

The 1970s and after

The political economy of inflation and the crisis of social democracy

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The 1970s was the decade in which the left lost its historical role as the standard bearer of freedom and progress, the role it had proudly possessed since the French Revolution. It was the decade in which the dynamic for necessary change was hegemonised by the new right. This is why the 1970s are so crucial for an understanding of the present situation and the discussion of how to transcend the dominant neoliberal ideology that is in danger of becoming the common sense of the New Millennium. Yet there exists widespread historical amnesia in relation to the political economy of the second half of the last century.

This article is an exercise in historical retrieval. It sets out the conditions that made the post-1945 Keynesian social democratic welfare state possible; analyses the crisis of social democracy that developed around the great inflation of the 1970s and the attempts to contain it; characterises the historic achievement of the Thatcherite new right as the destruction of the historic bloc of social forces on which the post-1945 consensus depended; and identifies the historic mission of New Labour as completion of the process of consolidating neoliberal ideology as the new common sense of the age, a legacy that may be inherited by the Cameron Conservatives. The article ends by suggesting that an awareness of this history is necessary if the left is to form a new historic bloc articulated around a radical democratic agenda for civil society, the state and the economy, based on ecological sustainability and social justice.

The analysis that follows has been influenced by the insights of both Polanyi and Gramsci. Polanyi argued that the movement leading to the creation of a capitalist free market economy in nineteenth century Britain undermined the conditions for capitalism's continued existence, thus calling forth a countermovement through which society reacted to protect itself. Gramsci argued that in developed capitalist countries the hegemony of capital in any historical conjuncture depends on a balance of coercion and consent in which the decisive social forces in the society are organised into a historic bloc held together by the ideological cement of the common sense of the age. The social democratic welfare state that was created after the second world war can be interpreted as being the high point of Polanyi's countermovement, in which society succeeded in effectively protecting itself from the worst ravages of the free market. The balance of social forces that made this welfare state possible can be interpreted as the historic bloc that emerged from the inter-war period and the war itself.

However, the imposition of checks on the laws of motion of capital causes the system to seize up, thus producing an organic crisis and the disintegration of the previous historic bloc. The way in which this organic crisis is resolved then determines which social class is hegemonic in the new historic bloc that is created. Within this framework, the 1970s can be seen as a decade of organic crisis, a decade of struggle between the radical left and the radical right over the future direction of society. In the event, capitalist hegemony was re-established by the victory of the radical right, which ushered in the neoliberal era of deregulation and privatisation and the project of building a new historic bloc and creating a new common sense of the age. However,

the reassertion of the supremacy of the capitalist market almost immediately called forth new movements of resistance that can be thought of as the beginning of a second Polanyian countermovement, although this time, if so far only embryonically, on a global scale corresponding to the present stage of global capitalism.¹

The post-war settlement, the long boom, the inevitable crisis

The mass unemployment and fascism of the inter-war period, culminating in the second world war, gave rise to the post-war settlement and the creation of the Keynesian social democratic welfare state, which cemented a new historic bloc reflecting the changed balance of social forces in the world. Much of the right had supported fascism and was discredited. The Soviet Union had borne the brunt of the war on the allied side and emerged from it economically weakened but militarily, politically and morally strengthened. It was soon to be joined by Eastern Europe and China to constitute a global alternative to capitalism. Communist and Social Democratic parties in Western Europe also emerged from the war greatly strengthened, in Continental Europe as a result of their participation in the resistance, in Britain as the Labour Party was the beneficiary of the impetus behind the implicit social contract that had underpinned the war effort.²

Welfare state Keynesianism took the form of a post-war consensus around the maintenance of full employment, the creation of the major pillars of the welfare state (health, education, social services, social security and pensions), and the nationalisation of the essential industries constituting the infrastructure for an efficient capitalism (public utilities, energy, transport and communications). The only contentious issue dividing the major political parties in Britain was the nationalisation of the iron and steel industry in 1951, which was subsequently denationalised by the Conservatives in 1953 and then renationalised by Labour in 1967. Apart from this, although there were differences on less central issues, on all the major issues there was broad cross-party agreement.

