatcher Conservative government built up over the years in opposition portended radical change or implied a continuous development of both internal Conservative thinking and, however diluted it may have appeared, some form of cross-party consensus on critical issues. Any assessment of this question should start by recognising that a party which loses an election will feel a need to develop policies which, by the time the next election comes to be fought, will serve to distinguish it from its opponents. The internal arguments usually focus on whether

⁶ M. Oakeshott, *Rationalism in Politics* (Methuen & Co, London, 1962), pp. 122-3.

⁷ J. Gray, *Black Mass* (Allen Lane, London, 2007), pp. 75-76.

the election was lost because policies were too extreme or whether they were not extreme enough, but, whatever the outcome of this debate, it is not unusual for the alternative policies which emerge to be presented or branded as radical, if not revolutionary. The more they differ from what the government is offering, or from the policies which the party has previously espoused, the more radical or revolutionary they are likely to be thought to be. The charge levelled at the Thatcher Opposition is that it not only produced a revolution in Conservative Party policy but in doing so looked to break wholly with all elements of the post-war consensus.

There were, as was noted in Chapter 1, differing views about the nature of the post-war consensus. Some on the Left of the Party regarded it as a Conservative consensus with the post-war Attlee settlement having been given a distinctive colouring which turned it into something more than simply a 'smudged copy' of the original Labour model.⁸ According to them, the Conservative Party had sifted through what had been inherited from Labour in 1951 and given what was acceptable or could not be changed a persuasive intellectual Conservative gloss. This had moved the settlement away from egalitarian collectivism, though not too dramatically, in the direction of economic individualism, to the extent that by the late 1950s, a Macmillanite 'Middle Way' had produced a Conservative electoral supremacy. When, however, after 1959 the loss of Empire and the concomitant disadvantageous shift in the terms of world trade, linked to growing industrial troubles at home, led Macmillan to adopt a policy of institutional controls over the economy, the Party started to lose out, both electorally and intellectually, to opponents who had state intervention at the centre of their creed rather than having it imposed upon them by a leadership still influenced by memories of pre-war circumstances. But the Left of the

⁸ R. Blake, *The Conservative Party from Peel to Thatcher* (Fontana Press, London, 1985), p. 267.

Party remained staunchly Macmillanite and arguably became even more so after Heath's failed 1970 'revolution', which was, however, not so much ideological as managerial and technocratic. In truth, Heath's forced retreat in 1972 only served to confirm for the Conservative Left that there was no alternative to consensus.

There had always been, since the war, of course, a strong subterranean critique of the leadership of the Conservative Party, from both the Old Right, whose instincts and emotions were bound up with the idea of Britain as an imperial power, and the New Right, which wanted to reduce public spending and taxation and to encourage capitalism, free enterprise and personal freedom. From 1968 onwards Enoch Powell had waved the New Right standard from outside the Tory Establishment and had paved the way, after his fall from grace, for Joseph to assert his version of the doctrine of economic liberalism, which included a repudiation of the heritage of post-war Conservatism.⁹ Just as the disasters of the Heath government persuaded the Left that consensus was the only workable form of governance, so they convinced the New Right that only radical fundamental change could reverse the national decline which had flowed from the pursuit of what they saw as essentially socialist policies.

The Party which Thatcher inherited was still essentially Heathite but without Heath, whose electoral record and personal failings made him a political liability. Joseph and his small band of supporters preached New Right doctrines, from both within and outside the Shadow Cabinet, but Howe and Thatcher, though inclining markedly rightwards by instinct, contrived, in the ways I have described, to fashion their own Middle Way. It was a cautious, careful and somewhat fearful Middle Way, more

⁹ P. Cosgrave, 'Failure of the Conservative Party, 1974-75' in R.E. Tyrell, (ed), *The Future that Doesn't Work* (Doubleday & Company, Inc., New York, 1977), pp. 97 and 98.

concerned with avoiding trouble than with advancing distinctive policies, and it sought, at least before the 1979 election, to build on rather than to jettison what had emerged over the previous decade as unavoidable policy necessities. In a sense, it was pursuing a new consensus, one formed since the weather had turned cold for Britain in the early 1960s. It sounded radical and challenging, but in truth none of it as presented to the electorate in 1979 was new, despite the lurid language used about it by its opponents. ‘Hyperbole is the stuff of political debate, and there is nothing new about presenting one’s opponents as devil figures, preparing to lead the country to disaster. During much of the [1974-79] parliament the gulf between the parties was presented to the public in more spectacular terms than at any time since the war. And yet, it could be argued, the true gap was as small as in the most Butskellite period, a generation earlier. Mr Callaghan could be seen as the most conservative Prime Minister since Baldwin, cautiously pursuing consensual policies...Mrs Thatcher equally eschewed any radical policy commitment’.¹⁰ In effect, policy thinking on both sides was remarkably aligned, though on the basis of what the politicians were saying for their benefit and the positions which the newspapers were adopting, voters could have been forgiven for gaining an altogether different impression.

