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Neoliberalism and New Labour: From Thatcher to Blair

The dominant political leaders of the last 50 years, Margaret Thatcher and Tony Blair, may seem like polar opposites but their similarities are striking. Strong leaders, with transformational aspirations, they each introduced policies which significantly increased the involvement of the private sector in public provision. In particular, Thatcher's Compulsory Competitive Tendering (CCT) and Blair's promoting of the Private Finance Initiative (PFI) established bases for this expansion of private sector provision into public services. The growth of commercial sponsorship served to associate private firms with benevolence rather than with the rapacious search for profit and to render the presence of private firms in the context of the public sector safe and familiar.

The election of the 1979 Conservative Government led by Margaret Thatcher is now widely held to be a watershed in British politics, marking the demise of Butskellism and the emergent hegemony of neoliberalism. While the Labour victory of 1997 was widely celebrated by supporters marking the end of 18 years of Tory rule, it is now very clear that, despite many worthwhile social reforms and innovations, the overarching trajectory of policy and philosophy did not depart radically from the directions established under Thatcher. Under Blair, even more so than under Thatcher, new initiatives such as PFI encouraged the growth of private involvement in public provision.

Three key elements contributed to the emergence of Thatcherism. The first was the failure of both Labour under Wilson and the Conservatives under Heath to make the Butskellite scenario (a healthy mixed economy, an expanded state and a comprehensive welfare system) work. The second element was that the level of contestation and struggle in society became more vigorous and more visible (see Hall et al. 1978). The third was that neoliberalism shaped by the writing of Friedman and Hayek, and advocating a substantial reduction in the scope of the state, was winning adherents and was being translated into a

practical politics and a potent ideological force in Britain and the United States. The Selsdon Group, brought together by Edward Heath in 1970, marked the first emergence of a significant free market pressure group, and by the mid-1970s, neo-liberal philosophy and monetarist economics found its organizational form as Thatcher rose to become leader of the Conservative Party.

Towards the end of the 1960s, the long-term structural weaknesses of the British economy began to become apparent as the unstable cycle of boom and recession was to prove ultimately unmanageable either by Wilson's Labour or Heath's Conservative governments. During the 1970s, Heath's policies proved unable to make an impact on the United Kingdom's structural economic problems. Struggling with the onset of both stagnation and inflation, dubbed 'stagflation', and damaged further by the OPEC (Oil Petroleum Exporting Countries)-inspired oil price rises of 1973, the Heath government of 1970–74 failed in the end to win decisive public support for a showdown with the trade unions. Within 2 years of taking office in 1974, growing economic problems forced the Labour government to go to the International Monetary Fund (IMF), who imposed a rigid monetarist economic framework that presaged the fuller implementation of this strategy after the election to power of the Conservatives under Margaret Thatcher in 1979.¹

While the 1979 election of the Conservative government led by Margaret Thatcher serves as a convenient watershed, the transition from Butskellism to Thatcherism has to be regarded as a process that began in the 1960s, unravelling the contradictions inherent in Labour's managerialist vision of the expanded state. The Labour Party in opposition had been, for almost the entire twentieth century, the primary focus of the aspirations of ordinary working people and of organized labour. The Labour Party in power, unwilling or unable to introduce any profound economic restructuring, finds itself in the position of having to discipline and limit those aspirations (see Hall 1983, Hall et al. 1978). Such an unstable equilibrium is always precarious, and it is striking that, before Blair, Labour had never been able to string together two full terms in office.

It was during the 1970s that the discursive political elements that were to shape the Thatcher government began to coalesce and gain credence. For Thatcher, monetarist economics were to be given full rein – the medicine would hurt, but it would be 'good for us'. Unemployment would be allowed to rise, 'squeezing inflation from the system'. For individuals, the safety net of the state would be diminished, and for industry, 'lame ducks' would no longer be 'propped up'. Enterprise would be rewarded and an enterprise culture fostered. There was, Milton Friedman asserted, no such thing as a free lunch; indeed,

in the later words of the anti-hero of the film *Wall Street* (1987), lunch was for wimps. In such a climate, it was easy to see how requests from the arts world for greater state funding might fall on deaf ears, while the growth of commercial sponsorship would be seen as a solution to arts funding.

Disillusion with Labour during the 1970s fostered a more radical challenge from a stronger and more confident left. A campaign for Labour Party Democracy began a fight to establish the right of members to de-select candidates and MPs and to remove the power of the Parliamentary Labour Party (PLP) to select the leader.² Outside the Labour Party, various modes of struggle were highly visible – union struggles, women's movement campaigns and the anti-Nazi league. There was a growth of support for revolutionary socialist groups, and of public interest in left alternatives, in part generated by the debate within the British Communist Party over the British Road to Socialism.³ This 'moment' peaked during the so-called 'winter of discontent', when a combination of Labour Party ineptitude, trade union anger, popular press venom and tactical acumen by the Conservative Party laid the ground for the victory of Margaret Thatcher in 1979. Thatcher was able to portray Britain as being in a bad state, beset with strikes, with the piles of rat-infested garbage in Leicester Square providing a potent symbol. On entering Number 10 Downing Street she proclaimed 'where there is discord, may we bring harmony'. Seldom has a public pronouncement proved quite so inaccurate. During this erosion of the Butskellite hegemony, a new political configuration was gathering strength, fuelled by the economic theories of Friedman and Hayek and translated to the British context partly through the Selsdon Group, and through the austere and monkish brain of Keith Joseph. Arguably, the declining power of concepts of public service and community has its beginnings here.

In the last 30 years, neoliberalism has become a dominant ideological and economic force. It has won support within elements of the political classes in America, Europe and Asia. Through the power of the United States and institutions such as the World Bank, the IMF and GATT, the neo-liberal agenda has been forced on countries around the world which have needed financial support (see Klein 2007).⁴ The election of the Thatcher Government in 1979 and the election of Ronald Reagan as president of the United States in 1980 marked a great leap forward in the struggle of neoliberalism for hegemony.

Thirty years on from this moment, neoliberal economics and its associated political strategies have indeed become hegemonic and, through the power of the IMF, GATT and the World Bank, have been imposed around the world: on any country that falls into debt and requires support, on developing countries who need aid and on the Eastern European countries who were part of the Soviet bloc

until 1992. The current Euro crisis constitutes a current example – Greece, Cyprus and Spain are subject to stringent regulations and conditions in order to qualify for support. It is pertinent to examine the economic analyses of two key figures, Friedman and Hayek, who were influences on Thatcher and ‘Reaganomics’ and whose thinking has shaped contemporary academic economics.

Milton Friedman (1912–2006) was born in Brooklyn to Jewish immigrants from Austria-Hungary. He spent the bulk of his professional life at the University of Chicago (1946–77), where he played a formative role in the development of neo-liberalism and in shaping the intellectual community which became known as the Chicago School of Economics. Philosophically, neoliberalism depends on a denial of the shared communal and interdependent interests of humanity. In *Capitalism and Freedom* (1962), Friedman asserts that ‘to the free man, the country is the collection of individuals who compose it, not something over and above them’ (Friedman 1962, p. 1). So the public, the social, the communal are all denied, in favour of a collection of individuals. Friedman argues that the scope of government must be limited and that power must be dispersed downwards to regions and localities (Friedman 1962, p. 3).