Internationally, the 1944 Bretton Woods Conference had agreed on a new international order, to be operated by an International Monetary Fund and World Bank. This consisted of a fixed exchange rate regime, together with a mechanism for adjusting balance of payments disequilibria when they arose. However, Keynes's proposal that the burden of adjustment should fall equally on surplus and deficit countries was rejected by the United States. What emerged instead was an asymmetric system in which the burden fell entirely on the deficit countries, which reflected the economic dominance and interests of the United States at the time. Like domestic welfare state Keynesianism, the Bretton Woods system thus contained the seeds of its own collapse.

The post-war consensus emerging from the second world war continued in the 1950s and the first half of the 1960s, the period of the long-boom, or 'the golden age', immortalised in Macmillan's words 'You've never had it so good'. Macmillan was right. The 1950s saw a fundamental transformation of working-class life in Britain and elsewhere, as full employment and mass production created the basis for mass consumption. Full employment also created the conditions for the end of deference

¹ For a discussion of the relationship between Polanyi and Gramsci, see Burawoy (2003).

² For a detailed analysis of the basis of the post-war settlement, see Addison (1975).

and the gradual development of rising aspirations on the part of the working class. British capitalism during this period was able to satisfy the key components of the post-war historic bloc - capital, labour and the political classes. However, by the second half of the 1960s problems were developing.³

The recovery of Germany and Japan, and their faster growth rates, together with the process of decolonisation and the end of Empire, led to intensifying international competition. Domestically, the prolonged period of full employment had changed the balance of forces between capital and labour in the labour market. At the same time, the balance of power between the ex-colonies and the industrialised capitalist countries had changed, partly due to political independence, partly because of the impact of rapid growth on the demand for primary commodities. The result was intensifying distributional conflict and an accelerating rate of inflation. In Britain, the weakest of the major capitalist economies, this was associated with a deepening balance of payments problem, which gave rise to the well-known phenomena of stop-go policies and stagflation.

As British capitalism ceased to be able to satisfy the key components of the post-war historic bloc, a period of social and political crisis developed. The first response was an attempt at modernisation, started under the Conservative government and continued by Labour when it assumed office in 1964. There were three main strands to this modernisation strategy: industrial policy, with the National Plan and the Industrial Reorganisation Corporation; industrial relations reform, with the Donovan Commission and In Place of Strife; and various attempts at Prices and Incomes Policy. In order to carry legitimacy and have a chance of success, these policies were in the main implemented through tripartite bodies, notably the National Economic Development Council, representing the major components of the historic bloc - the Confederation of British Industries, the Trades Union Congress and the Government.

In the event, the attempt at modernisation in Britain failed, for two main reasons. The economic policy foundations of the social democratic Keynesian welfare state were macroeconomic management, to maintain full employment and deal with the deepening balance of payments problem, and state provision of an efficient infrastructure. This provided the context for the operation of the economy at the micro level by private capital in pursuit of profit. Efficiency at the micro level was to be achieved by free competition between capitalists in factor and product markets and free collective bargaining between capital and labour in the labour market. Industrial policy in Britain failed because of the arms length relationship between government and capital, which meant that policy had to proceed with the consent of capital. The government was unwilling or unable to adopt policies with teeth. Industrial relations reform and incomes policies failed because of the resistance of labour to any encroachment on free collective bargaining. This stemmed from the economism of the labour movement, with its preoccupation with wages and conditions and its refusal to accept any responsibility for economic performance. It was this double failure of the modernisation strategy that ushered in the crisis of social democracy in Britain.

³ For an analysis of the post-war 'golden age', see Glyn et al. (1990).

