Bagehot

There is no alternative
May 7th 2009
From The Economist print edition

The permanence of Thatcherism and the politics of unpopularity

Illustration by Steve O'Brien

POLITICS has turned funereal. New Labour was buried by ululating commentators after last month’s flawed budget. Now the -ism that spawned Tony Blair’s hybrid creed is apparently following it into oblivion. The 30th anniversary of the Iron Lady’s first general-election win in May 1979 has been marked by reports, often exultant, of the death of Thatcherism.

There are two strands to this diagnosis. One is that Margaret Thatcher’s deregulatory reforms, in particular the “Big Bang” of 1986, caused the financial crash; in this critique Mrs Thatcher (as she was in office) personally dispensed bankers’ bonuses from her handbag. The wider point is that the economic model she advocated, and which her apostate Labour successors embraced, has been discredited. Neo-liberal, Thatcherite economics, runs this argument, was fatally undermined by its own internal weaknesses, then interred after the crunch amid a mêlée of Keynesian splurges and nationalisations. None of us is a Thatcherite now.

The first charge is true only in the way that, say, the Versailles treaty “caused” the second world war. There have been too many intervening years, factors and governments for the case to stand up—though it reflects Mrs Thatcher’s mythic status that, for some, she must be to blame. The wider argument is plain wrong. The themes of British politics in the next few years will be recognisably Thatcherite. So will many of the policies.

Conviction and confusion
One nostalgic motif may be confrontation with trade unions. Of course, they are not the destructive power in the land that they were in 1979: Mrs Thatcher saw to that. Their membership has shrunk; their leaders are saner. All the same, the squeeze on pay and pensions in the public sector that may be needed to help cut Britain’s deficit will doubtless provoke a serious punch-up.

Another is privatisation. Admittedly, the state has temporarily taken charge of the new commanding heights of the economy, the banks. But elsewhere the process of privatisation begun by Mrs Thatcher and furthered by her heirs continues: witness the row between Gordon Brown and Labour MPs over plans for Royal Mail. More importantly, in areas that Mrs Thatcher only nibbled at—health, education and welfare services—politicians will push on with bringing in private provision and applying the rigours of the market to the functions of the state.

Then there is the question of tax. The new top rate of income tax, of 50% for earnings over £150,000 ($225,000), is cited as evidence of Thatcherism’s combustion. Yet the angry response has shown how widespread and ingrained is the doctrine that Mrs Thatcher preached: that low tax is good for both enterprise and government revenues. Moreover, while the latest increase may be myopic, it is scarcely the sort of confiscatory levy imposed before she took over: the realm of the possible in taxation has shrunk. Taxes may rise in the immediate future (as they did after the notorious budget of 1981); but a 1980s-style backlash against over-taxation across the whole spectrum of wealth may well follow. There could be a renewed push for tax reform, shifting the burden, as Mrs Thatcher did, from income tax to other kinds.

Britain is not the place it was in 1979: it is more complex, more tolerant and hedonistic, haunted less by imperial decline than by pseudo-imperial overstretch. Its problems are different too. Thirty years ago, taming inflation and making the country governable were Mrs Thatcher's first priorities. Now one pressing need is to fulfil an aspiration she never realised: a dramatic reduction in the proportion of national wealth consumed by the state. For all the exciting short-term neo-Keynesianism, the basic long-term solution is Thatcherite: stringent economic discipline.

Imposing that discipline will bring with it two other Thatcher trademarks: controversy and intermittent unpopularity. The atmosphere of politics, like some of its content, is set to be Thatcherite. And Mrs Thatcher’s experience offers her successors a template for the uses and management of opprobrium.

For Mr Brown, the comparison is shaming. Shortly after he moved into Number 10, he invited Mrs Thatcher round for tea, describing them both as “conviction politicians”. Yet whereas her premiership was controversial in pursuit of a transformative goal, his has been a study in purposeless unpopularity.

Meanwhile David Cameron, the current Conservative leader, is in one sense the first post-Thatcherite holder of that office; only now have the clefs in the party left by her ousting healed. Mr Cameron is a different sort of Tory: less of an economic determinist than Mrs Thatcher, more socially liberal, more in the party’s “one nation” tradition. But he has assimilated at least one major lesson of her often misremembered career. She was a revolutionary but also an incrementalist, whose biggest upheavals were mostly not announced in her manifestos.

Mr Cameron is being similarly cautious. He now lauds Mrs Thatcher where once he seemed to distance himself from her, using her name as a byword for political bravery—but without saying precisely what form his own bravery will take. His Tory colleagues talk about how loathed they expect to be after six months in government—but not exactly why. The outstanding question is this: for all the shortage of upfront details, Mrs Thatcher knew what she wanted to achieve. Do the Cameroons?

At a recent press conference Mr Cameron was asked about the Thatcher anniversary. Serendipitously, as he answered, a military band struck up outside the window; Mr Cameron clenched his fist and talked with mock bombast about giving “pride back to Britain”. He is of a generation for whom invisible, ironising inverted commas hang above any grand or portentous statement. They didn't for Mrs Thatcher. Her lesson is that Mr Cameron needs to know his mission, stick to it and hold his nerve.