He sets out to reclaim the word ‘liberalism’ for what he asserts to be its roots – laissez-faire economic policies and international free trade, and suggests that in the twentieth century, it became appropriated by those who supported welfare and equality: ‘social liberals’ is now a common term of abuse for the right-wing in US politics (Friedman 1962, p. 5). He argues that ‘a society which is socialist cannot also be democratic, in the sense of guaranteeing individual freedom’ (Friedman 1962, p. 8). While Friedman does not adopt a completely deterministic position, acknowledging capitalist societies that have lacked political freedoms, such as fascist Spain and Italy (Friedman 1962, p. 10), it is clear that he cannot comprehend much between the poles of authoritarianism and free unrestricted markets:

Fundamentally there are only two ways of co-ordinating the economic activities of millions. One is central direction involving the use of coercion – the techniques of the army and of the modern totalitarian state. The other is voluntary co-operation of individuals – the technique of the market place. (Friedman 1962, p. 13)

The portrayal of the marketplace as involving no coercion will, of course, bring a sour smile to the faces of the overwhelming majority who have nothing to trade but their labour. Friedman’s polarized model would also seem to ignore the experiences of Scandinavia, France, New Zealand, the post-war British welfare

state and, indeed, the whole European tradition of social democracy. Friedman argues that that voluntary co-operation grows out of the notion that both parties to an economic transaction benefit from it, 'provided the transaction is bi-laterally voluntary and informed' (Friedman 1962, p. 13). But of which market, except in some Benthamite best possible utopias, was this ever really the case? Markets have always involved power relations as well as economic exchange – as the relation between farmers and supermarkets gives eloquent testimony. Friedman, however, offers a capsule account of the evolution of exchange into capitalism, which is almost comic in the way it manages to evade the concept of property ownership (1962, pp. 13–4).

For Friedman, politicians represent a threat to freedom (not powerful industrial or agrarian capitalists): 'The fundamental threat to freedom is the power to coerce, be it in the hands of a monarch, a dictator, an oligarchy or a momentary majority' (Friedman 1962, p. 15). But not, it seems, a powerful individual or corporation who owns factories, chains of shops or radio and television stations and newspapers. Friedman argues that while people are free to proselytize for socialism in a capitalist society, they would never be able to argue for capitalism in a socialist one, and that this shows the importance of the freedoms that only capitalism can provide (Friedman 1962, pp. 19–20). Expanding on his notions of the freedom provided by the market, Friedman writes:

An impersonal market separates economic activities from political views and protects men from being discriminated against in their economic activities for reasons that are irrelevant to their productivity – whether these reasons are associated with their views or their colour. (Friedman 1962, p. 21)

How, then, to account for the much larger level of unemployment among black Americans, their much lower average earnings, the far smaller percentage of black Americans in senior posts? (Friedman wrote this in 1962, while the civil rights movement was gathering momentum, and so could not have been unaware of these issues).

As Friedman and Hayek seem not to believe in concepts of society, collective, communal, common or public good, it is not surprising that they do not appear to grasp the basic principles or issues of sociology. Friedman is clearly aggrieved that it is from the groups in society who he believes have the most at stake in the preservation and strengthening of competitive capitalism (Negroes, Jews and 'the foreign born') that the enemies of the free market – communists and socialists – have found disproportionate success in recruitment (Friedman 1962, p. 21). There is an absolutism in Friedman's commitment to untrammelled markets:

he argues against public housing, the minimum wage, farm price supports and social security (Friedman 1962, pp. 177–89). Among the areas that Friedman advocated Government should withdraw from are:

- Price support for agriculture
- Import and export restrictions
- Government control of output
- Rent control
- Minimum wages, maximum prices
- Detailed regulation of industry and banking
- Control of broadcasting
- Social security programmes compelling purchase of retirement provision
- Licensing enterprises or individuals in particular professions
- Public housing
- National parks
- Legal prohibition on carrying mail for profit
- Publicly owned toll roads

And Friedman concluded, ominously, ‘This list is far from comprehensive’ (Friedman 1962, p. 36). It is salutary to realize how much of the Friedman list, which must have seemed impossibly radical in 1962, has now been delivered and/or incorporated into the neo-liberal régime now being imposed around the world by bodies like the World Bank. The list merely resembles the typical manifesto aspirations of right and centre-right political parties.

Friedrich Hayek (1899–1992) was born in Austria-Hungary and was a founding figure in the Austrian school of economic thought. He gained doctorates in law and political science from the University of Vienna, and then taught at the London School of Economics (1931–50), the University of Chicago (1950–62) and the University of Freiburg (1962–68). Although he was at the University of Chicago, he was not part of the Chicago School in which Milton Friedman was influential.

Hayek argues, as did Thatcher and Reagan later, that free enterprise is both a ‘necessary condition and a consequence of personal freedom’ (Hayek 1967, p. 229). He asserts that a free society must be based on strong moral values and that if freedom and morality are to be preserved, we need to spread the appropriate moral convictions (Hayek 1967, p. 231). In this sense, he is Victorian in thinking, and speaks to the authoritarian strand of conservatism, as opposed to the right-wing libertarian tendency in Friedman. However, in contrast to

the paternalist municipal community-oriented thought of the mid-Victorian reformers, there seems to be little sense in Hayek's work of the public, society, or the collective and little sense of the dark side of greed. In particular, he believes there are two essential conditions of a free society:

1. belief in individual responsibility
2. approval as just of an arrangement by which material rewards are made to correspond to the value which a person's particular services have to his fellows.

(Hayek 1967, p. 232)

But in which 'free' society do material rewards bear any real relation to 'the value which a person's particular services have to his fellows'? Neither Friedman nor Hayek seems to deal with the basic inequities invested in private property. Hayek's *The Moral Element in Free Enterprise* (Hayek 1967) has nothing to say about private property, ownership, landlords and tenants or bosses and workers. He regards the word 'social' as empty of meaning (Hayek 1967, p. 238).

Thatcherism takes shape

At first, as Thatcherism was forming, it was not simply denying communal or shared values. Rather, it attempted a reworking of elements of the nineteenth-century discourse, to be found in Samuel Smiles (*Self Help*, 1859) and Jeremy Bentham. Keith Joseph argued that economic activity could not be abstracted from a wider social framework (Joseph 1975, p. 5). This takes a rather different position than Friedman and Hayek, and thus sets the scene for the developing Thatcherite rhetoric about Victorian values and enterprise culture. It also highlights Thatcher's own shift towards the assertion that 'no such thing as society' as a signifier of Thatcher's rhetorical connection to the culture of individualism. Joseph argued in 1975. 'It is now fashionable to decry the Victorian era . . . yet the Victorian era was a big point of civic virtues'. And he goes on to say 'To point this out is not to call for a return to Victorian values, but rather for the need to seek ways of matching the Victorian's values in a modern context . . .' (Joseph 1975, p. 6). In a compact summary of his position, he suggests:

We judge our society and its economy by several yardsticks. They are freedom, justice, order, social harmony and solidarity – in the sense of caring for one another – national freedom and identity civic virtues, material well-being, achievement and potential for further advance. (Joseph 1975, p. 7)

Democracy seems conspicuous by its absence in Joseph's thinking. At root, Joseph too emphasized the fundamental importance of unrestricted markets – 'A free society requires a free economy at its base' (Joseph 1975, p. 10). He evokes Adam Smith on self-interest; Smith, Joseph recounts, said that 'the vast majority of people combine self-interest with fellow-feeling for others, and that society must contain and harness both these drives if it is to work successfully' (Joseph 1975, p. 12). So, influenced by Adam Smith, Friedman and Hayek, Joseph and Thatcher developed the distinctive political formation which Stuart Hall was first to label Thatcherism (1979). Hall refers to the rise of Thatcherism as 'the decisive break with the post-war consensus' (Hall 1988, p. 2).

The Conservative victory of 1979 began a period of public-sector financial restrictions, and control of the money supply, which helped trigger a sharp growth in unemployment, which was not to decline significantly until the mid-1980s. However, reduced state spending enabled a series of cuts to the basic rate of income tax, and the associated propaganda against high taxes was so successful that even now, almost 30 years later, all three major political parties are wary of any suggestion that this basic rate might ever be raised, considering it a vote loser.