The conflict theory of inflation

The crisis made itself felt primarily in the accelerating rate of inflation (which by the summer of 1975 had reached an annual rate of 25 per cent), but also in an associated profits' squeeze.⁴ As Marx had long ago argued, the capitalist mode of production has its own inherent logic, its own law of motion, and central to that historically has been the trade cycle - the cycle of boom and slump, with its regular re-creation of mass unemployment, the industrial reserve army of labour. For Marx, mass unemployment was not some form of market failure but was functional for capitalism, as a means of keeping the working class in a subordinate position. Kalecki had already pointed out in 1943 that prolonged full employment would be a problem for capitalism, in that it would change the balance of power in the labour market and create inflationary pressure as workers pushed up money wages, and so it proved to be.⁵ The effective suspension of the trade cycle meant that the regular creation of mass unemployment as a means of disciplining the working class, in the labour market and in the workplace, ceased to occur and inflation gradually gathered pace. In the debates on the left in the 1970s around the policies to be adopted in response to the crisis of social democracy, the causes of inflation, and hence the appropriate policies to deal with it, were hotly disputed. It was in this context that the conflict theory of inflation was developed, in opposition to the dominant monetarist theories that were becoming the conventional wisdom not only on the right but also on the left.

The essential structure of the conflict theory of inflation is as follows. The Keynesian social democratic welfare state created and sought to manage a situation in which there were the following dynamics: (i) in conditions of full employment workers could not be prevented from seeking real wage increases in excess of productivity growth; (ii) in a capitalist economy this objective could only be pursued by seeking to increase money wages; (iii) in oligopolistic markets capitalists were not prevented by competition from increasing money prices in order to maintain profits; and (iv) the state, in order to maintain full employment, increased the money supply to accommodate the higher wages and prices and allow the full employment level of output to continue to be sold at the higher prices. However, since total claims on output continued to exceed full employment output, the wage-price spiral was not halted but rather gradually accelerated.

In addition to this basic dynamic, which was more or less present in all the industrialised capitalist countries, albeit with significant variations, two other factors also made themselves felt in some countries, particularly in Britain. First, both workers and capitalists made demands on the state which required extra state expenditure, but resisted paying for it through higher taxes. Workers sought improvements in the welfare state services, the collective part of their real wage, while capitalists sought improvements in infrastructure and subsidies. Thus, as well as demands for increases in private consumption, workers sought increases in collective consumption, while capitalists sought increases in collective investment, as well as in private investment and their private consumption. However, neither workers nor capitalists were prepared to accept that increased state expenditure had to be financed,

⁴ On the profits' squeeze, see Glyn and Sutcliffe (1972).

⁵ Kalecki (1943).

either by increased taxation, which they resisted, or by increases in the money supply, which is what happened. The wage-price spiral became a wage-public-expenditure-price-tax spiral.

The second additional factor at work resulted from the changed balance of power between the ex-colonial countries and the metropolitan capitalist countries. As continuous economic growth caused demand for primary commodities to outstrip supply, the primary commodity producing countries could not be prevented from increasing their prices and shifting the terms of trade in their favour, thus increasing the real price of their commodities. This resulted in an increase in import prices in the metropolitan capitalist countries which meant there was less real income available for domestic use, thus exacerbating the conflict over the distribution of full-employment real national income. The wage-public-expenditure-price-tax spiral now included increasing import prices as well as domestic prices. The most dramatic example of this process was, of course, the succession of oil price increases in the 1970s.⁶

Given the dominance of monetarist theories of inflation, it is important to realise that the money supply did undoubtedly increase during this period. However, this increase was not the underlying cause of the great inflation of the 1970s. The increase in the money supply was itself a consequence of the struggle between capital and labour over the division of full employment output. In the context of that struggle, in which workers increased money wages in order to obtain a larger share of output, and capitalists increased prices in order to prevent this, full employment output could only be bought at the higher prices if the money supply was increased. The increase in the money supply was thus a necessary outcome of the commitment to full employment. Only when that commitment had been abandoned at the end of the 1970s, did it become possible to seek to contain the money supply. A restrictive policy towards the money supply is merely a means of disciplining labour through the acceptance of mass unemployment if workers do not restrain their demands for a larger, or in some circumstances even the same, share of real output. The Bundesbank's overriding objective of controlling inflation, subsequently imposed on the European Central Bank, and New Labour's decision to give the Bank of England 'independence' in pursuit of a government imposed low inflation target, both followed from the political decision that inflation was more of a problem than unemployment. If unemployment was the only way of disciplining the workforce, so be it. Of course, for this policy to be possible a fundamental change in the post-war balance of forces was necessary. It is the achievement of this that has been the historic mission of the new right's neoliberalism since the late 1970s.⁷

The 1970s: the end of social democracy

By 1970 the basis of the post-war consensus had gone. Capitalism had begun to seize up as the Keynesian welfare state, with its full employment, rising aspirations, and the ability of the labour movement to pursue them, increasingly closed off the sources of renewal within the capitalist mode of production - the scrapping of the least efficient

⁶ For a fuller discussion of the conflict theory of inflation, see Devine (1974) and (2003), and also Burdekin and Burkett (1996).