Taking the two main issues upon which this thesis had focused – the need to cure inflation and to reduce trade union power – the remedies being put forward ought by 1979 to have occasioned no surprise. The term ‘monetarism’ may not have been bandied around very much before its persistent use by Joseph, but the necessity of controlling the money supply had a reasonably lengthy history by the time of the 1979 election. The question of the money supply first became topical after the visit of the IMF in October 1968 and money supply statistics started to be published in the

¹⁰ Butler and Kavanagh, *The British General Election of 1979*, p. 5.

Monetary Bulletin in early 1972 after the May 1971 consultative document *Competition and Credit Control*. The 1974 Labour government was initially antipathetic to the idea of monetarism but Thatcher became interested when Gordon Pepper developed the idea of how a monetary squeeze would put financial pressure on industry and market forces would then work to reduce manual workers' wage settlements. Thatcher hated inflation, which she thought immoral, and accepted the general proposition that excessive monetary growth in due course always led to a rise in inflation.¹¹ It was not entirely accurate, therefore, when Healey, after Callaghan had told his Party conference in 1976 that the history of the last 20 years had been a history of inflation followed by higher unemployment, boasted that the government to which he belonged was 'perhaps the first in Britain for many years which has given monetary policy the importance it deserves'.¹² His statement may have been technically true, but it did represent something of a Damascene conversion, under pressure, to the ideas which Joseph in particular had been advocating since early 1974. As Pepper put it: 'It would be fair to say that during their discussions with the IMF, the Labour Party's commitment to monetarism was opportunistic. In his memoirs Dennis Healey...says that monetary targets were published largely to placate the financial markets and he never accepted Friedman's theories...Healey, in his own terminology, was a "disbelieving monetarist"'. Pepper went on to observe that 'Keith Joseph was definitely a genuine monetarist [and the] contents of his 1974 Preston speech...became the lodestar for the New Conservatism'. Though, as Pepper then said, it would be wrong 'to suggest that the majority in the Conservative Party shared Joseph's views [or that most] of the Shadow Cabinet were [not] antipathetic

¹¹ G. Pepper, *Inside Thatcher's Monetarist Revolution* (IEA, London, 1998), pp. 7 and 8, 21 and 22. Thatcher would almost certainly have agreed with Paul Addison that 'The Second World War had given us a Labour government, full employment, and a welfare state, but they were superimposed on a country that remained morally and culturally conservative', Addison, *No Turning Back*, p. 403.

¹² T.E. Utley, 'Thatcherism: A Monstrous Invention', in Marsden-Smedley (ed.), *Britain in the Eighties: The Spectator's View of the Thatcher Decade*, p. 149.

to monetarism', the acceptance of inflation as a more significant issue than unemployment and the need to combat it by controlling the money supply (however many differences there were about the mechanics for so doing), was an objective which the first Thatcher Administration shared with its predecessor.¹³

Similarly, with regard to the policy which Joseph and Howe were advocating in relation to the control of public spending, the government had, to a large extent, pre-empted them by imposing cash limits on government departments in the spring of 1975, followed by two rounds of cuts in 1976. In their influential book *Britain's Economic Problems*, published in 1976, Robert Bacon and Walter Eltis had pointed out that in 1966 there had been 4.79 workers in the market sector to support each worker in the non-productive sector but that by 1975 that number had fallen to 3.19. This meant, in simple terms, that in 1975 a growing public expenditure bill was having to be financed by a shrinking private sector. As the Conservatives had been doing for more than a year, the government's actions indicated that they too were taking heed of this analysis.¹⁴

With regard to industrial relations policy, when Thatcher became Leader of the Conservative Party in 1975, the scars of Heath's defeat by the miners in 1972 had become deeply embedded in the British psyche, as had the answer to the question – Who Governs Britain? – which Heath had posed when he called the February 1974

¹³ G.T. Pepper and M.J. Oliver, *Monetarism Under Thatcher: Lessons for the Future* (IEA, London, 2001), p. 21.