There is a degree of mythology involved here. Between 1952 and 1978, the basic level of income tax never fell below 33 per cent, and yet this 'high' level was not really a major political issue. For 16 of those 26 years, there was a Conservative government. Since 1978, the rate has dropped from 33 per cent to 20 per cent. Conservative governments have lowered the rate as part of policy, while Labour governments have appeared petrified at the electoral dangers of raising the basic rate. It has become such an axiom of political common sense that, even with tax rates as low as 20 per cent, neither party will contemplate a raise, even to tackle the post-2008 deficit left by the need to bail out the bankers. Political pundits of all persuasions appear to echo the same view – the public would not stand for it.

Yet, the evidence that the British people oppose higher taxes is not persuasive. The concept that proposing higher taxation is a vote loser can be challenged. Nor is there evidence to suggest that the Thatcher years habituated people to lower taxation, or that they caused a shift towards greater opposition to tax rises – if anything the reverse seems to be the case. The Gallup Poll has, every year, asked the following question:

Q. People have different views about whether it is more important to reduce taxes or keep up government spending. How about you? Which of these statements comes closer to your own view?

1. Taxes being cut, even if it means some reduction in government services, such as health, education and welfare.
2. Things should be left as they are.
3. Government services such as health education and welfare should be extended even if it means some increases in taxes.

In summary, the results are:

	Lower taxes	Higher taxes
	(figures in percentage)	
1979	23	44
1980	22	50
1983	23	49
1984	13	56
1985	16	59
1986	14	64
1987	12	64
1988	10	71
1989	11	69
1990	11	68
1991	10	67
1992	10	66
1993	9	72
1995	8	69
1996	9	71
1997	7	72
1998	10	62
1999	12	64
2000	14	59

Source: *British Political Opinion 1937–2000 The Gallup Polls*,
edited Anthony King, London: Politico's 2001.

In summary, the support for raising taxes, between 1979 and 2000, never dropped below 44 per cent and has on several occasions been 70 per cent or more. By contrast, the support for reducing taxes, even in 1979, was only 23 per cent, and this support dropped away (as taxes were reduced) till 1997, when it was only 7 per cent. Even given the well-known phenomenon for people supposedly to

respond to opinion polls with reasoned views, but to vote according to economic self-interest, there is no way this evidence can be interpreted as a ringing endorsement of the view that broadly people will oppose any tax rises. The Labour government of 1997–2008 may have made a significant tactical error in failing to argue that higher taxes could mean better public services. Instead, as in much else, they took their cue from Thatcherite ideology.

As the 1980s progressed, and as the economy began to recover and expand, the confidence of the Thatcherite Conservatives grew. The theme of individual freedom grew larger as the social responsibility theme declined in significance. Thatcher appears to have made notes, for a 1979 speech, that proclaimed that there is no such thing as a collective conscience, but her pronouncement that there is ‘no such thing as society’ did not come until 1987.⁵ The phrase is now so emblematic of Thatcherism that it is worth revisiting its (apparent) first formulation:

I think we have gone through a period when too many children and people have been given to understand ‘I have a problem, it is the Government’s job to cope with it!’ or ‘I have a problem, I will go and get a grant to cope with it!’ ‘I am homeless, the Government must house me!’ and so they are casting their problems on society and who is society? There is no such thing! There are individual men and women and there are families and no government can do anything except through people and people look to themselves first.⁶

Thatcher’s denial of society came in relation to a reassertion of individual responsibility, a distinctively Friedmanite formulation. But the denial of society went along with a general disdain for the public sector, be it health, transport, education, the arts or the Civil Service, and a disinclination to invest in it. While rival historians and political scientists continue to invoke conflicting statistical information about levels of state spending, one trend, from the late 1970s, was particularly clear – the decline in public capital investment. Between 1956 and 1976, central and local government investment had fluctuated at around 10–12 per cent of general government expenditure. After this point, public investment in capital projects declined very sharply, falling to less than 10 per cent of general government expenditure (GGE) by the early 1980s. That decline, with some fluctuations, continued and by 2000, had dropped to 6 per cent of GGE.⁷ It was this collapse in Government capital investment during the 1980s and 1990s that fuelled the growing enthusiasm for PFI Schemes, so enthusiastically adopted by Blair.

Thatcher's period in power can be divided into three phases – the first commences with the dramatic impact of the attempt to 'squeeze inflation out of the system', which resulted in unemployment rising to 3 million, and continued through the Falklands/Malvinas War, victory in which greatly aided her subsequent 1983 election victory. In the second term, battle commenced with the trade union movement, culminating in the defeat of the Miners, and the imposition of anti-trade union legislation. These factors contributed to a mid-1980s financial boom and continued financial de-regulation and privatization. In the third phase, the Conservative Party began to suffer from ideological and political divisions – over Europe, and over the poll tax, which contributed to the downfall of Thatcher in 1990. Despite divisions over Europe, the government remained committed throughout to continuing deregulation. Thatcher spoke in Bruges in 1988 to proclaim,

Our aim should not be more and more detailed regulation from the centre, it should be to de-regulate and to remove the constraints on trade . . . we certainly do not need new regulations which raise the cost of employment and make Europe's labour market less flexible and less competitive with overseas suppliers. (Thatcher 1988, pp. 6–7)

If the destruction of union power, through direct confrontation during the Miners Strike (and the demoralization of the Labour Party), was the most visible and dramatic political battle, the restructuring of the state was equally important. Before 1979, there had, despite various forms of public-private interaction, been a fairly clear and marked distinction between the public sector and private enterprise, each being understood as different forms of institutions, with different origins, purposes, modes of operation and intentions. The drive to marketization necessarily attacked this division, blurring the distinction between public and private. The growth of commercial sponsorship helped make the corporate presence in the public realm appear familiar. Beneath this veneer of corporate generosity, though, compulsory competitive tendering and privatization began forging the basis for a more decisive transformation of the public sector. The combination of public spending cuts and the emphasis on an enterprise culture forced public bodies to turn to sponsorship. By the end of the 1980s, sponsorship was firmly established as a significant source of funding, and it continued to grow during the 1990s, figures suggested a 'steady growth over the last five years . . . used by an ever widening range of businesses' (MAPS 1995, p. 1).

Compulsory competitive tendering

One of the earliest and one of the most tangible ways in which the Thatcher Government set about restructuring the state was through the introduction of CCT: Compulsory Competitive Tendering. Competitive tendering in itself was not new – but the compulsory element was (see Patterson and Pinch 2000). This required local authorities, for certain specified services, to issue tenders and invite private applications. Services could only be retained in-house by DLO (direct labour organization) if such a provider could be shown to be cheaper. The element of compulsion removed choice from local authorities (interesting, given the great emphasis placed on ‘choice’ by neoliberals, as there was no freedom for councils or voters to opt on principle to continue to utilize in-house services).

CCT was first introduced in the Local Government Planning and Land Act (1980) for building maintenance and some aspects of highways work. The range of CCT was extended in the Local Government Act (1988) to refuse collection, building cleaning, street cleaning, schools and welfare catering, other catering, grounds maintenance, repair and maintenance of vehicles and the management of sports and leisure facilities. According to Patterson and Pinch (2000):

This restructuring of the state has resulted in the increased fragmentation of policy-making and service provision, a reduction in democratic accountability at the local level, and a reduction in the capacity of local authorities to act in the best interests of their local populations.⁸

There has since been extensive assessment and debate about the CCT schemes of the 1980s, which, although beset with problems, nevertheless laid the foundations for the far broader privatization of public service provision characteristic of more recent years.⁹ The new Labour Government of 1997 had committed to abolishing CCT, and in 1998, did so.¹⁰ It replaced it with a principle of ‘Best Value’, which meant selecting the bid that offered the best combination of quality and cost, rather than merely choosing the cheapest. Although this gave more scope for Councils to retain services in-house, it was clear that the government remained committed to the principles of contracting-out (Patterson and Pinch 2000). Now, when sub-contracting is completely routinized, even the company Serco, who have a major stake in government contracts, acknowledge on their website that compulsion resulted in ‘resistance by local authorities and health trusts, an immature market and poorly-conducted procurements which focused on price at the expense of quality and employment conditions’.¹¹ Since

then, by implication, from the Serco perspective, the public environment has been rendered far more business-friendly.