⁷ The lower rates of growth associated with higher unemployment also had the incidental effect of weakening the demand for primary commodities, thus shifting the terms of trade against the commodity producing countries.

capital equipment during a slump and the reduction of wages as a result of mass unemployment. At the same time, the recovery of Germany and Japan and the dynamic of capitalist development were producing an increasingly integrated global economy, with the consequence that competition between capitals was intensifying, and by 1973 the Bretton Woods system of fixed exchange rates had collapsed. In this historical conjuncture, two alternative post-social democracy trajectories presented themselves: a move in the direction of economic democracy, building on the gains of the long-boom, as a transitional stage towards socialism; or a move to neoliberalism, reversing the post-1945 gains.

The radical alternative economic strategy developed in the 1970s was an attempt to provide a framework for the former. It recognised that inflation, in the conditions of post-1945 capitalism, was the result of distributional conflict between classes and groups which were sufficiently powerful that they could not be prevented from claiming a larger share of real output, necessarily at the expense of other classes or groups, but were not powerful enough to impose their claims on others. It argued for the acceptance of prices and incomes policies in order to control inflation, but on conditions. If workers were to accept real income increases that remained in line with productivity increases, two things were necessary. First, the initial distribution between wages and profits had to be agreed - it could not be assumed that the existing distribution was acceptable as a starting point. Second, since real wage increases would then depend on productivity increases, labour had to be involved in the decisions that determined the rate of increase of productivity - decisions about investment and innovation. Thus, the corollary of accepting prices and incomes policies was encroachment on managerial prerogatives by moving towards industrial democracy, planning agreements and eventually increased social ownership.⁸

This radical strategy was not only opposed by capital and its representatives, but also by an unholy alliance of on the one hand the right in the Labour Party and trade unions, and on the other the old left steeped in economistic labourism. The Communist Party and Labour militants successfully used their influence in the trade union and shop stewards movements to defend free collective bargaining and oppose incomes policies. The result was the acceleration of inflation to its high point of 25 per cent in the summer of 1975. There was, of course, a minority left presence in the Labour government of the time, most notably Benn at the Ministry of Technology, which advocated aspects of the alternative strategy, in particular planning agreements. However, the left, including supporters of the radical alternative economic strategy, still thought in terms primarily of the national economy, advocating import and exchange controls to contain the balance of payments problem and opposing the European Common Market. If there was a single moment symbolising the defeat of the left's bid for power and the end of any prospect, however slight, of the radical alternative economic strategy being adopted, it was the failure of the 'No' campaign in the 1975 referendum on whether Britain should stay in the Common Market, which was rapidly followed by the demotion of Benn.

Of course, the prospect of the radical alternative economic strategy ever having been adopted was indeed slight. For this to have happened, the organised labour movement

⁸ On the alternative economic strategy, see Aaronovitch (1981).

would have had to have developed a Gramscian hegemonic consciousness and strategy for the creation of a new historic bloc around a project of national democratic renewal and advance. A progressive hegemonic consciousness would have been one that aspired to the leadership of the society as a whole, rising above the defensive consciousness and sectional interests of the working class under capitalism and taking a view of how policies to meet the pressing needs of all the social classes and groups in the new conjuncture could be articulated around a transformatory project and discourse. It was precisely this that the economism of the trade unions and the reformist formation of the Labour Party precluded.

The outcome was that the second alternative post-social democracy trajectory, the turn to neoliberalism, was all that remained. After the symbolic defeat of the left in the 1975 referendum, militant labourism continued to resist this solution, culminating in the 1978/9 'winter of discontent', but to no avail. The Labour government abandoned the commitment to full employment and replaced it with the control of inflation as the priority economic objective. Unemployment started to rise. The scene was set for the 1980s era of full-blown neoliberal Thatcherism which decisively destroyed militant labourism and fundamentally reversed the shift in the balance of forces in favour of labour that had emerged from the second world war.