¹⁴ R. Bacon & W. Eltis, *Britain's Economic Problem: Too Few Producers* (Macmillan Press, London, 1976), pp. 29-31. In their Frontispiece, Bacon and Eltis quote Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations* (1776): 'The whole, or almost the whole public revenue, is in most countries employed in maintaining unproductive hands...such people, as they themselves produce nothing, are all maintained by the product of other men's labour. When multiplied, therefore, to an unnecessary number, they may in a particular year consume so great a share of this produce, as not to leave a sufficiency for maintaining the productive labourers, who should reproduce it next year'.

election. The answer, entirely negative in flavour, had been 'Not the government' and by extension had implied that further confrontation with the trade unions should be avoided at all costs.

The Party had been seeking a workable accommodation with the unions, as a means of tackling wage inflation and industrial unrest, since the first post-war Churchill government. Initially, this had been sought through an extension of the wartime model of government-union co-operation, the aim being to persuade the unions that it was in their own interests as well as in the interests of the country generally to moderate their wage demands. By 1962, however, the view of both political parties was that the tripartite approach had failed and that legislative reform was becoming inevitable in relation to such issues as the closed shop, pre-strike ballots, cooling-off periods before strikes, forfeiture of social security benefits by unofficial strikers, compulsory conciliation, the authority of shop stewards and the election of union officials. *Putting Britain Right Ahead*, the Conservative manifesto for the 1965 election, recommended the wholesale revision of union immunities and a working party, chaired by Joseph and with Howe as a member, argued that the industrial relations system had been distorted by Keynesianism and government intervention. This approach was carried forward in a further statement of proposals for union reform, *Fair Deal at Work*, produced in 1968, though this was neutralised a few months later by the government's White Paper *In Place of Strife*. The withdrawal in 1969 of the government's Industrial Relations Bill, based on *In Place of Strife*, caused some Conservatives to be nervous about the unions' reactions to the Party's own proposals but hardened the attitudes of others who believed that direct confrontation had become unavoidable. In particular it was believed that there was a

need to give official union leaders greater powers to combat shop floor militancy and unofficial strikes.

The Industrial Relations Act of 1971, which was at the heart of the bitter conflict between Heath and the unions, was the first comprehensive industrial relations legislation in British history. But when the unions undermined its provisions by non-compliance and the Cabinet refused to contemplate the use of monetary policy and the threat of unemployment as the means of controlling inflation and union power, resort had to be had to incomes policy, administered through tripartite mechanisms, which the government had initially abjured. When this approach had also failed and the 1974 elections had been lost and Thatcher had become Leader of the Party, the temptation to rule out incomes policies and to turn to monetarism linked to the threat of unemployment as a means of tackling union militancy seemed to Joseph, Howe and some others to be the only practical policy alternative – though, as we have seen, monetarism was not going to be enough; it would not, for example, deal with Conservatives' fears about the closed shop, secondary picketing and union immunities. Legislation was still, therefore, going to be necessary to weaken the political power of the unions and their ability to distort the market, as well as to protect individual liberty. Far from addressing these matters, legislation introduced by the Labour government after its return to power in 1974 actually extended union immunities and weakened individual rights.

The options open to a future Conservative government in this field were summarised by Ian Gilmour in 1977. Quoting Lord Butler, who had said after the war that those who talked about creating pools of unemployment as the means of combating union

power ‘should be thrown into them and made to swim’, he ruled out the use of a monetary policy designed to break the coercive powers of the unions as ‘politically and socially fatal’. His preferred option was the use of the Concerted Action model, favoured by Howe (though, as we have seen, not by Thatcher), which had been put forward in *The Right Approach* in 1976. He also saw the need for an incomes policy, though not a statutory incomes policy. Howe too, it will be remembered, also thought a ‘policy for incomes’, though not an incomes policy, was probably going to be unavoidable, certainly in the public sector. Gilmour regarded the Concerted Action model, based as it was on consultative procedures, as ‘in no way at variance with the Tory tradition’. ‘The great advantage of a public industrial [consultative] forum’, he wrote, would be that union leaders would have to argue their claim against other union leaders, within the parameters set by an incomes policy. He recognised that Concerted Action was not a panacea – indeed, that ‘there were no panaceas for the British economy’. Rather weakly he also accepted that ‘some extremist union leaders might initially refuse to take part’ in public discussions but that their refusal to do so would have the ‘useful side-effect of revealing to the rank and file how badly represented they were by some of their leaders’. Even more pessimistically he acknowledged that ‘at the end of the day none of [these arrangements] may make very much difference. Governments have limited power and influence and well established attitudes may be immune to governmental persuasion or action’.¹⁵