The problems of the 1970s and the rise of Thatcherism left the opposition, and especially Labour, in considerable disarray. The Labour left had grown in strength during the 1970s and made demands for mandatory re-selection of MPs and for unions and constituency parties to be included in the election of party leaders. In the event, despite, or perhaps because of, the 1979 defeat, the strength of the Labour left remained sufficient to instigate constitutional changes, to trigger the departure of the gang of four to form the SDP in 1981 and to produce a more radical manifesto for what proved to be the disastrous defeat of 1983. In 1981, there was a special conference called to vote on proposed changes to the Labour constitution, which Foote (1997, p. 324) regarded as the high water mark of the Bennite left, which had been able to make constitutional changes, but its declining influence after 1983 made it harder for the left to engineer policy shifts.

The 1983 manifesto, based on Labour's 1982 programme, which was the most radical official policy document Labour had developed since 1945, called for withdrawal from the EEC, a transition to a non-nuclear defence policy, a large rise in public spending, a Prices Commission with the power to freeze or reduce prices, re-nationalization, extension of public ownership, reversal of trade union law changes introduced by the Thatcher government and abolition of the House of Lords (which was also in the 1910 Manifesto !) (Kavanagh 2000, pp. 4–5). In fact, despite its denigration as an impossibly radical document, many of the policies in the 1983 manifesto seem as pertinent and relevant today, in the wake of the 2008 financial crisis.

In 1982, the Thatcher government was by no means firmly established in power. In January 1983, Peter Shore was able to assert, in a Fabian pamphlet by economist Nicholas Kaldor, that the economic consequences of the Tory Government were clearly apparent to all, citing the rise in unemployment from 5.4 per cent in 1979 to 14 per cent (Kaldor 1983, p. 1). The Labour manifesto, steered through by newly elected Labour leader Michael Foot, was famously dubbed, by Gerald Kaufman, 'the longest suicide note in history'. However, given the huge rise in unemployment during the early 1980s, the campaign might well have fared better but for the Malvinas (Falklands) War, which gave Thatcher a resolute and heroic image as the great patriot, iron lady and defender of empire. There followed the decisive defeat of the Miners' Strike in 1984–85 after a long and bitter battle, further curbs on trade union power, the counter-attack on entryism by the Labour hierarchy and the eclipse of the power of

the Labour left, which has yet to regain its confidence and influence within the party. Municipal socialism briefly became the main power base of the left, particularly in Sheffield, in London, until the abolition of the GLC by Thatcher's government, and in Liverpool, until the expulsion of Militant Tendency from the Labour Party.

After the double blow of the 1983 election defeat and the failure of the Miners' Strike, the Labour left were on the defensive.¹² Kinnock mounted an assault on 'entryism', attacking Militant's Derek Hatton at the 1985 Party Conference. He led the party to a respectable performance in the 'unwinnable' election of 1987 and commissioned a policy review and a water-testing exercise, 'Labour Listens'. This policy review is seen by some, such as Eric Shaw (1996), as marking the beginning of an abandonment, by Labour, of Keynesian social democracy. In Foote's judgement, Kinnock 'sought to replace the quasi-Marxist politics of the Bennite left with the reversion to values – the values of community and political democracy – which had long been held by the Ethical Socialists' (Foote 1997, p. 328).¹³ These themes establish a link forwards to the communitarian element in Blair's thinking during his emergent period. The mid-1980s consumer boom, the stagnant economies of eastern Communism, the weakened state of the British left and the apparent un-electability of the British Labour Party contributed to a period of reflection and re-assessment amongst the left.¹⁴ In 1988, the remains of the SDP, minus David Owen, merged with the Liberals to form the Liberal Democrats, and 2 years later, the SDP disbanded, leaving David Owen an isolated figure. Between 1989 and 1991, Eastern Communism collapsed in dramatic fashion. At the end of 1990, having alienated many of her cabinet colleagues, and having doggedly stuck to the hugely unpopular poll tax, Mrs Thatcher was ousted in a leadership challenge, culminating in her replacement by John Major. Thatcher herself was gone, but the wider mood was one of capitalist triumphalism.

Blair, New Labour and the Third Way

The roots of Blair's success are to be found in the victories of Mrs Thatcher, the failures of the left-driven transformations of the party structure in the early 1980s, the collapses of eastern Communism and the election defeats of 1987 and 1992. The collapse of the Soviet bloc was evoked by some to proclaim, either with regret or with triumphalism, that it was not just Stalinist Communism but socialism itself that was dead.

The eclipse of the Labour left, triggered by the 1983 election defeat, led to attempts to reshape Labour policy, with the establishment of the Policy Review Groups in 1987. In 1990, Thatcher was ousted, and John Major, elected as the new Conservative leader, went on to win, against the odds and the predictions, in 1992. Labour fortunes had revived under Kinnock, who nevertheless, resigned after the 1992 election defeat, to be succeeded by John Smith. If Blair has a claim to have reinvented the Labour Party, in the form of 'new Labour', and a claim to be something other than a continuation of Thatcherism, his case has to rest primarily on the concept of the Third Way, which provided his programmatic underpinning in the years preceding his election.¹⁵ Much of Blair's rhetoric in office proved empty and superficial – concepts such as 'the stakeholder society' have come and gone without ever becoming more than convenient slogans. The Third Way, on the other hand, constituted the basis for Blair's defence against the charge of neo-Thatcherism.

The Labour election defeats of 1979, 1983 and 1987 had already triggered a degree of pessimism about socialism,¹⁶ and the rapid and dramatic collapse of Eastern Bloc Communism after 1989 was seized on by the right as evidence of the death of socialism. Fukuyama's essay 'The End of History' in 1989 has become emblematic of this moment of right-triumphalism. The whole British left embarked on a period of self-reflexive re-thinking, perhaps seen at its most vibrant in the new times debates initiated by *Marxism Today*.¹⁷ However, three other decidedly non-Marxist tendencies combined to produce the moment of Blair: the political writing of sociologist and Director of the London School of Economics, Anthony Giddens, the reports and polemics of the think-tank DEMOS and the work of a group of Labour Party strategists in the national headquarters. During the late 1980s, Anthony Giddens had been developing theories concerning a middle path between the excesses of free-market neo-liberal economics, on the one hand, and of centralized state-run economies, on the other. This model was first published in book form as *The Third Way: The Renewal of Social Democracy*, (Giddens 1998). Will Hutton of *The Observer*, Geoff Mulgan of DEMOS and Ian Hargreaves of the Labour Party were among those active in debates about the Third Way. Giddens takes as his starting point the supposed 'death of socialism'; it is from this debatable assumption that the socialist alternative does not exist and that there are roads that we cannot go back down, that the Third Way analysis is built. It is worth noting that 'sponsorship' does not appear in the index, and this merely echoes a more general blindness to the growth of commercial sponsorship among political analysts. After Blair's election, the influence, at least at the level of rhetoric, of Giddens' 'Third Way'

soon became apparent, as a whole series of publications utilizing the phrase in the title emerged.¹⁸

Labour-oriented think-tanks, such as DEMOS, combined surveys, focus groups and attempts at blue sky policy development, addressing their perception of where the public were at and what they might be persuaded to vote for. The Labour Party machinery also turned to focus groups, and to the techniques of public relations. With Philip Gould and Peter Mandelson playing key roles, Labour's inner circle wrought a new image, designed to draw a line under the past, making a sharp distinction between the future, which they dubbed 'New Labour', and the past, which was condemned as 'Old Labour'. Everything to do with the party's collectivist co-operative, socialist and trade unionist spirit became part of old Labour. New Labour, bright, shiny and marketable was less tangible, but it was definitively 'new'. In 1994, John Smith died suddenly, and the modernizers were forced to act rather sooner than they had anticipated. Faced with a choice of candidates between Gordon Brown and Tony Blair, and believing that Gordon Brown, with his stern Presbyterian air, had too much of the echo of old Labour about him, Peter Mandelson famously intervened, providing gentle hints and nudges, and Blair cajoled Brown into standing aside to allow Blair a clear run at the leadership.