The dark ages: the 1980s and 1990s

Although most closely associated with the Thatcher era, neoliberalism did not suddenly emerge from nowhere. Thatcherism had been prepared for over a long period by a growing number of right-wing think tanks influenced above all by the work of Hayek, notably in the early years the Institute of Economic Affairs. This ideological offensive focused around the two principal components of Hayek's thought: the danger to freedom posed by discretionary state activity; and the role of markets as the institution best suited to guaranteeing individual freedom. This was a radical right alternative vision to the paternalism of the post-second world war social democratic welfare state. It had an increasing resonance with people's rising aspirations for more control over their lives, and for more responsive services from the welfare state and the nationalised utilities, as real incomes rose and memories of the inter-war period faded. However, it sought to articulate these aspirations within a hegemonic neoliberal individualism, rather than realise them through a turn to radical economic, social and political democracy.⁹

In the 1970s and early 1980s British politics could be seen as being characterised by two main dimensions - left-right and radical-conservative. The post-war social democratic consensus was between the conservative left and right. The crisis of social democracy meant that that consensus was no longer viable. Radical change was required. The radical alternative economic strategy was the attempt of a minority on the left to respond to this challenge and hegemonise people's rising aspirations within a left perspective by articulating them in a society-wide project of deepening democracy. As we have seen, this attempt was opposed by the conservative Labour right and the equally conservative economic militant left. Of course, the radical alternative economic strategy had its weaknesses: a residual statism and productivism; insufficient awareness of the issues raised by the new social movements - feminist, anti-racist and environmental; and an overly narrow focus on the national economy.

⁹ For an analysis of the politics of Thatcherism, see Gamble (1988).

Nevertheless, it was a heroic effort and its failure left the field wide open for the neoliberal radical right.¹⁰

The first half of the 1980s saw the effective destruction of militant labourism, culminating in the defeat of the last great miners' strike of 1984-85. Anti-trade union legislation transformed the character of the trade union movement from a defender of workers' interests in the labour market and the workplace into a provider of personal services to its members. Trade union membership fell dramatically, partly as a result of the new legislation, but also because of the process of deindustrialisation underway, which affected disproportionately the more densely unionised industries. Unemployment, which had averaged 3.8 per cent during the 1970s - already double the rate of the 1960s - rose to an average of 9.6 per cent in the 1980s.

Correspondingly, inflation, which had averaged 13.9 per cent in the 1970s, fell to an average of 6.4 per cent in the 1980s.¹¹ Incomes policies having failed in the 1970s, the 1980s saw the recreation of mass unemployment as a means of disciplining labour. This was also central to creating the conditions for the process of replacing collective consciousness and solidarity with an individual consciousness in which people think of themselves primarily as individual workers and consumers, not as citizens.

In addition to policies that directly changed the balance of forces in society, there were also policies to provide incentives to embrace the emerging new individualistic common sense of the age. Although privatisation through capital market flotations and top-management buy-outs transferred public property to the private sector at knock-down prices, resulting in scandalous capital gains, it also sought to create the illusion of a people's capitalism by significantly increasing the proportion of the population that owned shares. Of course, this occurred at the same time as the concentration of share ownership in the largest holdings continued to increase, but it nevertheless had an ideological effect. Similarly, the introduction of the right of tenants to buy their council houses also contributed to the ideology of a property owning democracy.

It took a long time to roll back the historic gains of labour that underlay the post-war consensus and the era of social democracy, and even today there are significant differences in the extent to which this has occurred in different countries. In Britain it was not until the early 1990s that the changed balance of forces and the lowering of expectations, with a corresponding reduction in the rate of inflation, were consolidated. By the mid-1990s the inflation rate had fallen from the 1980s average of 6.4 per cent to between 2 per cent and 3 per cent, and it has remained at this level ever since. Unemployment fell from an average of 9.6 per cent in the 1980s to an average of 7.9 per cent in the 1990s and has been around 5 per cent since 2001, without this resulting in an increase in inflation.