The Winter of Discontent was to prove his pessimism well-founded, when the wave of disputes represented a massive protest against Labour’s fourth-stage incomes policy limit of 5% which, it was believed when it was imposed, had been intended to

¹⁵ I. Gilmour, *Inside Right: Conservatism, Policies and the People* (Quartet Books, London, 1978), pp. 242-252.

serve as a campaign point in an autumn election rather than as a realistic target for the coming pay round. What is interesting from a Conservative point of view is that the draft manifesto prepared for the expected autumn election in 1978 mirrored almost exactly the policy favoured by Gilmour. The document reflected the line which Prior had so assiduously promoted, that a Conservative government 'would be even-handed in our approach to industrial problems', that 'we would seek to promote an era of continuity and constructive reform' and that there would be no sweeping changes in industrial relations law. Though Thatcher 'disliked both the tone' and what she saw as 'the intellectual confusion' which characterised the draft manifesto passages on industrial relations, she felt that at the time she had little choice but to go along with almost everything that Prior was suggesting. She was content, in effect, at this point 'to postpone the day of reckoning with promises of a conciliatory approach to the unions'.¹⁶ Hence, the work done on the Stepping Stones project appeared to have had no influence on the drafting of the manifesto.

Even on the question of incomes policy, which Thatcher had always instinctively opposed on the grounds that 'the paraphernalia of controls which such a policy necessitated invited employers and unions to find ways around them', the position in 1978 was still what it had been in 1976 when *The Right Approach* had contained what Thatcher regarded as a 'temporarily palatable...fudge'.¹⁷ 'Restraint in pay bargaining', the document had said, 'does not necessarily imply the adoption of a full-fledged "prices and incomes policy"'. Experience does not suggest that this is the best way of finding a long-term solution to the problem. That same experience [however] demonstrates the unwisdom of flatly and permanently denying the idea'.¹⁸

¹⁶ Addison, *No Turning Back*, p. 277.

¹⁷ M. Thatcher, *The Path to Power* (HarperCollins, London, 1995), p. 317.

¹⁸ *The Right Approach* (Conservative Central Office, 1976), p. 71.

This position had been reaffirmed in *The Right Approach to the Economy* in 1977 (in a manner of which Gilmour must have approved), though the language used was again tentative and unconvincing. 'In framing its monetary and other policies the government must come to *some* conclusions about the likely scope for pay increases, if excess public expenditure or large scale unemployment is to be avoided; and this estimate cannot be concealed from representatives of employers and unions whom it is consulting'.¹⁹ Such a prescription clearly envisaged the setting up of a German-style economic forum. Though thereafter, and most notably at the 1978 annual conference, Thatcher expressed her personal scepticism about an incomes policy, the compromise reflected in the two policy documents of 1976 and 1977 remained in force until the election and the 1979 manifesto actually contained an explicit reference to a German-style procedure.

As we saw in Chapters 6 and 7, the events of the Winter of Discontent allowed, indeed demanded, a hardening of the position on industrial relations reform; it challenged directly what had almost become the orthodoxy that the law had no useful role to play in this area. The clear commitments to protect workers who lost their jobs as a result of the closed shop, to regulate the conduct of picketing, to make the unions bear a fair share of the cost of supporting their members who were on strike and to postal balloting for union elections simply met the public expectations which the winter's events had aroused. But even during the election campaign, Thatcher was still cautious and explained that when she spoke of bringing the unions within the law, she meant only that a Conservative government would reverse the additional privileges extended to them by Labour since 1974. There was no question at that time of removing the unions' long-standing legal immunity from actions for tort,

¹⁹ *The Right Approach to the Economy* (Conservative Political Centre, 1977), p. 16.

amending the rules relating to the political levy to require ‘contracting in’ or abolishing the closed shop.