Despite the Third Way rhetoric, it soon became evident that Blair had considerable admiration for enterprise and for successful entrepreneurs, while he regarded the public sector with a mixture of suspicion and contempt. Indeed, his belief that the public sector was typically inefficient, resistant to innovation, committed to tradition and riven with restrictive practices seemed little different from the views of Margaret Thatcher. One of the ironies of Blair's leadership, with its enthusiasm for enterprise, is that the unions and the liberal professions – the two groups that have historically provided the bedrock of Labour support – became, in Blair's eyes, 'the enemy', as they had for Thatcher.

In the preface to *The Third Way*, Giddens' starting assumptions are the dissolution of the welfare consensus that dominated in industrial countries up to the late 1970s; the final discrediting, in his view, of Marxism and the profound social economic and technological changes that helped bring these about (Giddens 1998, p. vii). Giddens, however, does not accept the notion of the triumph of neoliberalism. He argues that 'its two halves – market fundamentalism and conservatism are in tension'. He suggests that 'devotion to the free market on the one hand and to the traditional family and the nation on the other is self contradictory' (Giddens 1998, p. 15).¹⁹

Dominic Wring suggests that there were three elements in Blair's thinking and that 'Labour's re-branding exercise' drew on communitarian themes derived from the work of philosopher John MacMurray and social theorist Amitai Etzioni, as well as the work of Giddens (Wring 2005, p. 138). It is certainly true that in Blair's 1990s pronouncements there is a communitarian element, which gradually became less apparent and certainly never really translated into concrete policy initiatives. In *The Political Philosophy of New Labour*, Matt Beech (2006) argues that new Labour is a revisionist social democratic party rooted in a communitarian social philosophy, but this somewhat Christian-oriented analysis seems to be detectable more in Blair's own religious comments than in Labour's policies.

Blair and Brown embarked on a charm offensive with City financiers, and consulted pro-Labour business people such as David Sainsbury, Anita Roddick and Barclays Bank Chief Executive Martin Taylor. Shadow ministers and party officials were sent for training in administration and organizational change at Oxford University's Templeton College and the Cranfield School of Management. Wring argues that the 'so-called third way philosophy' had a rhetorical bias towards neo-liberal 'marketisation' (Wring 2005, pp. 140–52). Geoffrey Foote rejects the idea that Blair marked a radical shift and suggests that there was a continuity of themes from the revisionist arguments advanced by Anthony Crosland (1956, 1964) in the 1950s and 1960s: 'The rejection of corporate socialism, symbolized by the gradual acceptance of market forces and the eventual re-writing of Clause IV of the party constitution, is merely the culmination of the dissatisfaction with the Morrisonian model which had been building up since the revisionist controversy of the 1950s' (Foote 1997, p. 324).

Foote argues that the left became split, demoralized by the defeat of the Miners' strike in 1984–85, then more so by the collapse of eastern socialism, was marginalized in the party and in the 1990s, lost its hold on the constituency parties (Foote 1997, pp. 324–5). This, though, underestimates the considerable power that Blair acquired through his substantial 1997 victory (in contrast to previous leaders) both to redesign the party and personally to diverge from its basic principles.

The DEMOS contribution to the Blair project produced, among other things, a pamphlet suggesting some long-term strategies, in 1997. This is a mixture of old and new, borrowed and innovative ideas, broadly within the framework of accepting capitalism and attempting to ameliorate some of its effects. But the innovations can be strikingly close to Thatcherite principles – calling for an end to the restrictions on corporate ownership of GP and Dental Practices, for

example (Mulgan 1997, pp. 17–18). Blair was to lead the Labour Party far closer to Thatcherite principles than most pundits predicted, while the euphoria of the election landslide in 1997 seemed to blind many Labour members, supporters and analysts to the profound shift taking place within the Labour Party leadership.

Labour was branded as ‘new’, but the campaign made it clear that in the first term they would stick to an economic framework established by the previous Conservative government led by John Major. A significant factor in the Labour victory was that, unusually, the electorate placed more trust on Labour than on the Conservatives to manage the economy. As part of its business-friendly strategy, Labour published a separate manifesto aimed at employers. This stressed economic stability and the potential of the private finance initiative (Geddes and Tonge 1997, p. 111). Blair also expressed support for privatization, specifically of air traffic control, as part of the attempt to stick to Conservative plans for public revenues and spending. Geddes and Tonge (1997, p. 111) suggest that the fact that ‘the issue caused so little furore was a reflection of Labour’s transformation under Blair’s leadership and the extent of his dominance of policy-making.’²⁰ The section on arts and culture in the Labour Party Manifesto for 1997 is striking for the emphasis placed on the commercial value of the arts: ‘Art, Sport and leisure are vital to our quality of life and the renewal of our economy. They are significant earners for Britain. They employ hundreds of thousands of people. They bring millions of tourists to Britain every year . . .’ (Labour Party Election Manifesto 1997). The Labour Government elected in 1997 could claim to have a genuinely new demographic. There were 419 Labour MPs of whom 101, almost one-third, were women, compared with only 17 women among the remaining 240 MPs. Among them, 64 Labour MPs were under 40 and, rather remarkably, 180 had not been to university (Geddes and Tonge 1997, p. 201). This new and inexperienced Parliamentary Party were all too easily swept up in Blair’s own enthusiastic embrace of enterprise and the agenda of the business and financial communities.

Stakeholding, the concept of citizens as shareholders in the economy, which some regarded as the big idea of the first term, collapsed or perhaps more accurately, given its almost complete lack of substance, just dissolved. Blair first promoted the idea in a 1996 speech in Singapore.²¹ A revised version, by DEMOS in 1998,²² had four main principles:

- widening share-ownership and more active and open shareholder democracy
- focus on employees rather than companies through measures to promote Career Funds as an individual entitlement

- development of pensions policy to give everyone “clearly identifiable assets to pay for their old age”
- development of minimum standards for corporate behaviour.

(Leadbetter and Mulgan 1998, p. 1)

This is little more than the popular capitalism of the privatization period of Thatcher's government, epitomized in the advertising slogan for selling shares in the privatization of British Gas 'If You See Sid, Tell Him', mixed with a last gasp of Heath-style one-nation conservatism and a faint whiff of Butskellism. It also offers a rather out-dated image of people working for one corporation for a whole career, at odds with the bright new world of flexibility, re-tooling, lifetime learning and adaptability which, in other contexts, Demos, Blair and Giddens were so keen on (see section on 'work', in Chapter 7). More pointedly though, the DEMOS pamphlet says that 'The question is no longer whether there is an alternative to capitalism, but what sort of capitalism we should promote' (Leadbetter and Mulgan 1998, p. 2). So, stakeholding represents the explicit abandonment not just of a transformative socialism, but even of a reformist labourism, in favour of tinkering to make capitalism run a bit more efficiently and not be quite so brutal.