This last period of relatively low unemployment and low inflation shows that it is a mistake to argue, as some have suggested, that there is an inverse relation between

¹⁰ For a discussion of the strategy's weaknesses, See Aaronovitch (1986).

¹¹ All figures in this article are taken from the European Commission (2004).

unemployment and inflation, irrespective of the period concerned. This relationship did hold during the long boom in the era of social democracy, although the variations were small. However, the changed balance of forces in the new era of neoliberalism, and the associated lowering of aspirations, means that the relationship no longer holds, although it is worth remembering that unemployment at around 5 per cent is still significantly higher than the 1960s average of 1.7 per cent and the 1970s average of 3.8 per cent. This is a salutary reminder of the power of ideology, which, when it becomes the common sense of the age, acts as a material force in society, setting limits to what is thought possible and shaping behaviour.

Of course, the mass unemployment that re-emerged in Britain during the 1980s and first half of the 1990s, and still persists today in much of Continental Europe, was not the only new factor contributing to the changed balance of forces underpinning neoliberalism. Three other major developments have to be taken into account. First, there has been a big increase in global competition. The ability of capitalists to increase prices in the face of rising wages and import prices is heavily dependent on the degree of competition between them. The process of globalisation, encouraged by the national governments of the leading capitalist countries and animated by the multinationals, has to a large extent undermined the old oligopolistic relationship between capitals within the national economy, and this has greatly increased the intensity of competition worldwide. Second, the change in the balance of power brought about by decolonisation has been undermined by the neoliberal policies imposed on the third world by the IMF, World Bank and World Trade Organisation, although there are now signs of growing opposition to the new US imperialism. Finally, the re-emergence of mass unemployment and the dominance of US-driven policies of privatisation and deregulation were at least in part made possible by the weakening and then collapse of the Soviet Union and its allies, which left the US as the sole superpower for the time being and capitalism as the only game in town.

The role of New Labour: a future for social democracy?

The 1980s were the decade in which the historic bloc underpinning the post war-consensus was decisively destroyed, but this process was not without its costs, and this resulted in growing opposition. The increasing unpopularity of Thatcher with the electorate culminated in the Conservative Party palace coup in 1990 which replaced her with Major. However, despite his subsequent unexpected 1992 election victory, Major can be seen as a transitional figure and, by 1997, after eighteen years of Tory rule, the country had had enough. What can be said about the role of New Labour in the new context? To what extent can it be seen as providing a renewed impetus to social democracy?

Even though New Labour assumed office as the principal beneficiary of a partial rejection of policies associated with neoliberalism, it was from the start fully committed to the neoliberal agenda that Thatcherism had gone a long way to making the new common sense of the age. Far from seeking to overturn this new commonsense, New Labour embarked on an altogether different project. While Thatcherism had destroyed the old historic bloc and created the basis for a new neoliberal era, it had not yet succeeded in creating a new historic bloc in which

neoliberal principles and policies became the generally accepted ideological cement holding it together. This was to become the historic mission of New Labour.¹²

Economically, New Labour has pursued a relentless neoliberal free market strategy, seeking to create and consolidate a corporate business-friendly domestic and global environment. However, it is in relation to the welfare state that the distinctive character of New Labour's neoliberalism is apparent. After the initial period in which it accepted the public expenditure plans of the Conservatives, New Labour has significantly increased public expenditure, but on strict conditions, conditions it has sought to impose through an unremitting centralisation of power, the proliferation of unaccountable charitable or not-for-profit agencies, and the sidelining of local government.

The organising principle of the 'modernising reforms' on which New Labour has insisted as the price for increased public expenditure has been the transformation of the public sector from being operated on the basis of public service to being operated on the basis of market principles and 'value for money'. It is premised on the ideology that the private sector and business people are more efficient than the public sector and public servants. Patients, students, passengers, clients and citizens have been redefined as consumers. Public servants have been replaced by business people, managers of marketised state and non-state agencies and social entrepreneurs. The spin rationalising all this has been ending the power of bureaucracy and vested professional interests, transferring power from producers to consumers, and giving people control over their lives by providing choice. This was started by Thatcherism but has been generalised and universalised by New Labour and given a material basis by the increased public expenditure.