In all respects, therefore, the programme presented to the electorate in 1979, so far as industrial relations was concerned, contained little that was radical, in the sense of being ahead of public opinion. It embraced many of the elements which had featured in the packages developed by the Heath government, it was indecisive about the means to be taken to control inflation – to tackle it through monetarist policies or to rely on incomes policies – and it proposed legislation only in those areas where the Winter of Discontent had exposed what had become generally recognised as abuses of union power. It was, as Campbell described it, ‘a soft sell’. And it worked; it worked by building on what had gone before and by offering what appeared to be a reasonable and necessary prospectus for unavoidable change.

Conclusion

As I have previously noted, it is difficult to assess how a Party will behave in government on the basis of how it behaves in opposition. By the same token, it is too easy to assume that how a Party behaves once it is in government is consistent with and has been foreshadowed by how it behaved in opposition, particularly since it will always be anxious to claim that its later actions are in line with its earlier promises. This is especially so when the period in government far exceeds the time spent preparing for government, though the longer the time spent in office, the less likely a government is to be judged by undertakings made when in opposition. This explains the view taken of the period of Conservative Opposition between 1975 and 1979, as I believe I have demonstrated throughout this thesis. The historiography of 'Thatcherism' is weighty but not surprisingly concentrates on the eleven eventful years of Thatcher's premiership. In relative terms, surprisingly little attention has been paid to what actually happened during the opposition years from 1974-1979, beyond the events surrounding the downfall of Heath and his government and the surprising manner in which Thatcher emerged as Party Leader. But the treatment of these events, essentially as political drama, has diverted attention from the internal dynamics of the Party during the period between Thatcher's elevation to the Leadership and the general election of 1979.

If the earlier period when Heath was Opposition Leader was marked by feverish attempts to provide detailed prescriptions for what the Party would do in every possible circumstance when it was once more called into office, the Thatcher Opposition years were marked by attempts to obscure what would happen when a Conservative Administration once again took over the reins of government. Its

success in hiding its intentions was both deliberately contrived and adventitiously arrived at. It reflected at one and the same time Thatcher's determination not to offer policy hostages to fortune – she had observed at first hand what had happened to Heath's undertakings – and the impossibility of reconciling the widely divergent views of the opposed factions in and around her Shadow Cabinet. To have come down firmly in favour of one or the other faction would both have split the Party and alienated some part or other of an electorate which was not yet, despite Labour's traumas, altogether ready to be convinced of the possible benefits to be derived from the return of another Conservative government. Indeed, with the benefit of hindsight it seems improbable that, if it had not been for the contribution which the Labour government made to the general sense of disillusionment which characterised the second half of the 1970s, the memories of the disastrous Heath years could have been expunged so quickly.

Allied to Thatcher's natural caution during this period, the deep-seated dysfunctionality with which the Party was afflicted can be seen therefore to have been, in a perverse way, beneficial in that it prevented the Party defining itself in any manner from which it would have been difficult to retreat, should electoral tactics have required it. The turbulence and conflict which surrounded the policy-making activities which I have described had no clearly defined outcome, certainly not in relation to the Party's stance on how to tackle inflation and not much more so in relation to the best way of handling industrial relations. The basic conundrum, that economic decline could not be halted without reducing the power of the unions but that unsuccessful confrontation with the unions would hasten economic decline, remained unresolved. There may have been wider public support for challenging the

unions after the Winter of Discontent, but there was no guarantee that the unions would crumble before such a challenge. They had, as is commonly believed, brought about the downfall of two governments. Who could be sanguine that they would not repeat the performance with a Thatcher government? And in relation to monetarism, there was, as the election approached, still little understanding of the mechanics involved and what the consequences of relying on it might be in terms of possible rises in unemployment. Added to which was the certainty that the deep differences of opinion within the Party would be carried forward into government and continue to have the same disabling effect on the process of governing.

In the light of such confusion and irresolution, how the Party emerged in early 1979 as a possible alternative government is not easy to understand, albeit that it would have been difficult for any party not to seem an attractive alternative to a largely discredited Labour government. If Thatcher had benefited from an ‘anybody but Heath’ factor in 1975, her Party benefited from an ‘anybody but Labour’ factor in 1979. The fact was that, in a sceptical mood about politics in general and reflecting a detectable growth in national self-doubt and cynicism about the ability of either main party to remedy a steadily declining economic situation, people were ready to vote for what they regarded as the lesser evil. How too, in such circumstances, the Conservative Party managed to convey a philosophy, empty of policy content as it was, which could lead a left-wing intellectual to detect in it something which he felt able to call ‘Thatcherism’ is perhaps even more puzzling.²⁰ Whatever substance it may have acquired later, at this particular point in time ‘Thatcherism’ could only be seen as a convenient description for a style of personal presentation by an Opposition

²⁰ ‘The Conservatives were well-placed to catch the plum that fell into their laps. But it was the Labour movement that shook it off the tree.’ Butler and Kavanagh, *The British General Election of 1979*, pp. 339-340.