One of the first decisions the new Blair government had to take was whether to continue with the hugely expensive project to build the Millennium Dome. Blair pushed through agreement to continue, against the will of the majority of his cabinet (although one should bear in mind the aphorism 'success has a thousand fathers, failure is an orphan'). In the event, the weakly conceived, poorly executed and unloved project only attracted half the projected visitors. In its theming though, it provided an emblematic example with which to dissect the ideology of project Blair and the New Labour brand (see Chapter 7).

Fools rush in? The second term and the Private Finance Initiative

Having won the battle for public support, Labour had used much of its first term in continuing the spending constraints established by the previous Conservative government in an effort to prove that Labour was re-electable. By the time the Labour Party won its second election in 2001, its big idea was the opening up of public services to the private sector. In fact, of course, the Labour government had been pursuing this policy since 1997, but in 2001, it made it a headline point.

This strategy was enshrined in the twin policies of the Public-Private Partnership (PPP) and the Private Finance Initiative (PFI). The initiatives of PPP and PFI exploited the route for commercial interests that had already been opened up by commercial sponsorship into the once protected space of the public sector.

By 2001, it was estimated that expanding their trade into public services could yield the private sector £30 billion extra revenue a year, £10 billion from central government contracts, £5 billion from education and £5 billion from local authority contracts (Pollock et al. 2001). PPPs were expected to bring £7 billion a year of investment, although Needham and Murray point out that 'in practice the use of PPPs only postpones state expenditure and increases transaction and borrowing costs' (Needham and Murray 2005). It was, however, the controversial PFI schemes that underpinned Labour's plans for expenditure. PFI schemes have a great appeal to any chancellor as they keep capital expenditure 'off the books'; but they store up debt for the subsequent 30 years, tend to be far more expensive and leave the public sector exposed to risk (contrary to the claim that risk will move from the public to the private sector).

In 2001, an IPPR Report on PFI recommended extending public-private partnerships into core public services such as health, education and local government. IPPR was a new Labour think-tank, but this report was also supported by corporations with vested interests, such as Nomura, Serco, Norwich Union, General Health Care Group and KPMG. To give some idea of the broad scope of such initiatives, The National Assembly for Wales issued, in 2001, a circular which listed services which could be provided by the private sector under a PFI agreement. These included grounds and gardens maintenance, property and building management, equipment maintenance, domestic services, catering, laundry, waste disposal, pest control, portering, security, non-emergency patient transport, courier services, information management and technology systems, financial services, car parking, telecommunications, energy and utilities, sterile supply services, stores, reception, postal services, residential accommodation and day nursery and crèche services. This list, which includes almost everything except nursing and clinical provision, is clear evidence of what the hollowing-out process means on the ground. Within a few years, nursing, out-patient care and minor surgery too would routinely be provided by private companies.

It is important to distinguish between PPPs, of which there are diverse examples all over the world, and PFI, which is largely a UK phenomenon, although there has been some use of PFI in Australia (see Pretorius et al. 2008, p. 216).²³ The PPP idea had been around for a long time, in the form of toll

roads and bridges, but has become more common since 1990 (Grimsey and Lewis 2004, p. 15). The growth of out-sourcing, the unbundling of 'natural monopolies' and problems with traditional methods of public procurement are cited as reasons for developing PPP and PFI (Grimsey and Lewis 2004, p. 246). There is a distinction between PPP, where the public usually retains a stake in the ownership of infrastructure, and privatization where ownership, management and financing and operation are all handed over to the private sector for a fixed period, often between 30 and 50 years (Grimsey and Lewis 2004, pp. 247–9). However, this means that the public sector will eventually inherit a great deal of out-dated and expensive-to-maintain infrastructure, that may no longer be fit for purpose and will require costly decommissioning at public expense.

The idea of the PFI is to raise funds for projects without having to raise taxation or have it appear on government balance sheets as expenditure. Private companies build facilities which are then leased back to the state for a sum that must cover costs and produce profits. Sometimes, and increasingly so, this also involves the private company operating and servicing the facility. The PFI scheme was originally launched in 1992. A body, Partnerships UK, was established in 2000 to promote PPP/PFI schemes (Grimsey and Lewis 2004, p. 6). In theory, the PFI is supposed to optimize value for money (Pretorius et al. 2008, p. 216). In practice, they have been strongly criticized as being very poor value for money. PFI is often utilized where there is a funding gap, such as that which arose after decades of under-investment in the London Underground (Pretorius 2008, p. 218). London Mayor Ken Livingstone was strongly in favour of a bond scheme to renovate the London Underground, but was over-ruled by the then chancellor, Gordon Brown, who favoured PPP and PFI schemes.²⁴ These turned out to be highly expensive, and one scheme collapsed completely, at huge additional public cost.

A primary argument made at the time of the introduction of PFI was that it would mean 'transferring the risks associated with public service projects to the private sector in part or in full'.²⁵ The case was made that as the private sector controls operating costs better, and as the private company would accept the cost of overruns, such schemes would be cheaper.²⁶ In theory, 'risks are taken by the party which is best equipped to manage such risks' (Grimsey and Lewis 2004, p. 245). In practice, when a firm goes bust, or a PPP or PFI scheme goes wrong, it is the state that is left to pick up the risk. When contracts have failed to deliver, as happened at the Passport Agency and other IT contracts, the penalty clauses against the companies ended up being unenforceable because the government

had to rely on the companies that created the mess to get them out of it.²⁷ There are various types of PFI arrangement, some of which involve a company merely in building a facility, others in which the company also operates it, providing a range of services.²⁸

Many of the companies, such as W. S. Atkins, who became involved in early PFI schemes, were primarily involved in construction and management. However, as construction is high risk and low margin, these companies rapidly realized that the larger and safer profits were to be made in providing servicing for large government contracts. Consequently, such companies (for example Jarvis, Atkins, Serco) began reinventing themselves as service providers, with expertise in health and education services.

In British governance, *The Ryrie Report* (1981) and subsequent 'Ryrie Rules' dictated that private funding schemes must be tested against public funding alternatives (Pretorius 2008, p. 219). The Ryrie Rules were intended to stop ministers from insulating private finance from risk, but were abolished in 1989. After this, the Treasury was able to promote private finance as an additional source of funding, and not just as a substitute for public spending.²⁹ By 1994, the basic principles of funding approval had, in effect, been reversed, so that the Treasury would not approve any large capital projects unless private finance options had been explored. The government established a Private Finance Panel, which was flooded with a vast range of proposals, and effectively abandoned any mandatory or universal testing against the public sector for value for money (Pretorius 2008, pp. 219–20).

In May 1997, the incoming Labour government launched a review of the PFI – The Bates Review. This made 29 recommendations to streamline the process (Blackwell 2000, p. 2) and a new Treasury private finance task-force was established. One issue that arises with PFI schemes is that off-balance sheet financing can hide longer-term open-ended public sector liabilities (Pretorius 2008, p. 240). Many PPP and PFI deals are so complex that consultancy, legal and accountancy fees escalate dramatically. The London Underground PPP schemes were so complex, the lawyers' fees alone cost £455 million (Pretorius 2008, p. 338). Blair reiterated his support for PFI in his last year as Premier.³⁰ When Brown launched his own leadership manifesto during 2007, he rejected calls from trade union leaders to turn back from increased private sector involvement.³¹ Brown repeated his view, expressed 3 years earlier, that PFI represented 'the most cost effective infrastructure for our public services'.