Freedom from the paternalistic 'nanny state', assuming personal responsibility for one's own life through the exercise of market choice, has also been the smokescreen under which the role of the state has been transformed from that of collective provision and solidarity on behalf of society as a whole, of people as citizens, into that of 'helping people to help themselves'. Policies to encourage those not working back into the labour force have resulted in some reduction in poverty, especially child poverty. However, this has coexisted with an increase in inequality as corporate directors have also helped themselves, irrespective of corporate success, to massive bonuses, capital gains and golden handshakes. What remains of the citizen-based solidaristic principle is confined to the provision of a safety net for those who cannot be brought to fend for themselves. Thus, New Labour is consciously creating a two-tier system, in which those who can, look after themselves, and those who can't, or won't, receive charity provided by a reluctant and disapproving state.

Despite the continuing resistance to New Labour's strategy of economic neoliberalism and the neoliberal marketisation of the state, it would be a mistake to underestimate the potential attractiveness of aspects of this strategy. The statism, paternalism, social engineering, inefficiency and prioritisation of producer over consumer interests associated with reformist social democracy all proved increasingly unpopular. The operation of representative democracy, with voters asked to choose a government at periodic intervals and then let it get on with deciding policy and implementing it, in

¹² See, Hall (2003).

the period of consensus when the outcome made less and less difference, led to disillusionment with the political process and falling turnout at elections. People sensed that radical change was needed. The reason why the 1970s are so crucial for an understanding of the present situation is that they were the decade in which the dynamic for necessary change was hegemonised by the neoliberal agenda. This does not mean that change was not necessary. The alternative to New Labour's neoliberal marketisation of all aspects of life cannot be a return to Old Labour's paternalistic social democracy. It must instead be a move towards radical democratisation.

The new millennium: insights from the political economy of the past

Politics in the New Millennium is characterised by the overwhelming dominance of the neoliberal agenda. There are, as always, movements of resistance and dreams of another world being possible. The countermovement is underway. However, until a forward-looking project of radical democratic renewal and reconstruction is developed, these movements will not become a coherent force, sustained in the long run, for fundamental change. The situation confronting the planet could hardly be more threatening - global capitalism is proving increasingly incompatible with social justice, ecological sustainability, and the rule of law, nationally and internationally. The principal insight to be drawn from the political economy of the 1970s and after is the need for a historical perspective and a hegemonic strategy. As we have seen, Thatcherism did not emerge from nowhere. Unlike New Labour, it did not seek to adapt to and consolidate an existing agenda. It was carefully prepared for and represented a conscious attempt to change the agenda, to alter the common sense of the age. It was an immensely successful hegemonic strategy.

Policies are, of course, essential, but they are not enough. They need to be shaped in relation to the social forces existing and developing in society with a view to reconfiguring them in a transformatory way, so that these forces come together to form a new historic bloc articulated around a radical democratic agenda for civil society, the state and the economy. The organising principles of such a bloc might be: democratisation not marketisation; citizens not consumers; solidarity not selfishness; participation not alienation; ecological sustainability and social justice. There is no shortage of social forces, overlapping and intersecting, that might potentially come together to constitute such a new historic bloc. What is missing, however, in this age of public historical amnesia, is a collective consciousness of the lessons to be drawn from the past half century and the confidence that with strategic vision another world really is possible.¹³

A hegemonic strategy for today must be based on radical participatory democracy. Disenchantment with conventional representative politics coexists with endless examples of people seeking control over their lives in relation to issues that affect them directly or that they care passionately about. Movements against environmental degradation and for a better quality of life are to be found among the poor of the third world as much as among the more affluent in the industrialised world.¹⁴ It is increasingly evident that global ecological sustainability and global social justice are

¹³ For a survey of left policies since the 1970s, see Thompson (2002).

¹⁴ See, Martinez-Alier (2002).

necessary conditions for each other - and equally evident that neither is possible within a global capitalist system that generates inequality and is driven by a dynamic of continuous economic expansion. The changes required to achieve a better quality of life for all are so great that they can only be realised through a participatory process seeking negotiated consensus. The development of a hegemonic strategy around this perspective requires the coming together of the left and green movements, the two social forces with an interest in the profound transformations that are necessary.

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