Leader prepared to express her convictions in populist terms and a forthright tone, rather than anything which even approximated to an ideology. These convictions were grounded in no coherent set of ideas but derived from a narrow range of instincts based in experience – experience of post-war socialism at home and communism abroad.²¹ They spoke to the acquisitive in society and scorned those who, safe in their intellectual ivory towers, looked for a collective Utopia. If Hall might have detected the seeds of a realignment of British party politics, far-sightedly as events were to prove, others such as Gilmour were convinced that ‘Thatcherism’ could not be Conservatism and that ‘conviction politics’ had no place in Tory philosophy. The fact is that, other than to a few intellectuals at different points on the political spectrum, to most people ‘Thatcherism’ would have signified very little, if they had even been aware of it.

But if ‘Thatcherism’ did not register with people, Thatcher certainly did, or sufficiently so to ensure that her Party was able to benefit from what Ivor Crewe called a ‘massive haemorrhage of [Labour’s] working-class voters’, resulting, in part at least, from the ‘continued inversion in the relationship between class and party and the strengthening of working-class Conservatism at a time when Labour’s policies were out of tune with the aspirations of a significant section of its natural class base’.²² What Hall and Gilmour did not grasp was that Thatcher was not consciously fashioning or preaching an ‘ism’, and had no intention of doing so. She was quite deliberately speaking over the heads of her Party in a language which those affected

²¹ According to Green, these experiences had persuaded her that ‘the reforms of the 1954-51 Attlee government, and more particularly the Conservative party’s adaptation of them, had been a mistake based on a misinterpretation of the inter-war period and of the 1945 general election as a verdict on the 1930s’. E.H.H. Green, *Ideologies of Conservatism* (Oxford University Press, 2002), p. 217.

²² I. Crewe, cited in D. Kavanagh (ed.), *The Politics of the Labour Party* (Allen and Unwin, London, 1984), p. 107ff..

by a decade of decline understood.²³ She did not put forward specific policies or big ideas but cultivated an image of the type of person she was.²⁴ As Campbell said, ‘she drained politics of ideological content altogether’.²⁵ This was something which Ralph Harris, ‘supreme ideologist of market forces’, also recognised: ‘She...spoke like a Finchley housewife about the choice of going shopping and being able to go to one shop and then to another shop, and being able to make a choice, rather than being registered with the butcher as some of us remembered during the war and having no choice’.²⁶ This was as far from ideology as it was possible to get and, in so far as Conservatism reflects experience rather than ideas, it was Conservatism in its most traditional sense. It was traditionally Conservative too in the absolutely fundamental sense that it recognised that the essence of politics is about being in power and that ideologies which do not deliver power are merely indulgences. The outcome of the internal struggles over which Thatcher had presided as Opposition Leader had been bland compromises and the fact that ‘Thatcherism’ - as it eventually came to be understood - and blandness are nowhere regarded as bedfellows serves for me to confirm once again that the judgements drawn about the Thatcher Opposition years have been a startling example of history being read backwards.

²³ John Gray’s description of Adam Smith could well apply to Thatcher. ‘He [she] understood that human behaviour is governed by emotion and convention far more than by reason’; he [she] ‘was suspicious of the intellect when it operated without regard for sentiment’. J. Gray, *Black Mass*, pp. 86-87.

²⁴ [Nigel] Lawson more than once invokes the maxim: “Never underestimate the tide of ideas”. The history of Thatcherism suggests a complementary axiom: never underestimate the force of personality. For Thatcher’s real pre-eminence surely came as an exponent of the higher opportunism in politics: a discretionary rather than a rule-bound politics in which she trusted her own intuition, for better or worse. Some of her most influential successes – privatisation is an example – were improvised in government rather than implemented as part of a prior blueprint’. Clarke, ‘The Rise and Fall of Thatcherism, *Historical Research*, (1999).

²⁵ Campbell, *Margaret Thatcher, The Grocer’s Daughter*, p. 402.

²⁶ Lord Harris, quoted in Jenkins, *Mrs Thatcher’s Revolution*, p. 82.

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