Who gains? For the Government, it enables the commissioning of high profile projects, while loading costs onto the next generation: 'in order to reduce

the PSBR, one of the attractions of the PFI was the ability to have transactions which remained off balance sheet' (Blackwell 2000, p. 3). In opposition, Harriet Harman, Alan Milburn, Vince Cable and George Osborne have all opposed PFI, but in Government, the temptations of obtaining private finding which is not on the Government balance sheet became irresistible. Indeed, Coalition Chancellor George Osborne, who derided Labour's PFI schemes as 'flawed', has been commissioning new PFIs faster than ever. For companies, the PFI was, of course, highly attractive ('Private Company Bonanza', BBC, 03.09.01). A Treasury budget report in 2001 showed that the first £14 billion of PFI deals signed would give the private sector a guaranteed £96bn return over 26 years (BBC News, 02.09.01). PFI schemes were highly attractive to global capital represented by transnational corporations.

Who loses? A Catalyst report³² shows that most of the cost savings achieved by private companies taking over public services are achieved not through managerial innovations but by cutting the terms and conditions of the staff who work in them. In prisons run under PFI, for example, average basic pay is 30 per cent lower, working hours are longer and holidays shorter (Sachdev 2004). The schemes are not popular with the public. The Commission on Public-Private Partnerships (2001) noted the considerable degree of support among the electorate for the public sector remaining in full control of provision of public services. (Grimsey and Lewis 2004, p. 17). Trevor Smith (Lord Smith of Clifton) argued that the Blair government had introduced a plethora of agencies and processes that were largely uncharted, still less codified or publicly accountable.³³ Flinders has also argued that the Labour government policies in this area are largely devoid of an underpinning rationale and that this may have significant implications for successful policy delivery, the public's trust in government and the future trajectory of the British state (Flinders 2004).

As George Monbiot (2000) recounts, the very first PFI scheme, to construct and operate a toll bridge connecting Skye with the mainland of Scotland, was hugely expensive, and in 2004, the Scottish Executive had to buy back the bridge from its private owners for £27 million, to prevent further punitive costs. The bridge built by a commercial group led by the Bank of America cost the public an estimated £93 million, for a bridge that should have cost £15 million. It was a scheme that made a 662 per cent return for its investors.³⁴

The 'efficiency' gains claimed for PFI are unclear, partly because the contracts are 'commercial in confidence' and their evaluation to demonstrate efficiency gain is consequently impossible. In the absence of any Whitehall quantification of such gains, probably they are illusory. PFI was described by Alan Maynard as

a ‘magnificent wheeze to bamboozle the local population and the international financial community into believing that public sector borrowing was lower than it actually was, and that private contracting would improve efficiency.’³⁵ This bonanza for some private sector firms has produced significant funding problems for the NHS in a period of economic difficulty. But contracts are contracts, and the private sector will have to be paid, even if this diminishes the local capacity of the NHS to deliver patient care.

It became clear that the Labour government had adopted the idea of PFI as a central means for delivering its election promises on schools and hospitals. One much touted merit to PFI Schemes was the supposed transfer of risk to the private sector. But, around the world, where, as part of the IMF and World Bank neo-liberal agenda, countries were being forced to adopt PPP and PFI as the price of support, risk was being identified as a problematic issue in contract design (see Irwin 1997). The various guides that were produced to aid both public project managers and private companies devoted much space to issues of risk (see, e.g. Merna 2003, Matsukawa 2007). As Freedland succinctly states, the agendas of the public and private sectors are not the same:

It is naive to imagine private companies would not immediately look for ways to cut corners and boost their profits. That’s not because they are evil people. It’s because they are private companies: making profits is what they exist to do. The private sector will not conform to public values. It makes its decisions according to different criteria: money, not safety or service. (Jonathan Freedland, *The Guardian*, p. 23, 23.05.01)

The policies of PPP and PFI proved to be consistently controversial in their application, both politically and economically. There is unease among both the public and within the Labour Party at the encroachment of commercial interests into the funding of state health and education provision. A YouGov poll in August 2012 showed that 62 per cent of the public believed public services should be provided wholly or mainly by national or local government (*The Observer*, 19.08.12). There is resistance from large numbers of Labour Members of Parliament to changes in policies for health and education funding. Health and education are the two essential public services which were the main planks in the foundation of the British welfare state and which continue to be used and valued by the majority of the UK population.

During their period in office, the concept of ‘choice’ became a major part of New Labour’s rhetoric, and nothing so clearly marks a continuity with the

themes of high Thatcherism, nor signifies so starkly the abandonment of Labour's historic commitment to communality. 'Choice' became a prominent slogan for the Conservatives in 1987, and it was not until 2001 that Labour managed to outgun the Tories in their use of the word.

Uses of the word 'choice' in the election manifestos of British political parties 1974–2001.

Year	Conservative	Labour
1974	4	0
1979	3	2
1983	6	5
1987	19	9
1992	42	5
1997	27	8
2001	21	24

The key moment in the emergence of a discourse of choice in British politics appears to be the 1987 Conservative manifesto. The manifesto declared that 'The British instinct is for choice and independence', and offers 'to give people greater choice and responsibility over their own lives in important areas such as housing and education'. The discourse of choice was at its most developed in relation to education, where people would be enabled 'to exercise real choice'. The manifesto declared that 'we will increase parental choice . . . parents still need better opportunities to send their children to the school of their choice . . . If, in a particular school, parents and governing bodies wish to become independent of the Local Education Authority (LEA), they will be given the choice to do so'. As for the forces against choice, the major ones portrayed in the manifesto were trade union power and taxation: 'High taxes deprive people of their independence . . . We want people to keep more of what they earn, and to have more freedom of choice.'³⁶

From 2001 onwards, choice also became central to New Labour rhetoric and was deployed with special intensity in the arguments advanced for health and education policy reform, where it was continually asserted that people wanted more choice. It is hard to detect this desire in polling evidence, and one suspects that the majority of people do not want a choice of hospitals or schools, but rather a good reliable one close to where they live.

End game?

If the first term was dominated by the desire to prove that New Labour was business-friendly, and the second was dominated by the Iraq War, the third became structured around the question of when Blair would resign, when Brown might succeed him and what difference it might make. Both Blair and Brown placed a great emphasis on Labour being business-friendly, but Brown's social inclusion agenda and resistance to some Blairite 'reform' proposals clearly diverged from Blair and caused the Blairites to mount a ferocious rearguard action to try and prevent Brown from becoming Prime Minister. In the event, almost as soon as Brown entered Number 10, the financial meltdown became the central factor of political life. Despite his crucial, widely acknowledged and much praised leadership role during the financial crisis, Brown lost the 2010 election, and, propped up by the Liberal Democrats, Conservative David Cameron became the new Prime Minister. His public sector policies thus far have largely served to emphasize the continuities between Thatcher, Blair and the Cameron-led coalition when it comes to constructing the legislative and regulatory conditions to encourage private corporations to colonize the public sector.

Notes

- 1 For more details on the negotiation of the IMF Loan, see Treasury Papers at Gov. UK and papers in the National Archives:
www.filestore.nationalarchives.gov.uk/pdfs/small/cab-129-193-cp-76-111-1.pdf.
www.hm-treasury.gov.uk/foi_sterling_imf_2006.htm.
[www.nationalarchives.gov.uk/cabinetpapers/themes/imf-crisis.htm#The%20\\$3.9%20billion%20loan](http://www.nationalarchives.gov.uk/cabinetpapers/themes/imf-crisis.htm#The%20$3.9%20billion%20loan).
- 2 Benn 1978, 1981; Hall *et al.* 1978, Hall 1979.
- 3 One particularly dramatic meeting took place in a packed Merton Town Hall, during which the Surrey District broke with the leadership over the apparently implacable opposition of Surrey members to Euro-Communism, and their apparent preference for a form of neo-Leninism. Such are the ironies of history.
- 4 The overthrow of the democratic government of Chile, led by Allende, who was killed in the coup, was followed by the imposition of a brutal military dictatorship and neo-liberal economic and social policies.
- 5 Margaret Thatcher Foundation, www.margaretthatcher.org/document/112195, accessed 28.05.11.

- 6 (Interview for *Woman's Own*, 23.09.87, Margaret Thatcher Foundation, www.margaretthatcher.org/document/106689, accessed 28.05.11.)
- 7 See *Long Term Trends in British Taxation and Spending*, Clark, Tom and Dilnot, Andrew (2001), The Institute for Fiscal Studies, Briefing Note No. 25.
- 8 See: Patterson A. and Pinch P. L. (1995) 'Hollowing out' the local state: CCT and the restructuring of British public sector services.' *Environment and Planning A* 27: 1437–61.
- 9 See, for example:

CCT and Local Authority Blue-Collar Services, Austin Mayhead & Co. Ltd., for Local Government Research Unit, 1997, Department of the Environment.

Local Government Research Unit CCT Non-Bidders Department of Transport, Local Government Regions, 1996, 'A report on a survey of the views and awareness of non-bidding firms', UK.

The Impact of Compulsory Tendering on IT in Local Government: Some Possible Outcomes, Bryson, Colin (1996), Unpublished working paper. A lecturer in the department of Human Resources, Nottingham Business School, UK.

'The Impact on Local Authority Leisure Provision of Compulsory Competitive Tendering, Financial Cuts and Changing Attitudes', Nichols, Geoff and Taylor, Peter (1995), *Local Government Studies* 21(4), pp. 607–22, UK.

'Compulsory Competitive Tendering for Sport and Leisure management: A Lost Opportunity?' Coalter, Fred (1995), *Managing Leisure* 1, pp. 3–15, UK.

Szymanski, Stefan (1996), 'The Impact of Compulsory Competitive Tendering on Refuse Collection Services.' *Fiscal Studies* 17(3), pp. 1–19.

'Delivering Best Value for Leisure' Taylor, Peter, 1995, Leisure Management Contractors Association UK.

'CCT: The Private Sector View: A Report on a survey of private sector firms' Department of the Environment, 1995 Ref: A5887 UK.

'Making Markets: A Review of the Audits of the Client Role for Contracted Services', Audit Commission, 1995, HMSO.

'Why Compulsory Competitive Tendering for Local Government Services is Not as Good as Privatization?' Frederick, Danny (1994), Libertarian Alliance.

'Realizing the Benefits of Competition: The Client Role for Contracted Services' Audit Commission, 1993, HMSO.

'The 1988 Local Government Act and Compulsory Competitive Tendering', David Parker (1990), *Urban Studies* 27(5), pp. 653–67.

Gomez-Lobo, Andres, and Szymanski, Stefan (2001), 'A Law of Large Numbers: Bidding and Compulsory Competitive Tendering for Refuse Collection Contracts,' in *Review of Industrial Organization*, v18, n1, pp. 105–13.

- 10 Department of the Environment, Transport and the Regions (1998), *Improving Local Services through Best Value: Consultation Paper*. London: DETR.
- 11 Serco website, www.serco.com/instituteresource/subjects/UKmkt/cct/index.asp, Accessed 16.04.11.
- 12 For a discussion of these issues see, Hall 1988, Hobsbawm 1981, Kavanagh 1990.
- 13 Foote (1997, pp. 371–4) offers a chronology of books and events of this period.
- 14 The New Times debate in Hall and Jacques (1984).
- 15 Although it has become associated with ‘New Labour’, the concept of a middle ground in politics can also be linked to one-nation conservatism – Harold Macmillan, (Prime Minister, 1957–63) wrote, in 1938, a book called *The Middle Way*.
- 16 See *The Hard Road to Renewal*, the New Times debate, referenced below. These themes were also echoed, albeit with a wider vision and broader historical sweep, in Eric Hobsbawm’s: *The Forward March of Labour Halted*.
- 17 See for example, Clarke 1991, McRobbie 1991, Murdock 1994, Norris 1992.
- 18 See Giddens 1998, Blair 1998, Blair and Schroeder 1998. Hargreaves and Christie 1998. Giddens also contributed further to the debate, discussing the various responses there had been to the original book. See, for example: Giddens 1992, 1994, 2000, 2001.
- 19 Cameron’s Big Society could be seen in part as an attempt to address this contradiction.
- 20 For a discussion of the 1997 election victory and its significance, see Brivati and Bale 1997, Driver and Martell 1998, Finlayson 1998, Foote 1997, Hay 1999, Leys and Panitch 1997, Quinn 2004, Steinberg and Johnson 2004.
- 21 The concept emerged from Will Hutton’s *The State We’re In* and John Kay’s *The Foundations of Corporate Success*.
- 22 *Mistakeholding: Whatever Happened to Labour’s Big Idea* (Leadbetter and Mulgan) London: Demos, 1998.
- 23 One wonders why, if PFI is such a good idea, so few other countries have adopted it.
- 24 The PPP and PFI schemes for renovation of the London Underground were pushed through by the Treasury, despite the opposition of London Mayor, Ken Livingstone, who favoured a bond scheme, which offered much better value and less public risk. The sheer complexity of the schemes for the Underground generated massive expenses in accountancy and contract preparation alone. Since commissioning, one of the three schemes has collapsed, two of the companies involved have gone out of business, and in 2010, the whole tube system reverted to public ownership (*Money Week*, 21.05.10).
- 25 House of Commons Research Paper *The Private Finance Initiative*, 03/7921, October 2003.

- 26 See The Private Finance Initiative: The Government's response to the 6th report (1996) This makes the following argument:

Typical PFI is 30 percent capital (construction) costs and 70 per cent operating costs. The Government calculated that private schemes make cost savings of 20 per cent in operations. So there is a saving of 14 per cent (20 per cent of 70 per cent). Construction costs typically overrun 24 per cent, and this overrun will be borne by the private company. Assuming private sector manages these risks better, there should be a saving on the capital element of up to 7 per cent (the 30 per cent construction element with a saving of 24 per cent) (quoted in Blackwell 2000, p. 3).

- 27 These issues were discussed in these terms on the BBC News, 02.09.01.

- 28 These types are known by the following acronyms:

BOO: Build Own Operate,

BOOT: Build Own Operate Transfer,

BOT: Build Operate Transfer,

DBF: Design Build Finance,

DBFO: Design Build Finance and Operate,

DBO: Design Build Operate

(see Grimsey and Lewis 2004).

- 29 www.abdn.ac.uk/crpf/privatefinance.pdf, derived from David Heald and Alasdair McLeod (2002), 'Public Expenditure', in *Constitutional Law, 2002, The Laws of Scotland: Stair Memorial Encyclopaedia*. Edinburgh, Butterworths, para 502.

See also HM Treasury *Public Private Partnerships: The Government's Approach* (Stationery Office, 2000).

- 30 CBI's Public Services Summit held on 24.01.07.

- 31 BBC Radio, *Sunday AM*, 11.09.06.

- 32 *Paying the Cost: PPPs and the Public Service Workforce*, The Catalyst Trust.

- 33 Smith, Trevor (2003), 'Something Old, Something New, Something Borrowed, Something Blue: Themes of Tony Blair and his Government'. *Parliamentary Affairs* 56: 580–96, *Hansard Society*.

- 34 See Monbiot, George, BBC News.

- 35 The magnificent PFI wheeze goes wrong for the NHS, Alan Maynard, www.guardian.co.uk, 14.08.10, accessed 20.08.11.

- 36 All quotations are from the 1987 Conservative Party Election Manifesto.